

Jobs for Youth

Spain

Des emplois pour les jeunes



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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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FOREWORD

The OECD's Employment, Labour and Social Affairs Committee has decided to carry out a thematic review of policies to facilitate the transition from school to work and to improve the employment perspectives of youth. This review is a key part of the implementation of the Reassessed OECD Jobs Strategy.

Sixteen countries (Australia, Belgium, Canada, Korea, Denmark, France, Greece, Japan, Netherlands, Norway, Poland, Slovak Republic, New Zealand, Spain, United Kingdom and United States) have decided to participate in this review which will take place between 2006 and 2009. Once all these countries have been reviewed, a synthesis report will be prepared highlighting the main issues and policy recommendations. The policies recommended in the synthesis report will be discussed at the OECD's Employment, Labour and Social Affairs Committee, preferably within the framework of a high-level forum which would be devoted to "Jobs for Youth".

In this thematic review, the term "youth" encompasses "teenagers" (that is in statistical terms, youth aged 15/16-19) as well as "young adults" (aged 20-24 and 25-29).

This report on Spain was prepared by Glenda Quintini with the statistical assistance of Clarisse Legendre and Thomas Manfredi. It is the second such country report prepared in the context of this thematic review which was developed by Raymond Torres (Head of Division) and Anne Sonnet (Project Leader). A draft of this report was presented at a seminar which was organised in Madrid on 29 January 2007 by the Ministry of Labour and Social Affairs. Discussants at the seminar included representatives of the public authorities and the social partners, as well as academics.

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SUMMARY AND MAIN RECOMMENDATIONS

The labour market performance of young people

The labour market situation of Spanish youth has improved considerably in recent years. Both the youth unemployment rate and the incidence of long-term unemployment among youth have more than halved over the past decade. The proportion of young people who have a job has increased by more than 50% over the same period. These achievements have occurred in the context of what is one of the most impressive employment growth records among EU countries: Spain has created more than 6 million net new jobs over the past decade, more than one third of total net employment gains in the EU-15.

Yet, there is still significant scope for improving the labour market situation of youth. The youth unemployment rate, at almost 18% in 2006, was more than 3 percentage points above the OECD average. In particular, young Spanish women have one of the highest unemployment rates in the OECD. And, while the incidence of temporary work among employed youth aged 16-24 has tended to decrease, it was still 66% in 2006, well above the corresponding OECD average of about 30%. As in other OECD countries, many youth enter the labour market with a temporary contract. However, Spain is unique in that youth tend to stay on temporary contracts for a very long period of time, interspersed with frequent unemployment spells when moving from one contract to the next.

Progress in further reducing youth unemployment and job precariousness is hampered by several factors. A first set involves the education system. One in four youth leave school with less than upper secondary education – which is regarded as the minimum level of basic skills to integrate in today's labour market – one of the highest drop-out rates among OECD countries. Early school drop-outs are also likely to face significant difficulties throughout their careers. Moreover, the links between the education system and work are too weak and work-based learning is limited to students in vocational education – whose performance in terms of access to employment after leaving school is relatively good.

Second, unemployed youth receive limited support to find a job, particularly those who are the most disadvantaged (*e.g.* youth lacking basic skills, youth with behavioural problems, long-term unemployed or disabled). Third, until recently, employment regulations have contributed to the marked labour-market segmentation between temporary and permanent jobs that characterises Spain labour market, thereby negatively affecting the career prospects and training opportunities of youth.

High growth rates in Spain offer the prospect of improved labour market performance for youth, provided that the above barriers are addressed effectively. This report provides reform options for meeting this challenge.

Recent reforms

Over the past few years, efforts to further raise educational attainment have been stepped up. Spanish youth are, on average, much better educated than their older counterparts. University attendance and graduation rates have risen considerably over the past two decades and the age of compulsory schooling was raised to 16 over the 1990s. A new reform was adopted in 2006. The Education Organic Law, approved in May, includes measures to address some of the main problems, notably the excessive school drop-out rate. Particular attention will be devoted to pedagogic support for children with learning difficulties, through increased funding for remedial programmes and reduced class size. Recognising the key role of pre-school education, particularly for youth from disadvantaged backgrounds, the government has decided to increase the number of nursery school places.

A reform aiming at improving the quality of the university system is also under discussion in Parliament. It seeks to ameliorate teaching and research through a transparent system of teacher recruitment based on merit. It also stresses the importance of promoting the mobility of teachers and researchers and allowing leaves of absence for exchanges with the private sector.

In addition, an important reform of employment regulations was adopted in 2006, with the aim of reducing labour market segmentation while keeping the high job creation momentum – the so-called Agreement to Improve Growth and Employment. The Agreement was the fruit of more than a year of negotiations between government, unions and employers. It comprises many provisions, notably time-limited subsidies for the conversion of temporary contracts into permanent ones, as well as financial incentives for hiring on permanent contracts. On the other hand, employment protection legislation on permanent contracts – one of the most stringent among OECD countries – remains practically unchanged. The Agreement also provides for

a much-needed strengthening of the role of the labour inspectorate. This is crucial to reduce abuse of recourse to temporary contracts. Finally, the Agreement emphasises the need to modernise public employment services and evaluate their performance.

New reforms are needed

The 2006 reforms represent a positive and reassuring signal regarding the vitality of social dialogue in Spain. They also reveal consensus on some of the key factors that hamper further improvement in the quality of the education system and in reducing labour-market segmentation, which affects youth disproportionately. But the judgement of many Spanish economists and the OECD is that the reforms, despite having led to an increase in hiring via permanent contracts so far, will not provide a significant boost to youth job prospects over the longer term. More needs to be done to improve the school-to-work transition.

The government should build on the existing consensus to draw up an effective and coherent strategy for promoting youth employment. The strategy would ideally comprise four main components: ensuring that youth leave education with the skills required by the labour market; making the transition from school to work less abrupt; reducing labour market segmentation by ensuring that temporary work acts as a stepping stone to a good career rather than a trap; implementing a comprehensive activation strategy for unemployed youth.

Ensuring that youth leave education with the skills required in the labour market

In terms of the education system, the priority is, first and foremost, to reduce early school leaving, which sometimes happens at a very young age, *e.g.* before successful completion of compulsory education. Participation in early childhood education oriented to reduce the risk of early school leaving is limited for very young children. In particular, public provision of childcare for children aged under 3 is rare, resulting in exclusion of some of the children at highest risk, such as those with low-skilled immigrant parents or from low-income families.

In addition, there are few “second-chance” opportunities for early school drop-outs. “Social guarantee” programmes provide a good framework for early school drop-outs to develop basic skills needed to gain access to the labour market, but are less successful in giving these disadvantaged youth a chance to return to education. Similarly, *Escuelas Taller* and *Casas de*

Oficios (programmes for long-term unemployed youth lacking basic skills) do not allow an easy return to mainstream education.

Second, more can be done to strengthen the links between the skills acquired in education and labour-market requirements. At present, few students choose to attend vocational secondary education despite the fact that labour demand is high for some of the fields taught in vocational schools. This calls for action to improve the attractiveness of vocational education. There are also grounds for improving the professional orientation and relevance of tertiary education. As many as six out of ten university graduates are employed in occupations which do not really utilise their qualifications – this is almost twice as high as the average for other European countries for which such data exist. More generally, the report finds considerable mismatch between the skills learnt in school and those required on the job, a situation that tends to persist beyond entry jobs.

To further improve the opportunities for youth to acquire the skills needed in the labour market, the following measures could be envisaged:

- *Increase participation in early childhood education and ensure sustained intervention.* Early childcare services could benefit from additional public help. Particular attention should be paid to ensure that these services reach children at the highest risk of dropping out of school.
- *Improve second-chance education opportunities for early school drop-outs.* Students who obtain a certificate from social guarantee programmes should be provided with a possibility to go back to vocational or general education. Likewise, unemployed youth graduating from vocational training programmes should be given a chance to return to mainstream education. Direct access to vocational education should be granted to those successfully graduating from *Escuelas Taller* and *Casas de Oficios*.
- *Ensure availability of apprenticeships in firms for all students attending vocational education.* Apprenticeships are much less developed in Spain than in other OECD countries. It is essential to ensure that in-work training is available to all students attending vocational education – as is done in countries like Germany. This requires greater participation of business associations in the design of curriculum. Particular attention should be paid to setting the apprenticeship wage at a level that reflects the training efforts of employers, thus ensuring that sufficient apprenticeship places are available.

- *Develop short-cycle university degrees and encourage attendance in those courses.* University studies need to be less theoretical and more closely related to the needs of the labour market. Short-cycle university degrees would help to achieve this, as experience of such courses in France shows.
- *Encourage greater links between university and the world of work.* This can be done by extending the requirement of a period of compulsory practice in a real labour market environment, as presently used in some areas such as medicine (in hospitals) and education (in schools). There is also room for developing exchanges between university researchers and the private sector and for opening up to the private sector the funding of university programmes.
- *Provide parents and youth with information on the labour market performance of different areas of study and education paths* – notably, vocational versus general secondary education or short versus long cycle at university, as well as various areas of university education. Strengthening guidance and counselling services at all levels of education would serve this purpose.
- *Evaluate teaching and research quality at university on a regular basis.* This measure is among the proposals put forward by the reform plan of university education currently under discussion in Parliament. Consideration should also be given to making public funding partly related to the outcomes of these evaluations.

Making the transition from school to work less abrupt

Compared with their OECD counterparts, Spanish students have limited contact with the labour market before they finish school. Few of them combine work and study, and there are relatively few internship opportunities. Evidence from other OECD countries highlights the benefits of combining study with part-time work, in terms of post-education labour market outcomes.

“Training contracts” – *contratos de formación* (for those with high-school qualifications) and *contratos en prácticas* (for university graduates) – are another way to help youth enter the labour market. Aimed at fostering work-based learning, these contracts are subject to specific minimum pay conditions. Notably, the salary of a young person on a *contrato de formación* is set in collective agreements and cannot be lower than the national minimum wage. For *contratos en prácticas*, pay must be equivalent to at least 60% of the negotiated wage for the profession concerned over the first year of

contract, progressing to 75% over the second year. Employers receive a lump-sum per hour of training provided and, if they retain the trainee on a permanent contract, they benefit from a lump-sum reduction in social security contributions for a period of four years.

However, take-up of these contracts is relatively low. For *contratos en prácticas*, this may be due to the fact that they are in direct competition with non-formal grants for university graduates (*becas no-convenidas*) that have been increasingly used in Spain as a way to fill regular job vacancies. For employers, it is likely that non-formal grants provide a more flexible screening device than training contracts – since they do not have a legal foundation, employers do not have to pay social security contributions and are not subject to employment protection legislation (unlike training contracts, which are subject to both). There are cases where youth prefer a *beca* to a *contrato en práctica* because the former confers a higher *status* than the latter. While *contratos en prácticas* can be used to hire youth holding any tertiary qualification, *becas* are opened to youth who have followed the academic route only and are assigned after a competitive selection process.

More generally, evidence from other OECD countries points to potential dead-weight losses for contracts targeted solely on age – in this case, on youth. Such contracts may also create threshold effects and may stigmatize beneficiaries. Promoting hiring of youth on ordinary contracts is preferable, with age-specific contracts targeted more closely on youth with particular disadvantages – e.g. youth lacking basic skills, with disabilities, long-term unemployed.

As a result, the following actions are recommended:

- *Broaden the use of internships at the graduate level and involve employers in their design.* This could be done by simplifying their use for firms and involving the firms in the design of internships. Such internships have proved successful in the case of the post-graduate courses with work-based practice organised by the Universities of Madrid and Barcelona, in cooperation with local employers. Students spend half of the time working in a firm and the other half at university, attending classes relevant to the professional environment of the firm where the work experience is taking place. The programme is entirely financed by participating employers, although there is no employment relationship between students and the firm and students receive a study grant rather than a salary. The professional content of the course and practice is such that many students are hired by the firm where they have worked during the programme.

- *Target training contracts on disadvantaged youth.* Disadvantaged youth qualifying for these contracts should include long-term unemployed youth, unemployed school drop-outs, other youth lacking basic skills and disabled youth. Some of these groups are already entitled to sign *contratos de formación* – they should be made the sole target in order to reduce deadweight losses. Specific regions or depressed areas could also be a target. The training wage should be set in a way that it accounts for the employer's training effort – particularly in view of the focus on disadvantaged youth.
- *Prevent the recruitment of students under non-formal grants* (becas no-convenidas), *but recognize the need for a flexible screening device.* Employers have been hiring young graduates on *becas no-convenidas*, thus showing interest for flexible screening devices. While *becas no-convenidas* should be outlawed as they do not have a legal contractual basis, thereby leading to abuses, the need for a way of testing young people's skills must be recognised. A longer trial period, within the framework of reforming employment protection legislation, could well serve this purpose (see below).

Reducing labour market segmentation by ensuring that temporary work acts as a stepping stone to a good career rather than a trap

The main demand-side obstacle to better youth employment prospects lies with the way employment regulations are shaped. Wages, on the other hand, do not appear to be a major obstacle to recruitment in general. In particular, minimum wages remain relatively low in Spain, notwithstanding their recent increase.

Employers tend to hire on temporary contracts those youth whose productivity is not immediately observable. As a result, for a number of youth temporary employment is a good entry path to the labour market. This is the case for youth who enter the labour market with adequate skills and get a chance to prove their productivity on relatively long temporary contracts. For others, however, temporary jobs can be a trap. Only one in five young people move from a temporary job to a permanent one each year, a rate which is well below the European average. And almost 60% of contracts lasting less than seven days in 2004 were signed with workers aged under 30. This short duration provides very little incentive for training and slim opportunities for youth to show their productivity and acquire a career.

The 2006 reform strengthens controls by the labour inspectorate. Reducing legal abuse of temporary contracts is indeed important. The

Labour Code was also amended to tighten the rules concerning the renewal and overall duration of temporary contracts. As a result of this change, those workers with at least two consecutive contracts on the same post, covering more than 24 months within a period of 30 months, will be entitled to a permanent contract.

In addition, a lump-sum subsidy has been introduced for the hiring of youth on permanent contracts – the subsidy is limited to a four-year period. The lump-sum subsidy was also provided for those conversions of temporary contracts into permanent ones which happened by the end of 2006. These measures are likely to increase the incidence of permanent contracts among employed youth. Also, given that the subsidy takes the form of a lump-sum payment (and is not proportional to the wage), it may limit deadweight losses – indeed the subsidy is proportionately smaller for high-paid jobs, which are more often filled with permanent contracts than is the case with low-paid jobs.

These measures have already started to bear some fruits. Over the six months following the reform, the number of permanent contracts signed with youth has seen a significant rise compared to the same period in previous years. This is a very positive outcome confirming that the reform, partly by its design, is having an immediate and positive effect. However, it is less clear whether the positive effects of the measures can be sustained in the longer term. In addition, the reform is costly for the public purse – the various subsidies are estimated to amount to close to 0.2% of GDP, presently financed with surpluses from the unemployment benefit system and the social guarantee fund.

Further reforms may therefore be needed in order to consolidate the gains achieved with the 2006 measures, while maintaining the strong employment dynamism of recent years. Among the reform options that are put forward, the first three require some regulatory changes but maintain the current degree of employment protection legislation. The last two reform options provide more radical alternatives.

- *Achieve greater convergence in the treatment of temporary versus permanent contracts.* At present, dismissal compensation for temporary contracts is eight days of pay per year of seniority, compared with 33 days in the case of “unfair” dismissal for permanent contracts. Reducing the difference in severance costs between the two types of contracts would improve employers’ incentives to provide more stable jobs to youth – by either converting temporary contracts into permanent ones, or recruiting directly under permanent contracts. One way of achieving this would be to i) ensure that dismissal compensation for both types of

contracts is of 20 days per year of seniority – *i.e.* the current entitlement in the event of individual, “fair” dismissal for objective reasons – and ii) simplify procedures so as to avoid that employers pay “unfair” compensation for dismissals which are justified on economic or individual grounds. This would be in line with the recommendations of the Reassessed OECD Jobs Strategy.

- *Increase the length of the trial period in permanent contracts.* The current statutory trial period in permanent contracts – two-three months for low-skilled workers and six months for skilled ones – is among the lowest in the OECD and shorter lengths are often negotiated in collective agreements. Raising it – for instance, to about ten months as in Denmark – would make employers less reluctant to hire inexperienced youth under permanent contracts and could prove a crucial boost to hiring. Indeed, evidence provided in this report shows that employers are relatively less reluctant to provide a permanent arrangement to a young person who has some experience in the firm, than to external candidates.
- *Make sure that the principle by which hiring on temporary contract is only possible for specific needs of a temporary nature is fulfilled.* This can be done through more frequent and more accurate labour inspections, as envisaged in the 2006 reform.
- *Make severance costs and administrative procedures more predictable.* This would reduce employers’ reluctance to hire under permanent contracts, or provide a permanent contract on expiration of a temporary one. A radical solution to raise the predictability of dismissal costs would be to move towards a system of individual severance accounts, as exists in Austria. For Spain, this would require a more legally enforceable distinction between unfair (discriminatory) and fair (all other grounds) dismissals. Workers are still protected against unfair dismissal in a system with individual severance accounts. But in the event of fair dismissal they have the right to use their individual account balance.
- *Move towards experience rating of unemployment insurance premia and a single contract.* This would constitute a radical change from the present system of dismissal protection but would imply that those firms which are more prone to dismiss workers would have to pay higher contributions to the unemployment benefit system. The most problematic aspect of such a change in Spain would be that in an experience rating-type system, the distinction between temporary and permanent would no longer exist and all workers would be entitled to the same compensation in case of dismissal.

Implementing a comprehensive activation strategy for unemployed youth

Few non-employed teenagers and young adults receive unemployment insurance benefits, unemployment assistance or other forms of welfare support. As a result, benefit dependence is only likely to arise for older youth aged 25-29. On the other hand, the effectiveness of employment services provided to unemployed youth should be improved.

At present, INEM (*Instituto Nacional de Empleo*) offers various re-employment services to registered youth. However, little evaluation of these programmes exists. Two training programmes (*Escuelas Taller* and *Casas de Oficios*) are subject to continuous monitoring and follow-up of participants, but these involve just over 3% of unemployed youth.

Co-operation with private agencies in the provision of re-employment and training services is almost non-existent and direct job creation initiatives involve exclusively jobs in the public sector or with non-profit organisations. In addition, when private agencies provide services – such as initial interviews – they are not evaluated on results. For instance, at the moment, only communities and public administrations can submit proposals for setting up an *Escuela Taller* or *Casa de Oficio* and the activities carried out are limited to those of public/social utility. Partly because of these constraints, the number of *Casas de Oficios* centres has decreased considerably over time. Similarly, direct job creation never involves subsidised jobs in the private sector, despite the fact that this can be effective, as experience in the United Kingdom within the New Deal for Young People programme shows.

The rigorous evaluation of programmes launched at the time of the 2006 reform should be used as a starting point for a much needed overhaul of the Public Employment Service (PES). It should also highlight examples of good and bad practices existing at the local level. Evaluating the cost-effectiveness of existing and envisaged measures is also key, especially in light of the existing budgetary restrictions applying to the Spanish PES. While much of the implementation of labour market policies is decentralised, autonomous communities did not participate in the discussions leading to the 2006 reform. The following actions are recommended:

- *Ensure greater co-operation between autonomous communities (which have responsibility for activation programmes) and the INEM (which provides benefits).* Cooperation is indeed needed in order to ensure that services are provided to the young unemployed in an integrated manner and as part of an effective “mutual obligations” approach. While this is problematic for teenagers and

young adults who rarely qualify for unemployment benefits, it is important for 25 to 29-year-olds who represent a large group among unemployment benefit recipients.

- *Ensure that effective employment services for unemployed youth are provided at an early stage.* Youth should participate in intensive, personalised interviews with employment counsellors. After a period of unsuccessful job-search of between three to six months, youth should be provided with an opportunity to i) participate in a well-designed programme; ii) work as part of a targeted subsidised scheme; or iii) go back to school. As part of this approach, a programme targeted on long-term unemployed youth could be created.
- *Remuneration schemes of PES personnel as well as private providers must reflect placement success* but also provide the right incentives to place the most disadvantaged youth. Adequate staff resources should be provided to the PES to implement such a strategy.
- *Encourage unemployed youth to register with the PES even when they are not entitled to unemployment benefits.* Some of the programmes offered – *Escuelas Taller* or *Casas de Oficios* – are available for very young people without qualification but few of these young people are registered as unemployed with the PES as they rarely qualify for unemployment benefits.
- *Extend the scope of Escuelas Taller and Casas de Oficios.* For a programme to be funded, it has to be related to activities of public interest and/or utility and has to be provided by a public body or a non-profit organisation. Relaxing one or both of these constraints for authorisation to set up a training centre may increase the number of centres and places available. Besides, more co-operation with the private sector may facilitate placement after the course ends.
- *Set up rigorous evaluations of services provided by both INEM and private providers.* Very little evaluation of labour market programmes is carried out at the moment. Much more needs to be done with the aim of maintaining only services that are cost-effective.
- *Set up pilot studies at the local level for new measures introduced.* This would serve the double objective of studying the effects of policies before they are implemented at the national level as well as improving co-operation between the central government and autonomous communities.

RÉSUMÉ ET PRINCIPALES RECOMMANDATIONS

La situation des jeunes sur le marché du travail

La situation des jeunes Espagnols sur le marché du travail s'est beaucoup améliorée ces dernières années. Tant le taux de chômage que l'incidence du chômage de longue durée chez les jeunes ont plus que diminué de moitié au cours des dix dernières années et la part des jeunes dotés d'un emploi a augmenté de plus de 50 % au cours de la même période. Ces bons résultats ont été obtenus alors que l'Espagne connaissait l'un des records de croissance de l'emploi les plus impressionnants parmi les pays de l'Union européenne : plus de 6 millions d'emplois nouveaux ont en effet été créés au cours de ces dix dernières années, ce qui représente plus du tiers de l'accroissement net total de l'emploi dans l'Europe des 15.

Pourtant, la situation des jeunes sur le marché du travail peut encore être améliorée. Le taux de chômage des jeunes, presque 18 % en 2006, est de plus de 3 points de pourcentage au-dessus de la moyenne de l'OCDE. En particulier, le taux de chômage des jeunes femmes espagnoles est l'un des plus élevés dans la zone de l'OCDE. En outre, si l'incidence du travail temporaire parmi les jeunes de 16-24 ans dotés d'un emploi a tendance à diminuer, il était encore de 66 % en 2006 contre environ 30 % pour la moyenne de l'OCDE. Comme dans d'autres pays de l'OCDE, beaucoup de jeunes entrent sur le marché du travail avec un contrat à durée déterminée. Cependant, la particularité de l'Espagne est que les jeunes sont employés sur des contrats temporaires pendant très longtemps et connaissent de fréquentes périodes de chômage entre deux contrats.

Plusieurs facteurs empêchent de marquer des points dans la lutte contre le chômage des jeunes et la précarité de l'emploi. Premièrement, certains obstacles tiennent au système d'enseignement. Un jeune sur quatre quitte le système scolaire sans avoir achevé le deuxième cycle de l'enseignement secondaire considéré comme le niveau minimum pour intégrer le marché du travail d'aujourd'hui – soit l'un des taux d'abandon les plus élevés

parmi les pays de l'OCDE. Les élèves qui sortent précocement du système éducatif devront probablement aussi faire face à d'importantes difficultés tout au long de leur carrière professionnelle. En outre, les liens entre le système d'enseignement et le monde du travail sont insuffisants et la formation pratique est réservée aux élèves de l'enseignement professionnel – lesquels obtiennent d'assez bons résultats pour ce qui est de l'accès à l'emploi une fois leurs études achevées.

Deuxièmement, les jeunes chômeurs reçoivent une aide limitée pour trouver du travail, et cela est particulièrement vrai pour les plus défavorisés d'entre eux (par exemple les jeunes qui n'ont pas acquis les compétences de base, qui souffrent de troubles du comportement, qui sont en chômage de longue durée ou qui sont handicapés). Troisièmement, jusqu'à une période récente, les règles régissant l'emploi ont favorisé la forte segmentation du marché du travail entre emplois temporaires et emplois permanents qui caractérise l'Espagne, compromettant ainsi les perspectives de carrière et les possibilités de formation des jeunes.

Les forts taux de croissance enregistrés par l'Espagne permettent d'espérer une amélioration de la performance des jeunes sur le marché du travail à condition que l'on s'attaque efficacement aux obstacles ci-dessus. Le présent rapport propose des réformes permettant de relever ce défi.

Réformes récentes

Au cours de ces dernières années, les efforts entrepris pour relever le niveau d'instruction ont été renforcés. Les jeunes Espagnols sont en moyenne beaucoup plus instruits que leurs aînés. Le taux d'inscription à l'université et le taux de diplômés ont considérablement augmenté depuis vingt ans et l'âge de fin de la scolarité obligatoire a été repoussé à 16 ans. Une nouvelle réforme a été adoptée en 2006. La loi organique sur l'éducation, approuvée en mai, prévoit des mesures pour venir à bout de certains des principaux problèmes qui se posent, notamment le fort taux d'abandon scolaire. Une attention particulière sera portée au soutien pédagogique pour les enfants ayant des difficultés d'apprentissage ; les programmes de remédiation recevront un financement accru et la taille des classes sera diminuée. Reconnaisant le rôle essentiel de l'éducation préscolaire, en particulier pour les enfants défavorisés, le gouvernement a décidé d'augmenter le nombre de places en maternelles.

Une réforme visant à rehausser la qualité du système universitaire est également en débat au Parlement. Son objet est d'améliorer l'enseignement et la recherche en s'appuyant sur un système transparent de recrutement des professeurs fondé sur le mérite. Elle souligne aussi la nécessité de

promouvoir la mobilité des enseignants et des chercheurs, et d'octroyer des congés pour des échanges avec le secteur privé.

En outre, une importante réforme de la réglementation du travail a été adoptée en 2006 en vue de réduire la segmentation du marché du travail tout en conservant la forte dynamique de création d'emplois : l'Accord pour l'amélioration de la croissance et de l'emploi. Cet Accord est le fruit de plus d'un an de négociations entre les pouvoirs publics, les syndicats et le patronat. Il comprend de nombreuses dispositions, notamment des subventions limitées dans le temps pour la conversion de contrats temporaires en contrats permanents, ainsi que des incitations financières pour favoriser les recrutements sur contrat permanent. Cependant, la législation sur la protection de l'emploi relative aux contrats permanents, l'une des plus rigoureuses parmi les pays de l'OCDE, reste pratiquement inchangée. L'Accord prévoit aussi le renforcement nécessaire du rôle de l'inspection du travail. Cette mesure est essentielle pour lutter contre le recours abusif aux emplois temporaires. Enfin, l'Accord souligne la nécessité de moderniser les services publics de l'emploi et d'évaluer leurs performances.

De nouvelles réformes sont nécessaires

Les réformes de 2006 constituent un signal positif et rassurant quant à la vitalité du dialogue social en Espagne. Elles font également apparaître un consensus sur certains des principaux facteurs qui font obstacle à l'amélioration du système éducatif et à la réduction de la segmentation du marché du travail et qui nuisent aux jeunes de façon disproportionnée. Cependant, de nombreux économistes espagnols et l'OCDE s'accordent à penser que les réformes, en dépit du fait qu'elles ont conduit jusqu'à présent à l'augmentation des embauches avec un contrat permanent, ne suffiront pas à dynamiser de façon significative les perspectives d'emploi des jeunes sur le long terme. D'autres mesures doivent être prises pour faciliter le passage de l'école à la vie active.

Le gouvernement devrait s'appuyer sur le consensus existant pour élaborer une stratégie cohérente et efficace de promotion de l'emploi des jeunes. Cette stratégie comprendrait quatre grands axes : veiller à ce que les jeunes quittent le système d'enseignement avec les compétences requises sur le marché du travail ; rendre moins abrupt le passage de l'école à la vie active ; réduire la segmentation du marché du travail en veillant à ce que le travail temporaire soit un tremplin pour une carrière réussie et non un piège ; mettre en œuvre une stratégie globale d'activation pour lutter contre le chômage des jeunes.

Veiller à ce que les jeunes quittent le système d'enseignement avec les compétences requises sur le marché du travail

En ce qui concerne l'enseignement, la priorité est avant tout de lutter contre les sorties prématurées du système qui interviennent parfois à un très jeune âge, c'est-à-dire avant la fin de la scolarité obligatoire. L'accès à l'éducation préscolaire, qui peut réduire le risque d'abandon précoce du système éducatif, est limité pour les très jeunes enfants. En particulier, il n'existe guère de structures publiques de garde pour les enfants de moins de 3 ans, ce qui conduit à l'exclusion de certains des enfants les plus vulnérables, comme ceux dont les parents sont des immigrants faiblement qualifiés ou qui sont issus de familles très modestes.

En outre, les dispositifs destinés à offrir une deuxième chance aux jeunes ayant abandonné prématurément le système scolaire ne sont pas nombreux. Les programmes de garantie sociale permettent à ces jeunes d'acquérir les compétences de base nécessaires pour trouver du travail mais ils réussissent moins bien lorsqu'il s'agit de donner à ces jeunes défavorisés la possibilité de reprendre des études. Ainsi, les *Escuelas Taller* et les *Casas de Oficios* (programmes visant les jeunes chômeurs de longue durée ne possédant pas les compétences de base) ne facilitent pas le retour dans le système ordinaire d'enseignement.

Des efforts doivent encore être faits pour renforcer le lien entre les compétences acquises grâce à l'enseignement et les besoins du marché du travail. Aujourd'hui, peu d'élèves choisissent de suivre un enseignement secondaire de type professionnel bien que la demande de main-d'œuvre soit forte dans certains domaines enseignés dans des écoles professionnelles. Il faut donc prendre des mesures pour améliorer l'attrait de l'enseignement professionnel. Il conviendrait aussi d'améliorer l'orientation professionnelle et la pertinence de l'enseignement supérieur. Parmi les diplômés de l'université, six sur dix sont employés dans des professions où leurs qualifications ne sont pas véritablement exploitées. C'est pratiquement deux fois la moyenne enregistrée pour les autres pays européens pour lesquels il existe ce type de données. D'une façon plus générale, le rapport conclut à une forte inadéquation des qualifications acquises à l'école et des compétences requises dans le monde du travail, situation qui tend à persister après le premier emploi.

Pour améliorer encore les chances des jeunes d'acquérir les compétences requises sur le marché du travail, les mesures ci-après pourraient être envisagées :

- *Accroître les inscriptions dans le système d'éducation et de garde des tout jeunes enfants et assurer la pérennité des interventions.* Les services de garde des jeunes enfants gagneraient à bénéficier d'une aide publique supplémentaire. Il conviendrait de veiller tout particulièrement à ce que ces services accueillent les enfants les plus exposés au risque d'abandon précoce du système scolaire.
- *Améliorer les programmes éducatifs de la deuxième chance pour les jeunes quittant le système scolaire sans diplôme.* Les étudiants qui sortent d'un programme de garantie sociale avec un certificat devraient pouvoir retourner dans l'enseignement professionnel ou général. De la même façon, les jeunes chômeurs qui obtiennent un diplôme dans le cadre d'un programme de formation professionnelle devraient pouvoir reprendre des études dans le système éducatif ordinaire. Un accès direct à l'enseignement professionnel devrait être accordé aux jeunes qui sortent des *Escuelas Taller* et des *Casas de Oficios* avec un diplôme.
- *Garantir des places d'apprentissage dans les entreprises à tous les élèves de l'enseignement professionnel.* L'apprentissage est beaucoup moins développé en Espagne que dans les autres pays de l'OCDE. Il est essentiel de veiller à ce que tous les élèves de l'enseignement professionnel puissent avoir une formation pratique, comme c'est le cas en Allemagne par exemple. Cela implique que les organisations patronales participent davantage à l'élaboration des programmes. Il faut veiller en particulier à ce que le salaire des apprentis tienne compte de l'effort de formation des entreprises, mesure propre à garantir un nombre suffisant de places d'apprentissage.
- *Mettre en place des études universitaires courtes et en promouvoir la fréquentation.* Les études universitaires doivent être moins théoriques et plus étroitement liées aux besoins du marché du travail. Des études universitaires courtes contribueraient à cet objectif, comme le montre l'expérience de la France dans ce domaine.
- *Promouvoir des relations plus étroites entre l'université et le monde du travail.* Il faut étendre à l'université l'obligation de stages pratiques dans des conditions réelles de travail comme c'est le cas aujourd'hui dans certaines disciplines telles que la médecine (hôpitaux) et l'enseignement (écoles). Il est aussi possible de développer les échanges entre les chercheurs universitaires et de permettre au secteur privé de financer des programmes universitaires.

- *Communiquer aux parents et aux jeunes des informations sur les débouchés professionnels de différents domaines d'études et parcours scolaires* – notamment, enseignement secondaire général ou enseignement professionnel, ou encore cycle universitaire long ou court, et divers secteurs de l'enseignement supérieur. Le renforcement des services d'orientation et de conseil à tous les niveaux du système d'enseignement servirait cet objectif.
- *Évaluer la qualité de l'enseignement et de la recherche à l'université de façon régulière.* Cette mesure fait partie des propositions présentées dans le plan de réforme de l'enseignement universitaire en débat au Parlement. Il conviendrait aussi d'envisager de lier en partie les financements publics aux résultats de ces évaluations.

Rendre la transition de l'école à l'emploi moins abrupte

Par rapport à leurs homologues de l'OCDE, les étudiants espagnols ont peu de contact avec la vie professionnelle avant la fin de leurs études. Peu d'entre eux combinent travail et études et les possibilités de stage sont relativement rares. Les données issues d'autres pays de l'OCDE mettent en évidence les avantages que présente le cumul études et travail à temps partiel pour l'insertion sur le marché du travail après les études.

Les « contrats de formation » – *contratos de formación* (pour les élèves ayant un diplôme sanctionnant le deuxième cycle de l'enseignement secondaire) et *contratos en prácticas* (pour les diplômés de l'université) – sont également de nature à aider les jeunes à entrer sur le marché du travail. Destinés à renforcer la formation pratique, ces contrats sont assortis de conditions minimums de rémunération spécifiques. Par exemple, le salaire d'un jeune titulaire d'un *contrato de formación* est fixé par convention collective et ne peut être inférieur au salaire minimum national. En ce qui concerne les *contratos en prácticas*, la rémunération doit être équivalente à au moins 60 % du salaire négocié pour la profession considérée au cours de la première année, puis de 75 % au cours de la deuxième année. Les employeurs reçoivent une somme forfaitaire par heure de formation assurée et s'ils recrutent le stagiaire sur un contrat permanent, ils bénéficient d'une réduction forfaitaire des cotisations sociales pendant une période de quatre ans.

Cependant, ces contrats de formation n'ont pas beaucoup de succès. S'agissant des *contratos en prácticas*, cela peut s'expliquer par le fait qu'ils sont en concurrence directe avec les bourses informelles destinées aux diplômés de l'université (*Becas no-convenidas*), de plus en plus

utilisées en Espagne pour pourvoir des postes vacants ordinaires. Pour les entreprises, il est probable que les bourses non formelles fournissent un moyen de sélection plus souple que les contrats de formation – dans la mesure où elles n’ont aucun fondement juridique, elles n’entraînent pas pour l’employeur l’obligation de verser des cotisations sociales et de se soumettre à la législation sur la protection de l’emploi (contrairement aux contrats de formation). Dans certains cas, les jeunes préfèrent une *beca* à un *contrato en práctica* car la première confère un meilleur statut. Alors que les *contratos en prácticas* peuvent servir à recruter des jeunes titulaires de n’importe quel titre de l’enseignement supérieur, les *becas* sont uniquement ouvertes aux jeunes ayant suivi un cursus universitaire et sont octroyées à l’issue d’un processus de sélection.

D’une façon plus générale, les données émanant d’autres pays de l’OCDE montrent que les contrats ciblés uniquement sur l’âge – en l’occurrence, sur les jeunes – s’accompagnent d’effets d’aubaine. Ces contrats peuvent aussi créer des effets de seuil et stigmatiser les bénéficiaires. Il est préférable de promouvoir le recrutement des jeunes sur des contrats ordinaires, et de réserver les contrats ciblés sur l’âge aux jeunes souffrant de handicaps particuliers – à savoir, jeunes ne possédant pas les compétences de base requises, handicapés ou chômeurs de longue durée.

Les mesures ci-après sont donc recommandées :

- *Ouvrir les stages aux diplômés et associer le patronat à leur conception.* Pour ce faire, il conviendrait de simplifier les procédures pour les entreprises et d’associer celles-ci à la conception des stages. Ces stages se sont révélés fort utiles dans le cas des études de troisième cycle comportant une pratique professionnelle organisées par les universités de Madrid et de Barcelone, en coopération avec les entreprises locales. Les étudiants passent 50 % de leur temps à travailler dans une entreprise et 50 % à étudier à l’université, et à suivre des cours correspondant à l’activité de l’entreprise où ils acquièrent leur expérience professionnelle. Ce programme est entièrement financé par les entreprises participantes bien qu’il n’y ait aucun lien d’emploi entre celles-ci et les étudiants, et les étudiants reçoivent une bourse d’études et non un salaire. Le contenu professionnel des cours et du stage est tel que bon nombre d’étudiants sont recrutés par les entreprises dans lesquelles ils travaillent dans le cadre de ce programme.

- *Cibler les contrats de formation sur les jeunes défavorisés.* Les jeunes défavorisés pouvant prétendre à ce type de contrat doivent inclure les jeunes chômeurs de longue durée, les jeunes sortis prématurément du système scolaire et se trouvant au chômage, d'autres jeunes ne possédant pas les compétences de base et les jeunes handicapés. À présent, un *contrato de formación* peut être établi pour les jeunes appartenant à certains de ces groupes – il doit être ciblé sur les jeunes défavorisés afin de réduire les effets d'aubaine. Certaines régions ou zones en difficulté pourraient également être visées. La rémunération au titre de la formation devrait être fixée de manière à tenir compte de l'effort de formation de l'entreprise, étant donné en particulier qu'il s'agit de jeunes défavorisés.
- *Prévenir le recrutement d'étudiants avec des bourses non formelles (becas no-convenidas), mais reconnaître la nécessité d'un mécanisme de sélection souple.* Les entreprises ont recours aux *becas no-convenidas* pour recruter de jeunes diplômés, montrant ainsi leur intérêt pour des mécanismes de sélection souples. S'il doit être mis fin à la pratique des *becas no-convenidas* – car celles-ci n'ont pas de base contractuelle légale, ce qui conduit à des abus –, il faut néanmoins reconnaître que les entreprises ont besoin d'un moyen de tester les compétences des jeunes. Un allongement de la période d'essai, dans le cadre de la réforme de la législation sur la protection de l'emploi, pourrait servir cet objectif (voir ci-après).

Réduire la segmentation du marché du travail en veillant à ce que les emplois temporaires soient un tremplin pour une carrière réussie et non un piège

Du côté de la demande, le principal obstacle à de meilleures perspectives d'emploi pour les jeunes tient à la façon dont la réglementation du travail est conçue. En revanche, les salaires ne semblent pas être un obstacle majeur au recrutement en général. En particulier, les salaires minimums restent relativement bas en Espagne, bien qu'ils aient été récemment augmentés.

Les employeurs recrutent sur des contrats temporaires les jeunes dont la productivité n'est pas immédiatement manifeste. De ce fait, pour un certain nombre de jeunes, les emplois temporaires sont un bon moyen de prendre pied sur le marché du travail. C'est le cas pour ceux qui possèdent les compétences adéquates et ont la chance de pouvoir faire la preuve de

leur productivité sur des contrats temporaires relativement longs. Pour les autres cependant, les emplois temporaires peuvent être un piège. Seul un jeune sur cinq passe d'un emploi temporaire à un emploi permanent chaque année, taux qui est bien inférieur à la moyenne européenne. En 2004, près de 60 % des contrats de moins de sept jours étaient signés avec des travailleurs de moins de 30 ans. Cette durée courte n'incite guère à la formation et limite les possibilités pour les jeunes de montrer qu'ils sont productifs et d'avoir une carrière.

La réforme de 2006 prévoit un renforcement des contrôles de l'inspection du travail. Il est en effet important de réduire le recours abusif aux contrats temporaires. Le Code du travail a également été modifié pour introduire des règles plus rigoureuses concernant le renouvellement et la durée globale des contrats temporaires. Les travailleurs ayant signé au moins deux contrats consécutifs et occupé le même poste au cours d'une période supérieure à 24 mois sur 30, pourront prétendre à un contrat permanent.

En outre, une subvention forfaitaire a été créée pour les entreprises qui recrutent des jeunes sur des contrats permanents – celle-ci est versée pendant une période maximum de quatre ans. Cette subvention forfaitaire est également octroyée pour la transformation de contrats temporaires en contrats permanents avant fin 2006. Ces mesures devraient accroître la proportion de contrats permanents parmi les travailleurs jeunes. Étant donné que cette subvention prend la forme d'un versement forfaitaire (et n'est pas proportionnelle au salaire), elle est propre à limiter les effets d'aubaine ; elle est en effet proportionnellement moins élevée pour les emplois à forte rémunération, qui sont plus souvent pourvus avec des contrats permanents que les emplois faiblement rémunérés. Ces mesures ont déjà commencé à porter leurs fruits. Pendant les six mois suivant la réforme, le nombre de contrats permanents établis avec des jeunes a connu une augmentation significative par rapport à la même période des années précédentes. Cette très bonne performance confirme que la réforme, en partie en raison de sa conception, a déjà produit des résultats immédiats. Cependant, il est moins clair si les effets positifs de ces mesures dureront au-delà de la période de quatre ans couverte. En outre, la réforme est coûteuse pour le Trésor public – les différentes subventions représentent environ 0.2 % du PIB, financé à présent par le surplus du système d'assurance chômage et du fonds de garantie sociale.

Il pourrait donc être nécessaire d'entreprendre de nouvelles réformes afin de consolider les gains potentiels découlant des mesures prises en 2006, tout en conservant le fort dynamisme de l'emploi observé ces dernières années. Parmi les possibilités de réforme qui sont mises en avant, les trois premières nécessitent une modification de la réglementation mais

ne touchent pas au niveau actuel de la législation sur la protection de l'emploi. Les deux dernières réformes proposées représentent en revanche un changement plus radical.

- *Parvenir à une plus grande convergence des règles concernant les contrats temporaires et les contrats permanents.* À l'heure actuelle, les indemnités de licenciement des titulaires de contrats temporaires se montent à huit jours de salaire par année d'ancienneté contre 33 jours en cas de licenciement abusif pour les titulaires de contrats permanents. Réduire la différence des coûts de licenciement entre les deux types de contrat permettrait d'inciter davantage les employeurs à offrir des emplois plus stables aux jeunes – soit en transformant des contrats temporaires en contrats permanents, soit en recrutant directement sur des contrats permanents. L'un des moyens d'y parvenir serait de i) veiller à ce que les indemnités de licenciement pour les deux types de contrat soient de 20 jours de salaire par année d'ancienneté – c'est-à-dire l'indemnité actuelle en cas de licenciement non abusif pour des raisons objectives ; et ii) simplifier les procédures afin d'éviter que les entreprises ne versent des indemnités « injustes » pour des licenciements qui sont justifiés par des raisons économiques ou individuelles. Cette mesure serait conforme aux recommandations de la nouvelle Stratégie de l'OCDE pour l'emploi.
- *Allonger la période d'essai dans le cadre des contrats permanents.* La durée légale de la période d'essai dans le cadre d'un contrat permanent – de 2-3 mois pour les employés moins qualifiés et de six mois pour les qualifiés – est la plus courte parmi les pays de l'OCDE. La durée fixée dans le cadre des accords de convention collective est souvent plus courte. Si elle était prolongée – par exemple jusqu'à 10 mois comme au Danemark –, les employeurs seraient moins réticents à embaucher des jeunes inexpérimentés sur des contrats permanents et cela pourrait stimuler les recrutements. De fait, les données présentées dans le présent rapport montrent que les entreprises hésitent relativement moins à donner un contrat permanent à un jeune qui a acquis une certaine expérience dans l'entreprise plutôt qu'à des candidats extérieurs.
- *S'assurer que le principe selon lequel il n'est possible de recruter sur un contrat temporaire que pour répondre à des besoins particuliers et transitoires est respecté.* Cela peut se faire par des inspections plus fréquentes et plus rigoureuses comme envisagé dans la réforme de 2006.

- *Accroître la prévisibilité des coûts de licenciement et des procédures administratives.* Cela réduirait la réticence des employeurs à recruter sur des contrats permanents ou à octroyer des contrats permanents à l'échéance des contrats temporaires. Pour améliorer la prévisibilité des coûts de licenciement, une solution radicale consisterait à évoluer vers un système de comptes individuels de protection contre le licenciement tel qu'il en existe en Autriche. Pour ce faire, l'Espagne devrait distinguer plus rigoureusement sur le plan juridique les licenciements abusifs (discriminatoires) et non abusifs (motivés par toute autre raison). Dans un système avec comptes individuels de protection contre le licenciement, les travailleurs sont toujours protégés contre les licenciements abusifs. En cas de licenciements non abusifs, ils ont le droit d'utiliser leurs comptes.
- *Introduire une tarification tenant compte des antécédents de l'entreprise pour les primes d'assurance chômage, et instituer un contrat unique.* Cela serait un changement radical par rapport au système actuel de protection contre le licenciement ; les entreprises qui ont davantage tendance à licencier devraient payer des cotisations plus élevées au système d'assurance chômage. L'aspect le plus délicat d'une telle réforme en Espagne serait que, la distinction entre contrat temporaire et contrat permanent n'existerait plus et que tous les travailleurs auraient droit à la même indemnisation en cas de licenciement.

Mise en œuvre d'une stratégie d'activation globale pour les jeunes chômeurs

Les adolescents et jeunes adultes sans emploi qui reçoivent des indemnités d'assurance chômage, une aide au titre du chômage ou d'autres formes d'aide sociale sont peu nombreux. En conséquence, la dépendance à l'égard des prestations ne s'observe que plus tard, dans la tranche d'âge 25-29 ans. En revanche, l'efficacité des services de l'emploi assurés auprès des jeunes chômeurs doit être améliorée.

À l'heure actuelle, l'INEM (*Instituto Nacional de Empleo*) offre divers services de réemploi aux jeunes inscrits. Cependant, il n'existe aucune évaluation de ces programmes. Deux programmes de formation (*Escuelas Taller* et *Casas de Oficios*) sont soumis au contrôle et au suivi continu des participants mais ils n'intéressent qu'un peu plus de 3 % des jeunes chômeurs.

La coopération avec des organismes privés pour la prestation de services de réemploi et de formation est pratiquement inexistante et les initiatives de création directe d'emplois visent exclusivement le secteur public ou les organisations à but non lucratif. En outre, lorsque des organismes privés assurent des services – comme l'entretien initial – ils ne sont pas évalués en fonction de leurs résultats. Par exemple, pour l'heure, seules les communautés et les administrations publiques peuvent soumettre des projets pour créer une *Escuela Taller* ou une *Casa de Oficio* et leur compétence est limitée à des activités d'utilité collective et de service public. C'est en partie à cause de cela que le nombre de *Casas de Oficios* diminue considérablement dans le temps. De même, la création directe d'emplois ne porte jamais sur des emplois subventionnés dans le secteur privé bien que cette mesure puisse être efficace comme on l'a vu au Royaume-Uni avec le programme *New Deal for Young People*.

L'évaluation rigoureuse des programmes lancés au moment de la réforme de 2006 devrait servir de point de départ à la très nécessaire refonte du Service public de l'emploi (SPE). Elle devrait aussi mettre en évidence des exemples de bonnes et de mauvaises pratiques au niveau local. Il est aussi très important d'appeler l'attention sur la rentabilité des actions en cours et envisagées, en particulier au vu des restrictions budgétaires auxquelles est soumis à présent le SPE en Espagne. Bien qu'une grande partie de la mise en œuvre des politiques du marché du travail soit décentralisée, les communautés autonomes n'ont pas participé aux débats qui ont précédé la réforme de 2006. Les mesures ci-après sont recommandées :

- *Veiller à une coopération plus étroite entre les communautés autonomes (qui sont chargées des programmes d'activation) et l'INEM (qui verse les prestations).* La coopération est en effet nécessaire pour que les services soient fournis aux jeunes chômeurs de manière intégrée et dans le cadre d'une approche efficace « d'obligations mutuelles ». Si cela pose un problème dans le cas d'adolescents et de jeunes adultes qui réunissent rarement les conditions requises pour percevoir des indemnités de chômage, il n'en va pas de même pour les 25-29 ans qui représentent un groupe important parmi les bénéficiaires de prestations chômage.
- *Veiller à ce que des services pour l'emploi efficaces axés sur les jeunes chômeurs soient assurés à un stade précoce.* Les jeunes devraient participer à des entretiens personnalisés intensifs avec des conseillers pour l'emploi. Après une période vaine de

recherche d'emploi de trois à six mois, ils devraient avoir la possibilité de i) participer à un programme bien conçu ; ii) travailler dans le cadre d'un programme subventionné ciblé ; ou iii) retourner sur les bancs de l'école. Dans le cadre de cette stratégie, un programme ciblé sur les jeunes chômeurs de longue durée pourrait être mis en œuvre.

- *Le système de rémunération des agents du Service public de l'emploi et des prestataires privés devrait tenir compte des placements effectués* mais fournir aussi les incitations voulues pour améliorer le placement des jeunes les plus défavorisés. Des ressources en personnel suffisantes devraient être mises à la disposition du Service public de l'emploi pour assurer la mise en œuvre de cette stratégie.
- *Encourager les jeunes chômeurs à s'inscrire auprès du Service public de l'emploi même lorsqu'ils n'ont pas droit à des indemnités de chômage.* Certains programmes proposés – *Esculas Taller* ou *Casas de Oficios* – sont ouverts aux très jeunes gens sans qualifications mais peu d'entre eux sont inscrits en tant que chômeurs auprès du Service public de l'emploi car ils réunissent rarement les conditions requises pour prétendre à des prestations de chômage.
- *Étendre le champ d'action des Esculas Taller et des Casas de Oficios.* Pour pouvoir être financé, un programme doit être lié à des activités d'intérêt collectif ou de service public et être mis en œuvre par un organisme public ou une organisation à but non lucratif. Lever l'une de ces restrictions, ou les deux, permettrait sans doute d'accroître le nombre de centres de formation et de places disponibles. Par ailleurs, une coopération plus étroite avec le secteur privé peut faciliter les placements à l'issue des cours.
- *Organiser une évaluation rigoureuse des services assurés à la fois par l'INEM et les prestataires privés.* Les programmes du marché du travail sont pour le moment peu évalués. Des mesures doivent être prises en vue de ne conserver que les services efficaces par rapport au coût.
- *Mettre en place des études pilotes au niveau local pour les nouvelles mesures adoptées.* Cette mesure servirait le double objectif d'étudier les effets des politiques avant leur mise en œuvre au niveau national et d'améliorer la coopération entre l'administration centrale et les communautés autonomes.

INTRODUCTION

Improving the performance of youth on the labour market is a crucial challenge for policy makers in today's Spain. Population ageing is looming but this is far from being a magic pill to solve young people's problems. While smaller youth cohorts are likely to create more opportunities for youth, it is crucial that young people possess the skills required by the labour market to benefit from them.

The Spanish Government is particularly concerned about how well prepared young people are for the labour market when they leave the education system. For this reason, increasing and enhancing human capital is one of the central goals set out by the latest Spanish National Action Plan and several reforms – to secondary education, training and university education – go in the direction of improving the lifelong employment chances of youth leaving education. Another thrust, aiming at a rebalancing of temporary and permanent contracts, is also central to the prospects of youth on the labour market, a group particularly concerned by the high incidence of temporary employment in Spain. The revamping of an existing institution, the Institute for Youth (INJUVE), to address in a comprehensive manner problems affecting youth in Spain today, is another sign of the government's commitment to improving youth employment prospects.

Despite the recognition of the problems faced by young people in the labour market by the Spanish Government and recent measures put in place to address them, several barriers to youth employment remain. The purpose of this report is to examine these barriers and discuss how policies may help improve the school-to-work transition. *Chapter 1* presents basic facts on the situation of youth in the Spanish labour market. The role of education and training in shaping the transition from school to the labour market is analysed in *Chapter 2*. The demand-side barriers to youth employment are explored in *Chapter 3*. Finally, *Chapter 4* analyses the role of welfare benefits and public employment services in helping non-employed youth get a job.

CHAPTER 1

THE CHALLENGE AHEAD

Over the past decade, Spain has experienced rapid economic growth, at a rate of 3.7% per year on average. It has also created more than 6 million net new jobs, over one-third of total net employment gains in the EU-15. At the same time, the size of the older cohorts has grown considerably and is expected to grow even faster in the future.¹ These trends have contributed to a remarkable improvement in the labour market performance of young people and, if they persist in the medium term, they will serve to raise further the demand for younger workers. However, they are unlikely to be sufficient to solve all the problems faced by youth on the labour market.

The purpose of this chapter is to examine how youth labour market performance has reacted in this context of rapid growth and intense population ageing. The chapter draws a picture of the position of Spanish youth in the labour market (Section 1). It then examines the school-to-work transition process (Section 2), the nature of jobs performed by youth (Sections 3 and 4), and documents the link between the skills acquired through initial education and those of the jobs performed by youth (Section 5).

1. Demographics and labour market outcomes

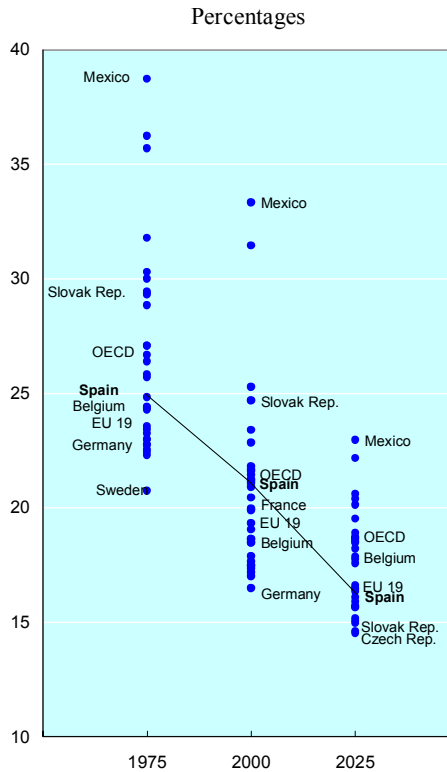
A. The share of youth in the working-age population has declined significantly

Since the mid-1970s, Spain has experienced a process of population ageing – projected to take place at a more intense pace than in most other OECD countries in the years to come. As a result, the size of younger cohorts has declined relative to that of their older counterparts. Youth aged 15 to 24 accounted for about one-fifth of the working-age population

1. See OECD (2003a) and OECD (2007) for details.

in 2000, down from about one forth in 1975 (Figure 1.1). A further, much steeper reduction in the incidence of youth in the working-age population is expected over the next two decades. By 2025, youth could account for only 16% of the working-age population, one of the lowest in OECD.

Figure 1.1. **Decreasing share of youth in working-age population in OECD countries, 1975-2025^a**



a) Ratio of the population aged 15 to 24 to the population aged 15 to 64.

Source: National projections and United Nations projections for 2003 (2002 revision) for Greece, Ireland, Luxembourg, Mexico and Turkey.

Projections in Figure 1.1 are based on the medium variant for each country with respect to the assumptions made about fertility, mortality and migration rates. For Spain, immigration has played a central role in the past five years. As far as the impact of immigration on the labour market is concerned, a report by the President’s Economic Office (OEP, 2006) estimated that half of the jobs created between 2001 and 2005 had been filled by foreign workers. The study also found that the positive impact of

immigrants on the share of the working-age population in the total population and the employment rate has more than offset their negative effect on average productivity. Immigration has also weakened wage pressures (see also OECD, 2007).

In terms of its impact on youth, immigration is relatively recent and issues of integration of young immigrants or second generation immigrants are therefore less acute than in other OECD countries. However, given the experience of other OECD countries, efforts are required to avoid that these become serious issues in the future. Some aspects of the recent education reform aim at addressing this question by better taking into account the diversity of students.

B. Sustained employment growth has benefited youth considerably

The labour market position of Spanish youth has improved remarkably since the mid-1990s. Employment growth was strong over the past decade, with over half a million net new jobs created for youth, enough to raise the employment rate from about 29% in the mid-1990s to more than 42% in 2005, about 5 percentage points above the EU-19 average and equal to the OECD average (see Figure 1.2). This large increase is impressive and stands in sharp contrast with a generalised fall of youth employment rates in many OECD countries, reflecting more time spent in education.

C. Youth unemployment has improved substantially but remains high

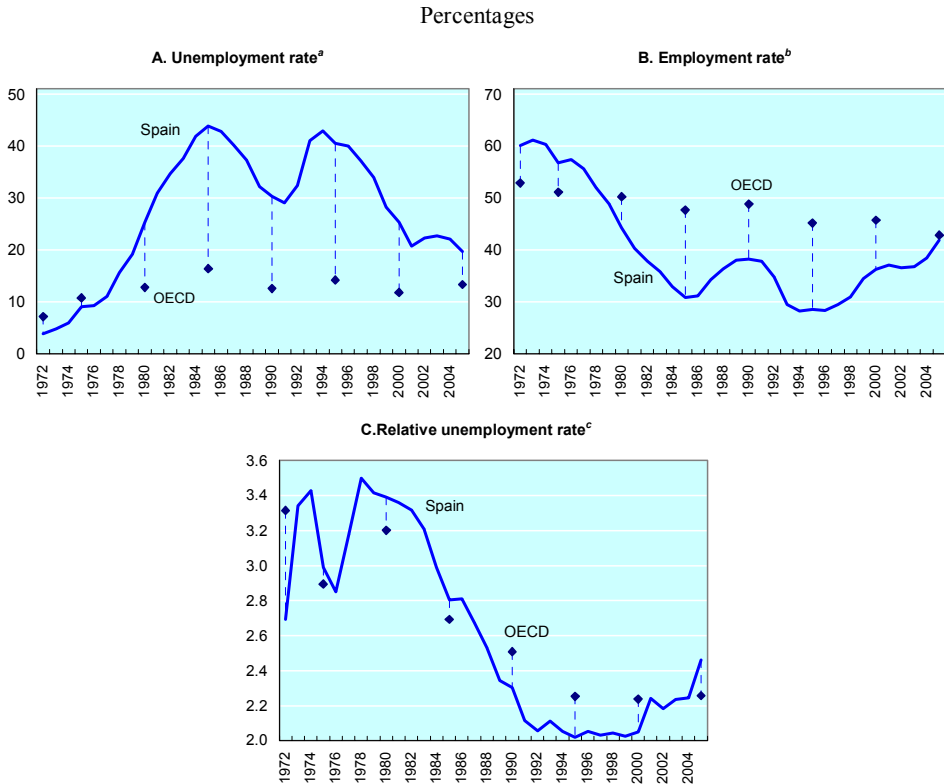
Over the past ten years, the fall in the youth unemployment rate – from over 40% to below 20% – was the largest recorded in OECD countries. While this substantial improvement brought the youth unemployment rate down to the EU-19 average, unemployment remains relatively high when compared to the OECD average, particularly for young women.

In addition, the youth unemployment rate has declined less than the overall unemployment rate. In 2005, the Spanish youth unemployment rate was 2.5 times higher than that of prime-age adults, more than in 1995 when the ratio stood at 2. While Spain performed better than the OECD on average over the 1990s according to this indicator, the recent rise reversed the situation.

As Figure 1.3 shows, the average youth unemployment rate hides important gender differences in Spain. More young women than men hold

university degrees (27.2% versus 24.4%) and the school drop-out rate is much lower for girls than for boys (20.8% compared with 31.5%). However, the participation rate of young women is over 11 percentage points lower than that of their male counterparts, and unemployment for young women is about 7 percentage points higher than for young men. In addition, for all available indicators, gender differences remain more pronounced than the OECD average.

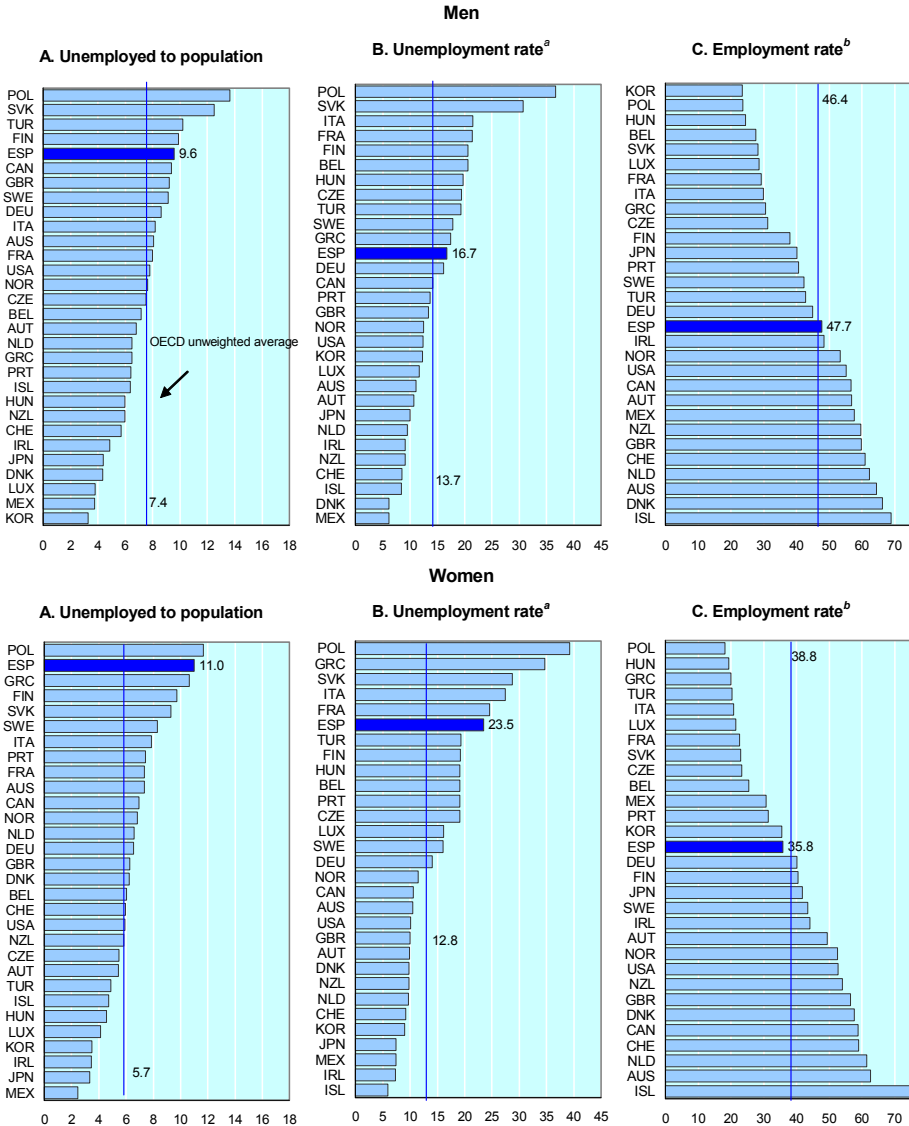
Figure 1.2. Youth unemployment and employment rates, 1972-2005



- a) Unemployed as a proportion of the labour force in the age group.
 - b) Employed as a proportion of total population in the age group.
 - c) Unemployment rate of youth 15-24/unemployment rate of adults 25-54.
- Source: National labour force surveys.

Figure 1.3. **Unemployment and employment indicators, youth aged 15-24, by gender, OECD, 2005**

Percentages



a) Unemployed as a proportion of the labour force in the age group.

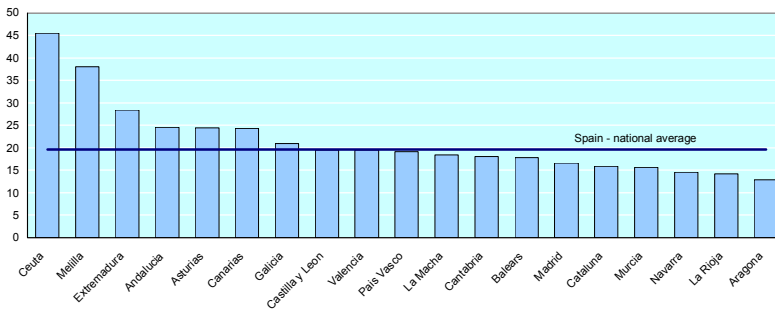
b) Employed as a proportion of total population in the age group.

Source: National labour force surveys, 2nd quarter.

D. Regional disparities in unemployment rates are very pronounced

The average youth unemployment rate also hides pronounced disparities across autonomous communities. Almost half of youth aged 16-24 in Ceuta were unemployed in 2005 versus just about 13% in Aragona (Figure 1.4).

Figure 1.4. **Regional unemployment rates, youth aged 16-24, 2005**
Percentage of the 16-24 labour force

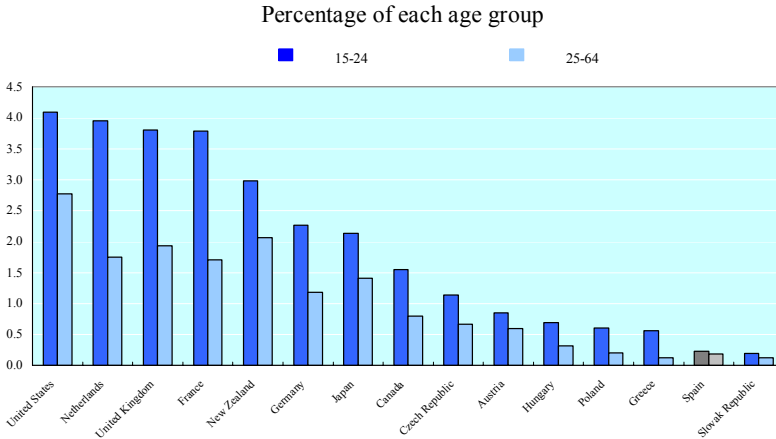


Source: Labour Force Survey, *Instituto Nacional de Estadísticas*.

The persistence of these pronounced regional disparities is partly the result of limited geographical mobility in Spain where the internal migration rate is one of the lowest in OECD countries. Only 0.2% of youth changed region of residence in 2003 (Figure 1.5), about the same share as for adults.

The thinness of the rental market – which accounts for only 12% of total dwellings in Spain – has been blamed for the limited geographical mobility of Spanish workers, who find it costly to move to take advantage of more attractive job opportunities in other parts of the country (Barcelo, 2006). This argument is stronger for youth who often weigh the costs and benefits of moving against the option of living with their parents and pay no rent (over 70% of Spanish youth aged 15-29 lived with their parents in 2006, although this was 10 percentage points lower than in 1996).²

2. The shallowness of the rental market has been accompanied, over the past decade, by an impressive rise in house prices (see OECD, 2007). This has made it more difficult for the young – and the poor – to access the housing market.

Figure 1.5. Internal migration^a, 2003^b

a) Proportion of persons aged 15-64 who changed region of residence over the year.

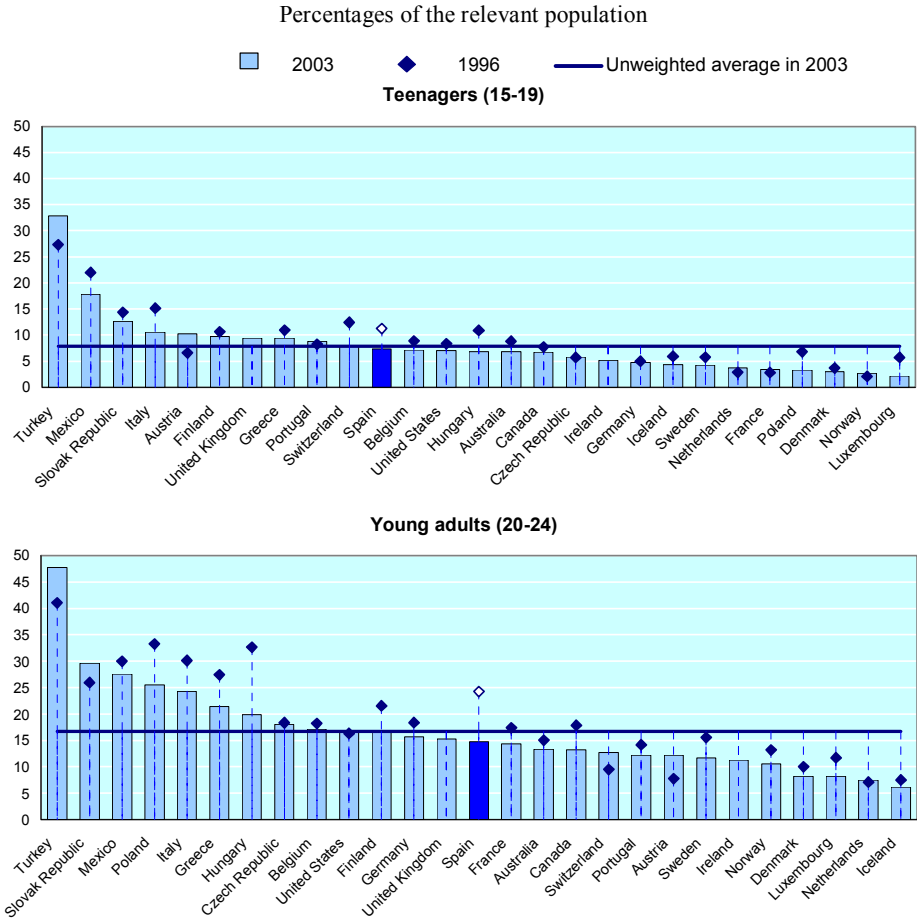
b) 1999 for the Netherlands; 2001 for Greece; and 2002 for Austria and France.

Source: OECD (2005a), *Employment Outlook*, Paris.

D. *The share of youth neither in employment nor in education has fallen considerably*

The proportion of young people neither in education nor in employment or training (NEET) provides another key indicator of labour market performance for youth. Indeed, this is a group at high risk of labour market marginalisation and social exclusion. In Spain, between 1993 and 2003, NEET rates fell by about 4 percentage points for teenagers and almost 10 percentage points for young adults (see Figure 1.6). Despite these declines, there is evidence that some of the young people neither in education nor in employment find it very difficult to get a job or go back to education. Quintini and Martin (2006) show that the share of NEET youth in 1997 that spent the following four years in this status was 14% in Spain, the third highest in Europe after Italy (32%) and Greece (20%). This suggests the existence of a small group of disadvantaged youth who are difficult to mobilise into work and, as a result, who may face major labour market difficulties later in life.

Figure 1.6. **Teenagers and young adults neither in education nor in employment, 1996-2003**



a) For France, Iceland, Italy and the United States, data refer to 2002; for Germany, Finland and the Netherlands, data refer to 1997; for Austria and Italy data refer to 1998. For Ireland and the United Kingdom, data are not available for 1996.

Source: OECD database on labour market status by educational participation.

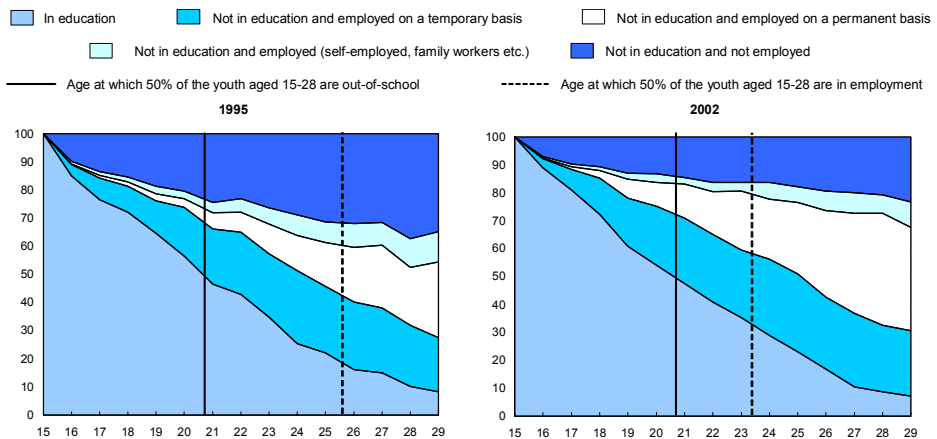
2. The transition from school to work in Spain

The transition from school to work involves more than just passing from an educational institution to the labour market. In this report, it covers a broader period during which youth start to look for jobs, have a first work experience and try to improve the match between the skills they learned at school and those required in jobs.

A. *Finding a first job takes less time now than ten years ago*

The transition process from school to work has changed somewhat in Spain over the past decade. Figure 1.7 shows the activity status of youth per single year of age in 1995 and 2002. Interestingly, in both 1995 and 2002, about half of Spanish youth had left education at age 21. On the other hand, youth found a job much faster in 2002 than they did in 1995. In 2002, by age 23.5 about half of young people were in employment, while in 1995 this was the case only by age 25.5. The prospect of finding a *permanent* job – as opposed to a temporary one – had also improved somewhat. In 1995, only among 29 year-olds was the share on permanent jobs higher than the share on temporary jobs, while in 2002 this was the case for all youth older than 25.

Figure 1.7. **Activity status of youth by single year of age, Spain, 1995 and 2002**
Percentage of youth (15-29) in each year of age



Source: OECD Secretariat estimates based on the European Union labour force survey.

While Figure 1.7 is informative of *aggregate* changes in the transition process in Spain over the past decade, it sheds no light on what happens to *individuals* when they leave school and on movements between different labour market situations in the following years. To do so, it is necessary to follow young people over time or ask them about their past labour market experience.

The self-reported time needed to find the first job upon leaving school was about six months, on average, in 2004 (see Table 1.1).³ Women took longer to find a first job than men, seven months versus five months. In addition, these averages hide significant differences among school-leavers. For more than half of the survey respondents, it took less than three months to find the first job – and 14.5% found a job directly after leaving school. Another 14.5% found a job between three and six months from leaving school. This leaves about 30% of school-leavers who took more than six months to find their first job (19% took 7-12 months and 11% took 13 months or longer).

Surprisingly, the time needed to find a first job is about the same for school drop-outs, for youth with an upper secondary general qualification only (*bachillerato*) and for those holding a university diploma – in all these cases more than six months. Young people with a middle-level vocational qualification tended to find a first job faster than all other groups. School-leavers whose first job was permanent took slightly more time to find work than those whose first job was temporary, with the exception of youth with a middle-level vocational qualification.

Table 1.1. **Months needed to find the first job, youth aged 15-29, 2004**

Highest educational qualification	Temporary job ^a	Permanent job	Any job ^b
School drop-outs	6.6	7.3	6.7
Middle-level vocational	5.0	3.9	4.8
Upper secondary general	6.1	7.2	6.3
Tertiary education	6.2	6.3	6.2
Total	6.1	6.6	6.2
Men	5.1	6.6	5.4
Women	7.2	6.6	7.1

a) Training contracts are excluded.

b) The “Any job” category includes only temporary and permanent jobs (training contracts, self-employment, work in the family business, and informal work are excluded).

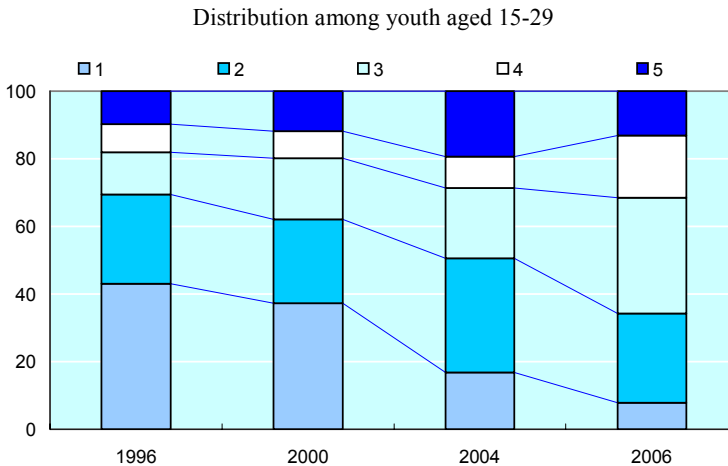
Source: OECD calculations based INJUVE (2004), *Juventud en España*.

3. These estimates come from *Juventud en España*, 2004, a survey conducted by INJUVE (Institute for youth) every four years.

B. Labour market entry is characterised by more jobs of shorter duration

While the transition period from school to work has become shorter over the past decade, evidence suggests that it has changed in nature too. In 1996, on average, a young person held two jobs over the first five years on the labour market. This had risen to three by 2006⁴, implying that either jobs have become shorter or periods of unemployment/inactivity have been replaced by short jobs or both. The increase is observed for all education levels, except school drop-outs and is strongest for youth holding a tertiary qualification. The distribution of the number of jobs (Figure 1.8) is also interesting. In 1996 and 2000, the most frequent situation was to have a single job over the five years after leaving education; this increased to two jobs in 2004 and three jobs in 2006. This is not necessarily a negative development as, at least to some extent, short jobs are replacing what would have been periods of unemployment/inactivity in the past.

Figure 1.8. **Number of jobs held over the five years after leaving school, 1996-2006**



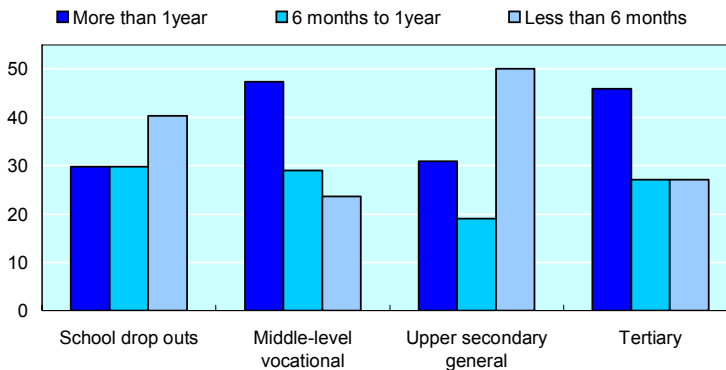
Source: OECD calculations based on INJUVE (2006), *Sondeo de Opinion* and INJUVE (2004, 2000, 1996), *Juventud en España*.

4. OECD calculations based on INJUVE (2006), *Sondeo de Opinion* and INJUVE (2004, 2000, 1996), *Juventud en España*.

Figure 1.9 examines the duration of jobs held over the five years after leaving school, in 2000, by level of education of the school-leavers. About half of the jobs held by youth with middle-level vocational qualifications over the five years after leaving school lasted over one year and only about 25% were of a duration of less than six months. By contrast, the jobs that school drop-outs could find were often of short duration – 45% of jobs obtained by this group lasted less than six months. The poor employment performance of youth with general secondary education only is also noteworthy.

Figure 1.9. **Duration of jobs held over the five years after leaving school, 2000**

Share of jobs of each duration in the total number of jobs held, youth aged 15-29



Source: OECD calculations based on INJUVE (2000), *Juventud en España*.

3. Characteristics of jobs performed by youth: stepping stones or traps?

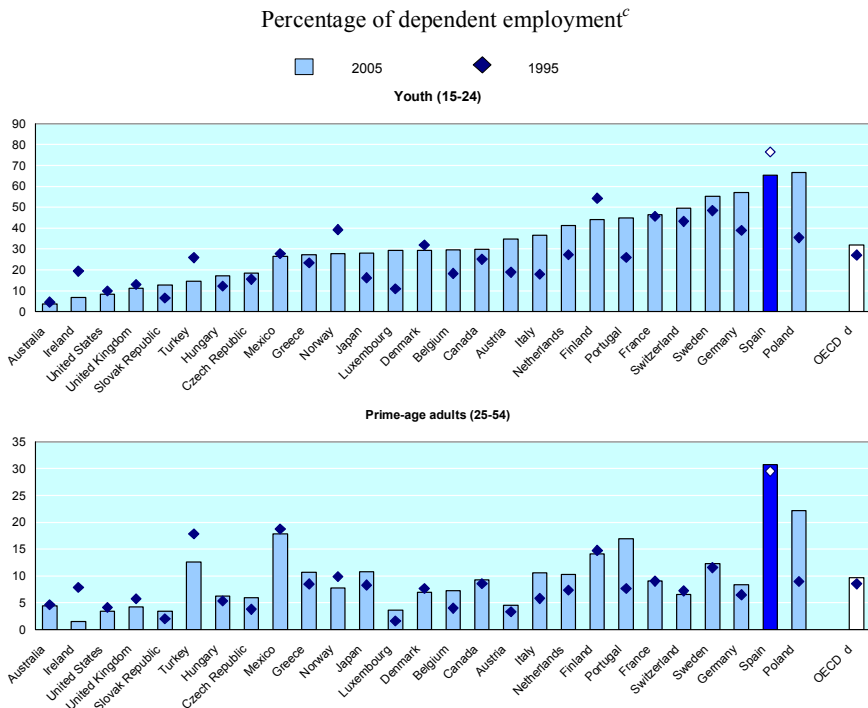
The introduction and development of fixed-term contracts since the early 1980s has had a considerable impact on school-to-work transitions in Spain. Such contracts can be instrumental in helping young people enter the labour market. However, they also entail a risk of so-called “temporary work traps” whereby youth who enter the labour market on a temporary contract find it difficult to move on to more stable forms of employment offering better opportunities for career advancement. The analysis below tries to shed light on the pros and cons of temporary contracts for youth in Spain.

A. Two in three young workers are on temporary contracts, most often involuntarily

The vast majority of youth (about 65% in 2005) are employed on temporary contracts. The duration of these contracts is sometimes quite short: youth held 57% of contracts of less than one week in 2005. The incidence of temporary employment is the second highest among OECD countries after Poland, but has declined by more than 10 percentage points over the past decade (Figure 1.10).

Moreover, temporary work is mostly *involuntary*, which may explain why as many as 77% of Spanish youth rank stability as the most important aspect of a job (INJUVE, 2006).

Figure 1.10. **Temporary work among youth and prime-age adults in OECD countries, 1995^a and 2005^b**



a) 1996 for Luxembourg and Norway; 1997 for Canada, Finland and Hungary; 1998 for Australia; 2001 for Poland.

b) 2004 for Australia and Mexico.

c) Countries shown in ascending order of incidence of temporary employment of youth in 2005.

d) *Unweighted* average of countries shown.

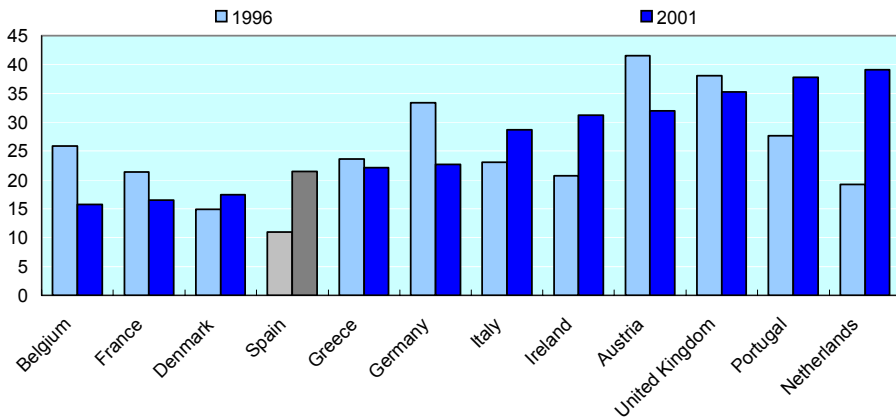
Source: OECD database on temporary employment.

B. In 2001, among young workers on a temporary contract, one in five moved to permanent employment

In any assessment of the stepping-stone or trap hypothesis, it is important to examine the extent to which young workers on temporary contracts can move to permanent employment. Rates of transition from temporary to permanent employment have been estimated for the years 1996 and 2001 for Spain and a number of other European countries (Figure 1.11). It emerges that Spain had the lowest yearly transition rate in Europe in 1996 – just 11% of those on temporary contracts in 1995 were in permanent employment in 1996. In 2001, the transition rate increased to over 21% – still 5 percentage points below the EU average.

Figure 1.11. **Transition rates from temporary to permanent employment in Europe, 1996 and 2001**

Percentage of persons aged 15-28 with a permanent contract who had a temporary contract in the previous year^a



a) Countries shown in ascending order of the transition rate in 2001.

Source: OECD calculations based on the European Community Household Panel (ECHP), waves 2 to 8 (1995-2001).

However, the issue of stability is more complex than the simple dichotomy between permanent and temporary jobs, particularly in Spain, where several contract types coexist with varying degrees of employment stability, within, as well as besides, the temporary jobs category. For instance, some youth do not have a contract at all in their first job, and among those on temporary contracts, some are on training contracts. Each

of these employment arrangements affords a different level of stability and career prospects.

When youth interviewed in 2004 were asked about their first job (*Juventud en España*, 2004), 68%, on average across all qualifications, replied they were hired on a temporary contract, with the lowest incidence among youth holding tertiary qualifications (see Table 1.2). The likelihood of a permanent contract in the first job was less than 10% and increased with educational qualification, while the probability of not having a contract (informal employment), at 15% on average, fell with qualification – with the exception of youth who hold an middle-level vocational qualification who are the least likely to be working in the informal economy. It is noteworthy that, on average in the first job, the share of youth in informal employment was higher than that in permanent employment.

Table 1.2. **Stability of first job by highest educational qualification, youth aged 15-29, 2004**

Percentages

Highest educational qualification	Permanent job	Training contract	Temporary Job	No contract	Self employed
School dropouts	7.1	23.0	42.9	18.5	7.9
Middle-level vocational	9.4	30.9	46.5	9.0	2.8
Upper secondary general	11.2	21.7	46.4	14.9	5.1
Tertiary education	17.7	25.0	36.0	11.0	7.3
Total	9.2	24.4	43.4	15.5	6.5

Source: OECD calculations based on INJUVE (2004), *Juventud en España*.

Finally, the contract types singled out above are not the only existing relationships between young people and employers. In fact, while government efforts have focused on reducing the incidence of temporary work, other employment relationships have spread over the past decade (see Box 1.1) that afford youth much less protection than temporary contracts do. Despite being at the margin of legality, the *becas no-convenidas* – grants – are a well established form of graduate youth employment in Spain and provide no social protection to young workers.

Box 1.1. *Becas no-convenidas*: the emerging role of grants as a transition path for Spanish university graduates

Over the past few years, a growing number of Spanish firms as well as the government sector have been recruiting university graduates by offering them a *beca* (grant) – rather than a contract – on the basis that their relationship with the firm can be classified more as a “training” experience than an “employment” one. While this kind of agreement is regulated by law when it is concluded in cooperation with the university center – *becas convenidas*, or internships, as discussed in Chapter 2 – there are no legal provisions for grant agreements with young people who have already obtained a university degree.

There are no official estimates of the number of young people who hold this type of grant (*becarios*). Red2Red (2006), in work carried out for the Ministry of Employment and Social Affairs in Spain, estimated that, in 2005, there were about 36 000 *becarios* in the private sector and about 2 500 in the government sector. Although a time series is not available, the authors claim, based on a number of interviews (with *becarios*, firms and government bodies), that the phenomenon has been expanding over the past decade, to the extent that the term *becario* now designates a young person at her/his first job in common language and the media.

The study carried out by Red2Red (2006) estimates that, on the basis of interviews and published tenders, the average monthly salary of a *becario* in the private sector is around EUR 700. In the government sector, average pay of *becarios* is higher, at about EUR 960. The *becario* is not covered by social insurance and firing flexibility is maximum as the employer can set any terms regarding the end of the *beca*. Firms have been justifying the existence of this type of agreement by claiming that young graduates need considerable training at their first work experience and *beca* are meant to provide just this. The fact that employers prefer *becas* to other, formal, forms of employment indicates that they find it a more appropriate and flexible screening device for the prospective hiring of youth.

It is unclear what drives youth to accept these arrangements. Some have put forward the lack of alternatives and the prestige associated with obtaining a *beca*, often awarded at the end of a long and competitive selection process. Although data is not available, it is possible that because alternative contracts – notably training contracts (*contratos en prácticas*) – are subject to social security contributions, take home pay is actually lower than for *becas*. In addition, the fact that training contracts are also directed to youth holding vocational tertiary qualifications may reinforce the prestige associated with *becas*.

C. *It is easier to obtain a permanent contract after a series of temporary contracts in the same firm, than by moving to a new employer*

Using individual data (*Juventud en España*, 2004) on initial and present jobs held by youth, it emerges that staying with the *same* employer yields the largest probability of obtaining a permanent job.

About 60% of youth whose first job was on a temporary contract had been hired on permanent contracts by the same firm, by 2004. This compares with

just 41% who had obtained a permanent job after moving to another employer.⁵ Equally good conversion rates with the same employer were observed for those starting without a contract – 43% of them had been converted to permanent by 2004 and another 25% had acquired the status of temporary workers.

These figures on contract transitions with the same employer are in line with the in-depth multivariate analysis carried out in Toharia (2005). The author finds that tenure reduces considerably – and with statistical significance – the probability of being on a temporary job. This result was robust to the inclusion of individual and job characteristics and was significant for all years considered in the study – 1987, 1992, 1995 and 2004 – despite changes in legislation aiming at encouraging hiring directly on permanent contracts.

Overall, this evidence (as well as some additional material provided in Annex 1) shows that some temporary jobs do represent stepping stones into the labour market and are comparable to permanent jobs in terms of the prospects they offer. But temporary jobs offering little stability and implying frequent changes of employers tend to represent a trap from which young people find it difficult to exit.

4. Do youth jobs pay well?

A. Financial independence has increased for most working youth but not all

The latest *Encuesta de Estructura Salarial* (Spanish wage structure survey – EES) showed that in 2002⁶ the gross hourly earnings of youth under 20 were equivalent to about 55% of average gross hourly earnings. In the same year, youth aged 20-24, earned 64% of average gross hourly earnings and youth aged 25-29 79% of average gross hourly earnings. Another measure of relative earnings – the incidence of low pay – shows that only about 20% of youth earned less than two-thirds of median hourly earnings in 2001, low by European standards and 10 percentage points lower than in 1995 (see Box 1.2 for more on low-pay incidence and persistence among Spanish youth).

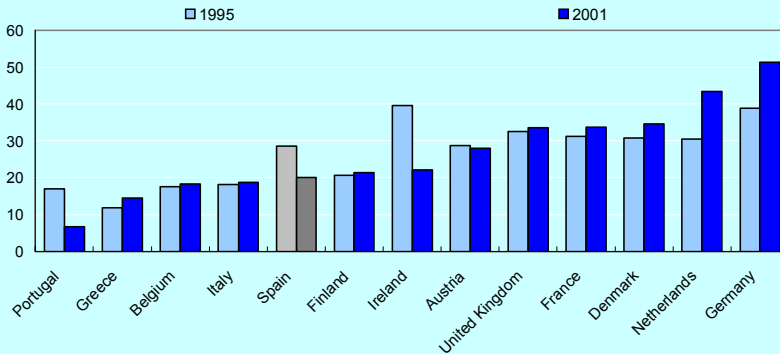
-
5. Unfortunately, it is not known at how many years of tenure the conversions took place.
 6. Note that the EES, 2002 covered only firms with 10 or more employees. A new annual survey carried out for the first time in 2004 fills the gap and includes smaller firms. Preliminary results for this more comprehensive sample (released in December 2006) show that average *annual* earnings of youth under 20 were equivalent to 54% of average annual earnings in 2004. In the same year, youth aged 20-29 earned 76% of average annual earnings. No details on *hourly* earnings are as yet available to update the figures presented in this chapter.

Box 1.2. Incidence and persistence of low pay among Spanish youth

Looking at the low end of the youth wage distribution, the figure below presents the incidence of low pay among young people, measured as the share of youth with an hourly wage lower than two-thirds of the median wage in each given country. In 2001, the most recent year available, the incidence of low pay among Spanish youth – at 20% – was below the EU average and had fallen by almost 10 percentage points since 1995.

Low-pay^a incidence among youth in Europe, 1995^b-2001

Percentage of persons aged 15-29 working at least 15 hours per week



a) Low-paid work corresponds to two-thirds of the median gross hourly earnings of persons aged 25-54.

b) 1996 for Finland.

Source: OECD calculations based on the European Community Household Panel (ECHP), waves 2 to 8 (1995-2001).

While the beginning of the working life has always been associated with lower wages, it is important that entry jobs guarantee a certain degree of wage/career progression allowing youth to attain financial independence at some point. To shed light on this issue, Quintini and Martin (2006) explore the dynamics of youth low pay in Europe, between 1997 and 2001, by taking young people in low-paid jobs in 1997 and observing their situation in each year up to 2001. In Spain, only a small fraction, about 5%, was found in low-paid employment over the whole period, one of the lowest rates among the European countries included in the study due to a relatively high exit rate of low pay. However, the authors find a relatively high so-called “recurrence rate” – *i.e.* about 25% of those who exited low pay in 1998 became low-paid again over the next three years – accompanied by a relatively short total time spent in low-pay over the five years – about 2.5 years. This suggests that, while the incidence of low pay in Spain was relatively low in 2001 and few youth were continuously in low pay between 1997 and 2001, about a fourth of them found it difficult to exit low pay permanently.

In 2004, on a monthly basis, the average wage of youth (15-29) working full time was approximately EUR 900 (Table 1.3), with significant differences across gender – young women earn 15% less than young men. A full-time temporary job pays just over 90% of a permanent job, with little or no difference across qualifications. Finally, wages increase with qualification – school drop-outs earn about 85% of the average salary of youth with tertiary qualifications – and with age – 15-20-year-olds earn 82% of youth aged 21-29.

Table 1.3. **Average monthly salary^a, youth aged 15-29, 2004**

Euros

Total ^b	Men	Women	15-20	21-29
894	947	807	749	912
	School drop-outs	Middle-level vocational	Upper secondary general	Tertiary education
Temporary job	816	852	850	957
Permanent job	883	904	922	1 036
Any job ^b	854	882	891	1 000

a) Net salary of full-time workers.

b) Average of temporary and permanent contracts (training contracts, self employment, job with no contract are excluded).

Source: OECD calculations based on INJUVE (2004), *Juventud en España*.

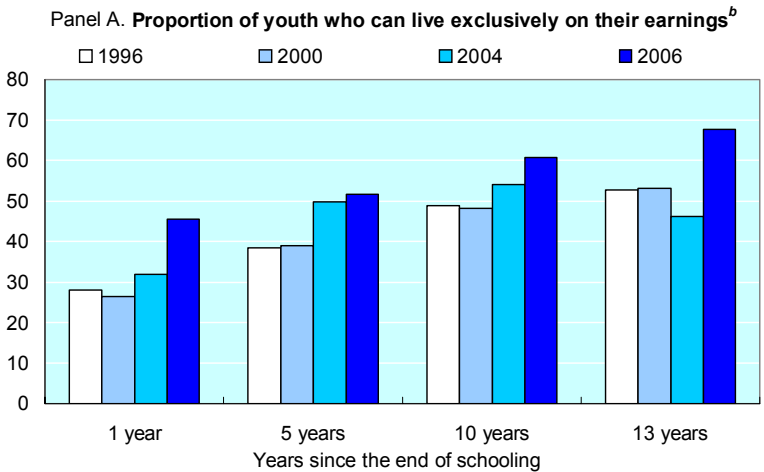
The share of Spanish youth who can live exclusively on their earnings has increased between 1996 and 2006 (Panel A, Figure 1.12). Not surprisingly, the share of financially independent youth also rises with work experience.⁷ However, despite these improvements, five years after leaving education, about half of Spanish youth still rely on someone else's financial help, mostly their parents.

Having tertiary qualifications helps – about 70% of youth in this group are financially independent within five years of leaving school in 2006 – and so does having a middle-level vocational qualification (56%). But only 30% of school drop-outs live exclusively on their earnings (Panel B, Figure 1.12).

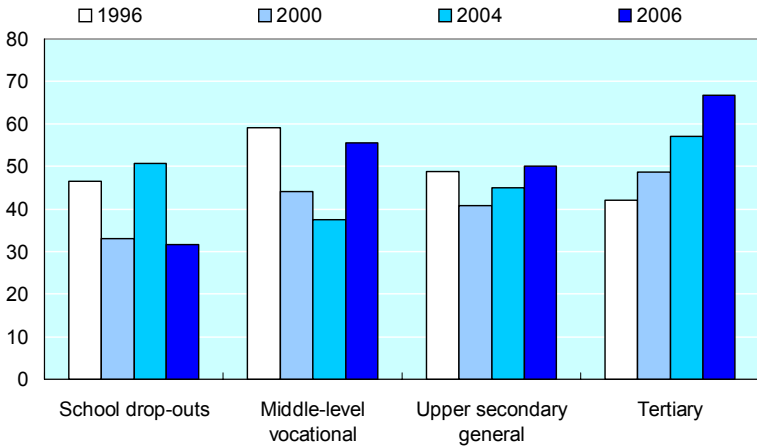
The lack of autonomy has important social consequences, such as postponed family formation, particularly worrying in light of low fertility rates in Spain. The share of households whose main earner is younger than 35 has dropped from 10% to 8.5% between 1998 and 2003.

7. Note that this calculation underestimates the share of youth who are financially independent. Since only youth aged 15-29 are included in the survey, youth who left school 13 years before would have finished school at 16 and are therefore more likely to be on low-paid jobs. The same argument applies to ten years after the end of schooling: only people with upper secondary education or less would be included.

Figure 1.12. **Financial independence of Spanish youth, 1996-2006^a**



Panel B. Proportion of working youth financially independent 5 years after the end of schooling



a) Only working youth are included in the figures.

b) The same question was asked in all surveys. “Moving on to your personal economic situation, what is your present situation?: 1) I live exclusively on my earnings; 2) I mainly live on my income, with other people's help; 3) I mainly live on other people's income, with some of my own; 4) I live exclusively on other people's income”. The figures refer to the share of working youth who replied 1. to this question.

Source: OECD calculations based on INJUVE (2006), *Sondeo de Opinion* and INJUVE (2004, 2000, 1996), *Juventud en España*.

5. What is the link between the jobs held by youth and skills acquired in school?

In 2004, only 20% of Spanish youth (15-29) reported that their first job was somewhat related to what they had studied and 60% declared that the content of their first job was totally unrelated to what they had studied (Table 1.4). The situation was very similar for later jobs (58% of jobs held in 2004 were reported as being totally unrelated with studies). These figures hide important differences across qualifications. Only youth with tertiary qualifications, and to some extent those with middle-level vocational qualifications, work in jobs whose content is somewhat related to education.

Comparing the first job and the job held in 2004 shows that the match between job content and study improved for only 20% of young workers. It was stable for 70% of young workers and deteriorated for the remaining 10%.

While initial mismatches may be part of the natural process of transition from school to work, the persistence of significant gaps between the skills acquired at school and labour market requirements is a matter of policy concern.

Table 1.4. **Relation with studies of first job by highest educational qualification, youth aged 15-29, 2004**

Percentages

Highest educational qualification	Very related	Quite related	Little related	Not related
School drop-outs	3.4	6.3	16.4	71.0
Middle-level vocational	27.8	17.0	15.3	39.2
Upper secondary general	5.8	8.0	23.2	62.3
Tertiary	41.6	25.2	12.1	25.8
Total	11.8	10.1	16.9	59.3

Source: OECD calculations based on INJUVE (2004), *Juventud en España*.

A particular type of mismatch affecting one in four working youths in Spain is the so-called phenomenon of “overeducation” which arises when young people perform jobs which require much less skills than they have acquired in initial education.⁸ Quintini and Martin (2006) show that young women in Spain tend to be more often overeducated for their job than young

8. See Quintini and Martin (2006) for more on this issue. The Secretariat is also preparing a study on over-education in OECD countries which should become available in mid-2007.

men and their position has worsened somewhat over the past decade. In addition, the authors find that as many as six out of ten university graduates are carrying out work for which they are overeducated. Some analysts have blamed this on the increase in the share of youth holding tertiary education degrees – Spain has seen one of the largest increases in tertiary education qualifications in the OECD over the past two decades – not matched with adequate labour demand in sectors that require university graduates.

6. Summary

The labour market performance of youth in Spain has improved substantially over the past decade, as Table 1.5 shows. The unemployment rate and the incidence of long-term unemployment have more than halved and the employment rate has risen by almost 50% since 1995. Other indicators – such as NEET rates and the incidence of school drop-outs – have also improved considerably over the past decade.

Despite these improvements, several issues remain to be addressed. First, in some instances, there is still a significant gap in performance *vis-à-vis* the best performing OECD countries. This is the case notably for the drop-out rate which, in 2003, was more than twice the EU average, and the ratio of youth to adult unemployment rates. Second, 65% of jobs held by youth are temporary, more than 30 percentage points higher than the OECD average.

Table 1.5. **Scoreboard for youth aged 16-24^a, Spain, 1995 and 2005**

	1995			2005		
	Spain	Eu ^b	OECD ^d	Spain	Eu ^b	OECD ^b
Employment rate (% of the age group)	28.6	39.1	43.6	41.9	37.2	42.3
Unemployment rate (% of the labour force)	40.4	19.6	16.4	19.7	18.6	15.7
Relative unemployment rate youth / adult (25-54)	2.0	2.3	2.4	2.5	2.6	2.7
Ratio unemployed to population (% of the age group)	19.4	8.8	8.0	10.3	7.7	7.1
Incidence of long-term unemployment rate (% of unemployment)	48.8	32.2	25.4	20.0	27.4	21.4
Incidence of temporary work (% of employment)	76.5	27.9	26.4	65.3	35.5	32.4
Incidence of part-time work (% of employment)	11.7	14.9	18.4	19.8	20.5	23.6
NEET rate (% of the age group) ^f	18.7	13.8	15.1	11.4	11.9	12.9
School drop-outs (% of the age group) ^g	29.3	13.5	17.0	23.8	11.4	14.4
Relative UR low skills/high skills(<ISCED3)/(>ISCED3) ^e	0.9	2.6	2.5	1.0	2.2	2.2

ISCED: International standard classification of education; NEET: Neither in education nor in employment or training; UR: unemployment rate.

a) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, United Kingdom and United States; Youth aged 15-24 for all other countries in the EU and OECD averages.

b) Unweighted averages for the 19 OECD and EU countries and for the 30 OECD countries.

c) 2003.

d) Youth not in education and without an upper secondary qualification (2003 instead of 2005).

e) 1997 and 2003.

Source: OECD database on education and labour force participation.

While the transition period from school to work has become shorter over the past decade, it has changed in nature too. It is now characterised by more frequent job changes and shorter job durations over the first five years after leaving education. Over the most recent years, entry jobs have mostly been temporary and only marginally related to the studies carried out. While the annual transition rate from temporary to permanent employment has doubled over the past decade, at 20% it is still rather low compared to other EU countries. Youth who start on temporary work arrangements are more likely to be converted to permanent with the same employer than by changing employer, supporting the view that temporary contracts are used by employers to screen potential candidates for permanent jobs.

On young people's earnings, the emerging picture is mixed. Youth between 20 and 29 earned about 70% of average annual earnings in 2002 but only one in five was low-paid – a lower share than in most European countries. On the other hand, in 2006, only among youth with tertiary qualifications was the share attaining financial independence within five years of leaving education higher than in 1996.

Finally, some groups start off better than others, notably youth with tertiary education and with middle-level vocational qualifications. Youth in these two groups take less time to find their first job, are more often found on permanent contracts, the jobs they hold last longer and are relatively more related to what they studied. School drop-outs and youth with upper secondary general education qualifications perform quite badly on the labour market.

CHAPTER 2

INITIAL EDUCATION AND LEARNING ON THE JOB

The quality of initial education is a key factor in facilitating the transition from school to work and putting youth on a promising career track. Also, training on the job at the beginning of active life allows youth to fill the gaps of school-based education and acquire the skills required by firms. In many OECD countries, youth start working during their studies, notably by participating in internships or by combining classroom-based training with work within apprenticeships or so-called “dual system”. In Spain, this route to acquiring skills relevant to the labour market is very little used and, with the exception of vocational education, there is a marked separation between education and work.

The Spanish Government recognises the importance of initial education and its relevance to labour market requirements and has recently introduced several measures to increase and enhance human capital. Notably, the Education Organic Act of March 2006 aims at reforming the education system with a number of measures to address the system’s main problems, notably the high drop-out rate in secondary education. A reform aiming at improving the quality of the university system is also under discussion in parliament. It aims at improving the performance of the university system by putting the accent on better teaching and research quality, as well as on enhanced co-operation with industry.

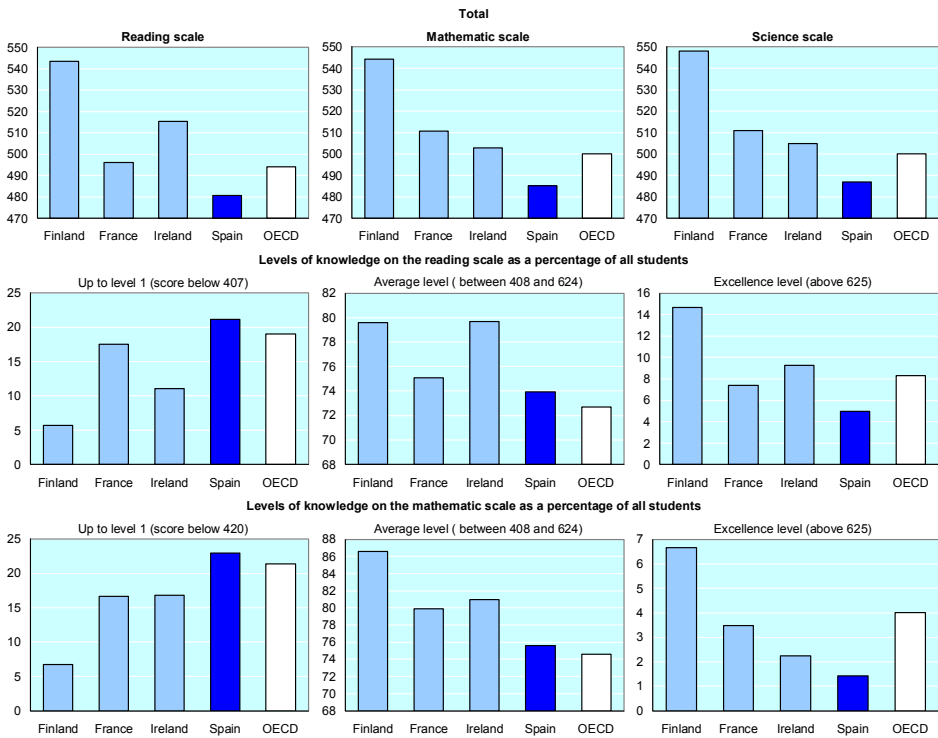
This chapter looks at whether the Spanish education system gives youth a good start in the labour market. Section 1 enumerates the challenges facing the Spanish education system; Section 2 focuses on strategies to reduce the number of school drop-outs; Section 3 discusses what is available for youth to acquire practical work-based experience while in school; Section 4 addresses the main problems faced by university education; and the final section reviews young people’s participation in on-the-job training.

1. Performance of the education system

A. *PISA scores of 15-year-olds are below the OECD average*

According to the OECD PISA survey (Programme for International Student Assessment) for 2003, Spanish 15-year-olds perform well below the OECD averages in terms of reading, mathematics and science scales (Figure 2.1).

Figure 2.1. **Spanish students’ performance, based on PISA, 2003**



Source: OECD PISA 2003 database.

Over 20% of 15-year-olds do not possess the mathematics and reading skills needed for future life. The figure is about 5% in Finland, the best OECD performer in terms of PISA tests. On the positive side, education outcomes are less unequal in Spain than in many OECD countries (OECD, 2004a). The place of study and socio-economic status of parents play less of a role than in the OECD on average.⁹

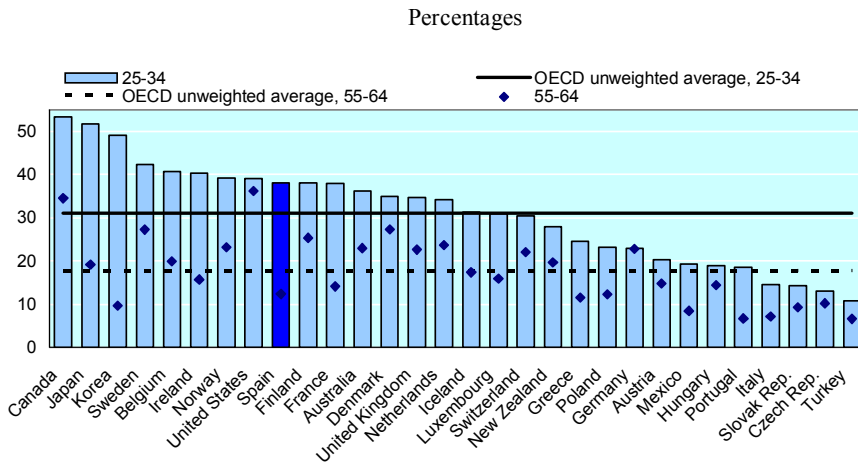
9. See OECD (2005b) for more on equity in education in Spain.

It should also be stressed that PISA scores for 2003 were somewhat worse than in the previous assessment, undertaken in 2000.

B. An increasing number of Spanish youth hold a tertiary qualification

Younger cohorts are much more likely to enrol in tertiary education and obtain a degree than older cohorts. As Figure 2.2 shows, 38% of 25-34-year-olds in 2004 held a tertiary degree in Spain, about seven percentage points higher than the OECD average for this age group. This contrasts with only 12% of 55-64 year-olds having attained the same level of education, well below the OECD average.

Figure 2.2. **Population that has attained tertiary education in OECD countries, 2004^a**



a) Countries ranked from left to right in terms of highest to lowest proportions of 25-34-year-olds with a tertiary qualification.

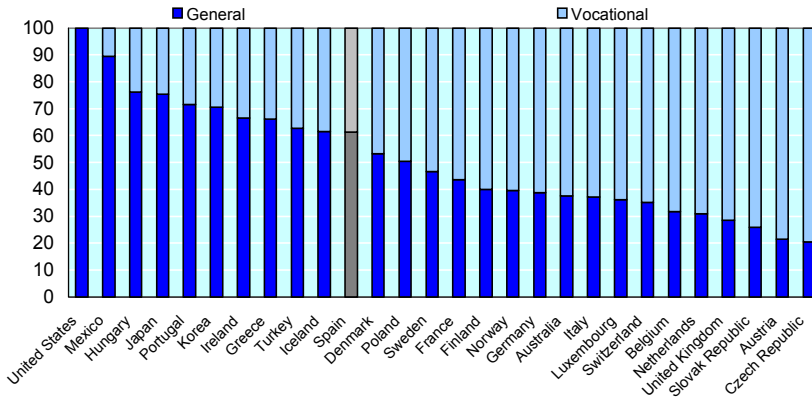
Source: OECD (2006d), *Education at a Glance*, Paris.

Despite this strong increase in tertiary education attendance and graduation, some disciplines attract an insufficient number of students *vis-à-vis* what the economy requires. The government has therefore set as an objective to increase the number of those graduating in science, mathematics and technology from 12% in 2004 to 13% in 2008 and 13.5% in 2010.

C. Relatively few young students take the vocational route

Another prominent characteristic of the Spanish education system is that only 38% of students follow vocational education versus approximately 50% on average in OECD countries and 55% in OECD Europe (see Figure 2.3). This is in contrast with the relatively good labour market performance of young people with a vocational background (see Chapter 1), and survey evidence pointing to preference for vocational education (Figure 2.4).

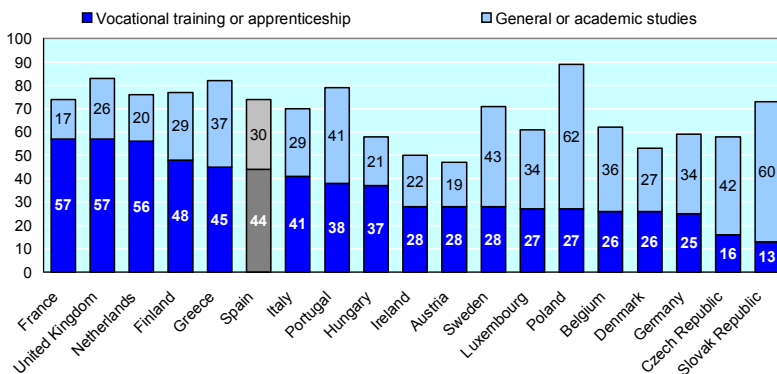
Figure 2.3. **Enrolment in vocational versus general education in OECD countries, 2003**



Source: OECD (2006d), *Education at a Glance*, Paris.

Figure 2.4. **Preference for vocational training/apprenticeship versus academic studies^a, European countries, 2004**

Percentages of population aged 18-64



a) Replies to the question: “Which of the following would you recommend to a young person who is finishing compulsory education?”.

Source: Special Eurobarometer No. 216 (2005), European Commission Wave 62.1 fieldwork Oct-Nov 2004.

The very positive labour market outcomes of graduates from middle-level vocational education are probably related to the relevance of the content of this type of education to the needs of employers. In fact, business plays an active role in shaping the curriculum of vocational courses, while also providing in-company training opportunities. Chambers of Commerce and employers' associations represent the main link between educational institutions and potential employers providing training.

The system is somewhat different from the dual system in German speaking countries, notably, in-company training does not imply an employment relationship between the trainee and the firm and students are not paid by the firm. However, there are some similarities as well. Youth apply the issues learnt in class and demonstrate the competencies acquired in the educational establishments, both in specific production processes and in real-life work circumstances. Youth also get to know the world of work.

The survey evidence presented in Figure 2.4 contrasts with the rather negative image attached to vocational education, which is often considered as a second-best solution for those who fail in general education. In addition, while the government has set objectives to raise the share of tertiary education graduates – university as well as higher vocational education – to a total of 51% by 2008 and 53% by 2010, no objective has been set for secondary vocational education.

D. Students leaving school with general upper secondary education only are ill-prepared for the labour market

General upper secondary education in Spain is seen as having the main objective of preparing students for university. However many students – about 68% of young men and 51% of young women in 2003 – leave the school system with that qualification only and do not pursue studies any further. This is problematic since, as Chapter 1 shows, the labour market prospects of this group are poor (see also Lassibille *et al.*, 2001; and Martínez-Pastor *et al.*, 2006).

E. Early school leaving is still a big problem

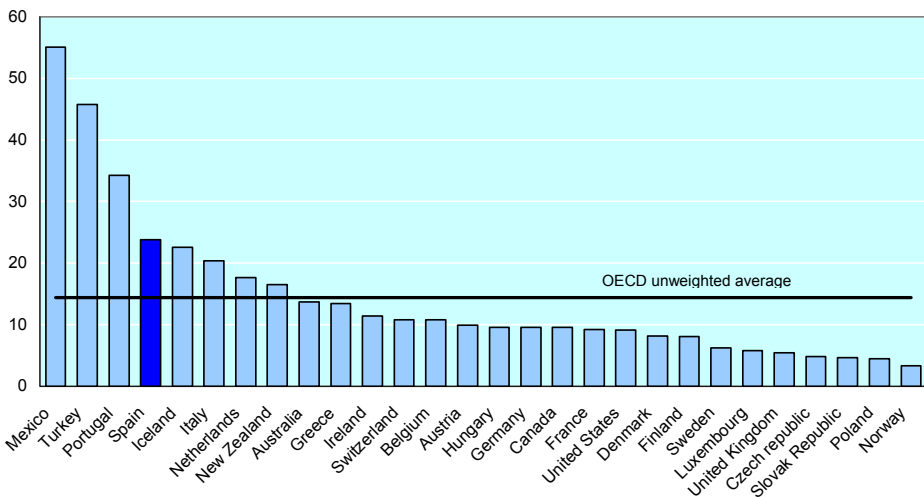
Spain is among the countries with the largest share of youth leaving school without an upper secondary education qualification (24% in 2003,¹⁰ see Figure 2.5), which is generally regarded as the minimum credential

10. Data provided by the Spanish authorities suggests that the share of youth dropping out of school without an upper secondary qualification has risen since 2003, to between 26% and 30% in 2006 (values vary seasonally).

required for successful labour market entry and a basis for further participation in lifelong learning (see OECD, 2000). Within OECD, this figure is the fourth highest after Mexico, Turkey and Portugal. Gender differences are marked, with 32% of boys and only 21% of girls leaving school without an upper secondary qualification. The National Action Plan has the ambitious objective of reducing the overall rate of early school leaving to 20% by 2008 and 15% by 2010.

Figure 2.5. **School drop-outs in OECD countries, 2003^a**

Share of youth aged 15 to 24 not in education and without upper secondary education



a) For Iceland, Italy, the Netherlands and the United States, data refer to 2002; for New Zealand, data refer to 2001.

Source: OECD database on labour market status by educational participation.

This high share of school drop-outs is due partly to learning difficulties within the *bachillerato* programme itself and to the lack of attractive educational choices for this level of education (see OECD, 2006b), but also to high rates of unsuccessful completion of compulsory secondary education. In fact, failure often happens early, before the completion of compulsory education, leading to dropping out of school before the end of the upper secondary cycle.

There are strong links between these negative outcomes and low socio-economic status and ethnicity, with children from some migrant and minority groups more likely to experience early school failure.

From an equity perspective, failure in compulsory secondary education results in a double exclusion—firstly from the *bachillerato*, secondly from middle-level vocational training which can only be accessed after completion of compulsory education or through a qualifying exam.

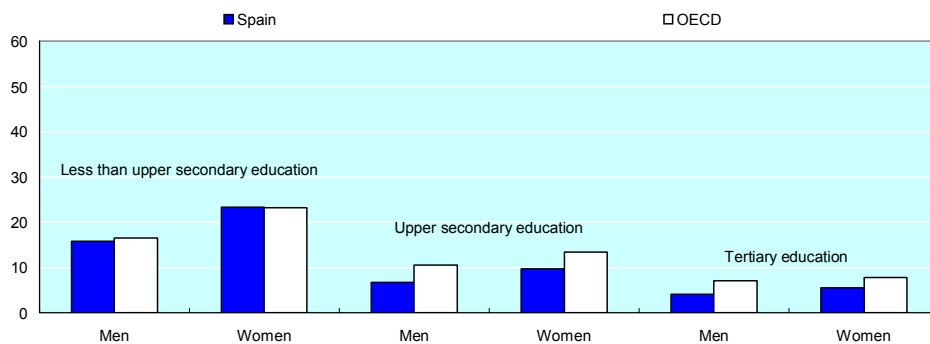
F. *Early school-leavers face difficulties in the labour market*

One of the consequences of poor achievement in secondary education is an outflow into the workforce of young people who do not have a school-leaving certificate and who have limited vocational skills.

Youth who do not obtain an upper secondary education qualification are more likely to be neither in employment nor in education than their more qualified counterparts (see Figure 2.6). However, the Spanish levels of NEET status for those with less than upper secondary education are equal to the OECD averages.

Figure 2.6. **School drop-outs who are NEET, OECD countries, 2003**

Share of youth aged 15 to 24 neither in education nor in employment, by gender and level of education



Source: OECD database on labour market status by educational participation.

A survey recently carried out jointly by the Spanish Ministry of Education and the Ministry of Labour,¹¹ sheds some light on the labour market outcomes of secondary school students who obtained their highest educational qualification – or dropped out of school – in 2001. Figure A.3.1

11. ETEFIL (*Encuesta de Transición Educativa-Formativa e Inserción Laboral*), Survey of education-training transition and labour market entry, 2005.

(Annex 3) confirms that youth who drop out of school without successfully completing upper secondary education are less likely to be employed six months later than their qualified counterparts. Among them, women are doing much worse than young men in the same situation. Youth completing middle-level vocational training perform best on the labour market six months after finishing school. General upper secondary education graduates, on the other hand, are the worse performers, partly because the Spanish *bachillerato* is organised to prepare students for tertiary studies rather than the labour market.

Youth dropping out of school do not catch up easily with their more educated counterparts. Over the five years following school exit, drop-outs spend less time in employment than their more qualified counterparts in general, and than youth completing middle-level vocational training in particular (Figure A.3.2).

2. Strategies to reduce early school leaving and deal with drop-outs

Much emphasis has been put over the past few years on reducing the risk of early school failure. For instance, the latest reform of the education system is mainly focused on reducing early school drop-outs and reinforcing equity in education. The law explicitly mentions the need for strengthening support for pupils with special needs and for helping those who leave school early re-enter the system. These objectives are to be achieved by strengthening vocational education and through new lifelong learning initiatives.

A. *How can early school leaving be avoided?*

Curriculum diversification programmes

The programmes of curriculum diversification (*Programas de Diversificación Curricular*, PDC) were introduced when the age of compulsory schooling was increased to 16 years, with the aim of combating low achievement. The PDC operate over the final two years of compulsory secondary education and are designed by schools themselves to improve basic attainment of mainstream educational objectives. The PDC adapt the curriculum to individual needs and provide a high concentration of teaching support through smaller classes (PDC classes have a maximum of 15 pupils).

Overall, the PDC have proved to be a successful tool to reduce early school leaving of participants. OECD (2006b) finds that almost three in four students who participate in them successfully complete compulsory secondary education.

However, the supply of PDC places is not sufficient and therefore the programme does not cover many youth at risk. This is partly due to the fact that PDC is limited to levels well below the estimated level of under-achievement. In addition, participation rates do not align well with the relative rates of early school leaving in the Autonomous Communities.¹²

Pre-school programmes

Several studies have shown that high quality early childhood (for children aged 0-3) and pre-school (for children aged 3-5) programmes have positive effects on participants' school achievement and grade repetition. While participation in early childhood education is limited in Spain, the government has taken important steps to build a platform for universal pre-school education and today nearly all 4 and 5-year-old children in Spain attend pre-school. Substantial progress has been made in the participation of 3-year-olds as well.

Access to early childhood education remains uneven, both socially and geographically. Public provision is rare, thus family income is a key determinant of access to these services. Only about 7% of households in the lowest band of income use paid childcare compared to 34% of households in the highest income band (OECD, 2006b). This is unfortunate as the largest positive effects of early childhood and pre-school programmes have been found for children of immigrant background or/and poor families (see Box 2.1).

Across Autonomous Communities the likelihood of a 3-year-old child attending pre-school ranges from a low of about 80% in Andalusia to universal participation in Catalonia and the Basque Country. These gaps mean that children in different parts of the country enter primary school with somewhat different levels of preparation.

12. Education experts have also argued that programmes involving partial withdrawal from mainstream classes should in the long term be replaced by more integrated curricula and differentiated teaching approaches to ensure that all students are exposed to the same high level objectives (see OECD, 2006b).

Box 2.1. The role of early childhood and pre-school programmes in reducing school difficulties of children from disadvantaged families

There is growing recognition that quality early childhood education and care (ECEC) provides young children, particularly from low-income and immigrant-background groups, with a good start in life. In particular there is evidence that ECEC programmes can help reduce school failure and improve school performance (see OECD, 2001 and 2006a).

A large literature evaluating the performance of pre-school programmes has developed in the United States where state-run pre-school programmes have proliferated over the past two decades, inspired by the good outcomes of Head Start, a Federal-level pre-school programme first introduced in 1965. Barnett (1995) and Giliam and Zigler (2001) review several evaluation studies of the long-term effects of pre-school programmes on children from low-income families. Both studies find evidence of sizeable long-term effects on school achievement and grade repeating, particularly when efforts are sustained beyond the pre-school period. Positive effects of pre-school education on school failure and grade repetition have been found in France, where pre-school is almost universal among 3- to 5-year-olds (see Caille and Rosenwald, 2006). Finally, Boocock (1995) reviews childcare in Sweden and concludes that participation in pre-school has benefits in terms of cognitive development and school success, and that these are more positive for children of low-income families.

However, disappointing results in some other countries (see Lapointe *et al.*, 2005 for Canada and Boocok, 1995 for a survey of several international programmes) point to the importance of programme quality. The most effective programmes require considerable financing, well-trained ECEC personnel and diversified intervention actions (see OECD, 2006a on design issues).

B How best to encourage early school-leavers' return to education or enter the labour market?

Social guarantee programmes for youth who do not complete secondary education

Social guarantee programmes provide a second chance for youth aged 16 to 21 (22 if disabled) who have not successfully completed compulsory secondary education. They have the objective of giving them the basic general and vocational tools needed to enter the labour market or return to the education system.

Students receive intensive teaching support through reduced class sizes and a higher allocation of teachers. Programmes are articulated in two main modules: vocational training and general education.¹³

The duration of the programmes varies but is generally between 720 and 1 800 hours in total and between 26 and 30 hours per week. Some programmes are compatible with paid employment and some include modules of work-based learning in a firm.

Enrolments in social guarantee programmes have risen considerably since the end of the 1990s but remain quite low. In the school year 2005/2006, there were 45 000 16-21-year-olds attending them, accounting for only approximately 8% of the eligible population. Students from working-class families were the main beneficiaries of these programmes and represented about 70% of participants (OECD, 2006b).

Several factors may account for the relatively low take-up of the social guarantee programmes. First, at the end of the programme students receive a certificate, acknowledging attendance and specifying the number of hours and the field of study. However, this certificate does not in itself allow access to vocational education but only to a qualifying exam.¹⁴ Second, there is no bridge back to general education. Specific bridging or programme integration measures are needed both to open the way to continued formal learning and to recognise the successful efforts made by students in the programme.

The Netherlands, another OECD country with a high drop-out rate, has taken different routes to prevent as well as tackle the problem (see Box 2.2). The Dutch programme – Blits on Drop-outs – is managed at the local level with the government providing some action lines and examples of good

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13. The vocational education module focuses on giving youth the necessary skills to carry out simple elementary occupations. This module includes practical training as well as classroom teaching of technical concepts needed to carry out the corresponding job. The general education module gives students the opportunity of acquiring or improving their general knowledge with the objective of preparing them to re-enter mainstream education in general and middle-level vocational education, in particular.
 14. To be eligible to sit the entry exam to vocational education without having successfully completed compulsory education, a young person must be at least 17 years of age and have at least one year's relevant work experience or have successfully completed a social guarantee programme. Only about 10% of those who accessed middle-level vocational education in the school year 2004/2005 did so through an entry examination. This represents about half as many youth on social guarantee programmes the year before, thus as little as 4% of drop-outs.

practices. One defining feature of the actions conducted within this programme is the strong link between second chance programmes and formal education institutions. The idea behind most initiatives is to provide differentiated and individualised pathways and intensive counselling within education institutions rather than from the outside.

Box 2.2. **Blits on drop-outs: a Dutch programme to tackle early school leaving**

In 2002, within the Lisbon strategy framework, the Dutch government committed to reduce the number of school drop-outs from 70 000 to 35 000 by 2010. In 2006, the government devised a package of measures to meet this target. Local authorities are provided with a series of guidelines to tackle the problem and some good-practice examples developed by some Dutch local communities. While implementation details are left to local communities, the main lines of action specified by the central level of government include the following:

- *Tackle the problem at source:* increase the number of bridging classes/summer schools; improve support advisory teams in secondary vocational education;
- *Strengthen support for pupils with special needs at the start of secondary education* so they can continue to get the same intensive learning support they are offered in primary education;
- *Monitor school attendance:* compulsory age of school attendance is to be extended to include pupils under the age of 18 who do not yet have a basic qualification. At the same time, pupils will not be confined to the classroom and combining education with work will be made possible. Youth who register for a day-release scheme at the beginning of a school year, but have not found a suitable work experience by 31 December of that year, will fall under the budget of the Regional Training Centres (ROCs). This should encourage TOCs to make active efforts to find the necessary placements;
- *More practical training at school, more practically-oriented teaching and more work placements.* To achieve this objective, 20 000 extra placements will be provided for young people for whom it is difficult to find ordinary work placements (EUR 35 million a year will be made available for this measure).

For youth who do drop out of school without a qualification, the main central government recommendation is that they are individually assessed by one institution and receive the guidance they need in order to return to school, start work or combine school and work.

Training programmes for unskilled unemployed youth

Aside from social guarantee programmes, all other initiatives to help early school-leavers enter the labour market successfully are focused on those among them who become unemployed. Among these latter programmes, only *Escuelas Taller* (apprenticeship school) and *Casas de Oficios* (craft schools) target youth aged 16-24.¹⁵

These two programmes were introduced in 1985 with the aim of teaching unskilled youth a craft. They combine general, classroom-based teaching with practical work in various fields such as the promotion of the artistic, historical, cultural and natural heritage, the rehabilitation of urban areas, environmental projects, recuperation of public infrastructures, as well as any activity of social or public utility that would support learning and the acquisition of work experience by participants (see Box 4.3 for an illustration).

When the programme ends, participants receive a diploma, certifying the number of hours attended and the type of craft learnt. While the recognition of acquired skills is crucial for those who enter the labour market after the programme ends, this certification does not allow participants to return to mainstream education directly if they wish to do so.

3. Between school and work

A. More students work now than ten years ago but the proportion is still well below the OECD average

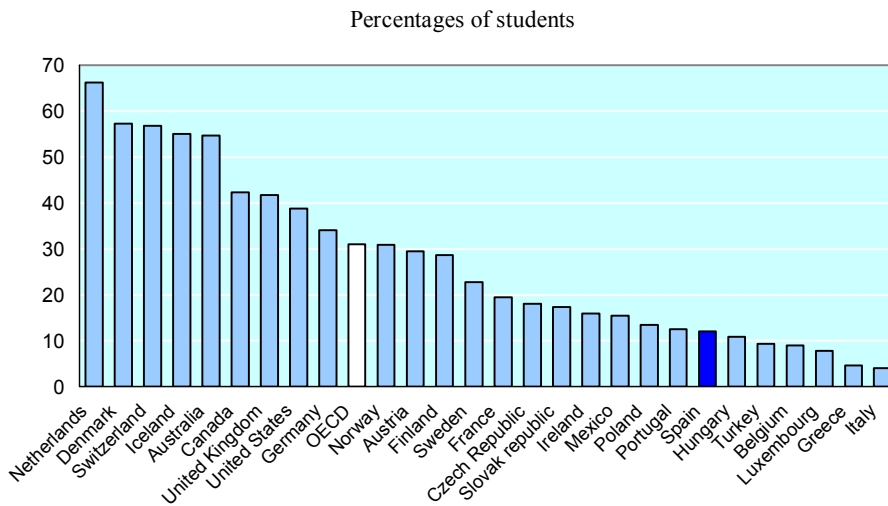
In 2006, the lack of work experience was considered by 63% of Spanish youth – 59% of men and 68% of women – the main cause of unemployment among young people (INJUVE, 2006). At the same time, only 55% of Spanish youth had their first paid work experience when they were studying, although this proportion was much higher than in 1996 when it stood at just 21%.

Indeed, Spanish youth seldom work and study at the same time. Figure 2.7 shows employment rates of students in several OECD countries. In Spain, only 12% of 15-29-year-old students – and about 23% of 20-29-year-olds – were employed in 2003. In some other OECD countries,

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15. Other initiatives not targeted to youth specifically are the *Talleres de Empleo* (equivalent to ET and CO but for adults aged 25 or more), and the programmes of the *Plan Formación y Inserción Profesional* (training programmes oriented to adults aged 25 or more who have been unemployed at least one year and youth, 16-24, who have been unemployed at least six months).

students' paid work was much more common. Two-thirds of students were employed in the Netherlands in 2003 as well as more than half in Australia, Denmark, Iceland and Switzerland.

Figure 2.7. **Students who work aged 15-29, 2003^a**



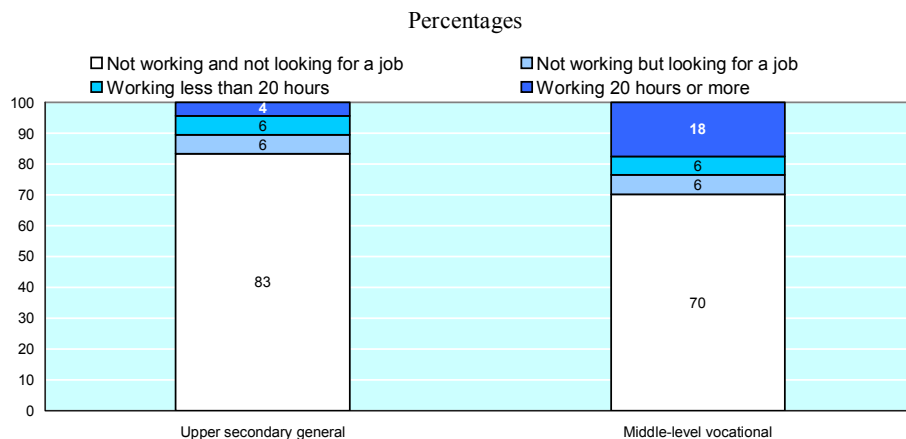
a) 2002 for Iceland, Italy and the United States.

Source: OECD (2006a), *Education at a Glance*, Paris.

Though still low by international comparison, the share of working students in Spain has increased by 3 percentage points over the past decade. The rise has been modest for female students while it has reached 5 percentage points for male students – 18% of them were employed in 2006 up from just 13% in 1996.

Not surprisingly, the incidence of work experience among students in vocational education is higher than for other students. Figure 2.8 shows the share of working students in the school year 2001/2002 by their highest educational qualification in 2001. Among students who have recently completed middle-level vocational training – and are presumably continuing to upper-level vocational training – 24% were employed and 18% of them worked at least 20 hours during the reference week. On the other hand, among students who have recently completed the *bachillerato*¹⁶ – and are presumably continuing to general tertiary education – only 10% were employed and only 4% of them for 20 hours or more.

16. Youth in the two groups should have about the same age on average.

Figure 2.8. **Students' employment: general versus vocational education, 2001/2002**

Source: *Encuesta de Transición Educativa-Formativa e Inserción Laboral (ETEFIL)*.

The acquisition of work experience during study has been shown, under certain conditions, to have positive effects on post-school labour market outcomes (see Box 2.3). As a result, removing barriers to students' work could make their transition from school to work smoother. In Spain, the limited use of part-time employment makes it difficult to reconcile work and study.¹⁷

B. Internships prove effective but need to be better monitored

Internships – defined here as a combination of study in tertiary education and work, called *prácticas becadas bajo convenio* – were introduced in Spain in 1981.¹⁸ Only youth who are in tertiary education are allowed to go on this internship scheme (see above, Box 1.1 for a discussion of the use of *becas* for university graduates). An internship should take no

17. Before 1994, part-time employment was hardly used in Spain. Changes introduced in 1994 – such as the definition of part-time as any job with fewer than normal hours and the possibility of calculating the hours on an annual basis – were certainly behind the rise in the incidence of part-time work since and possibly the increase in student's work.
18. *Real Decreto del 19 de Junio 1981 sobre Programas de Cooperación Educativa*. At the time, internships were limited to students in their last courses of all types of tertiary education including university as well as tertiary technical education. In 1994, this requirement was changed to having obtained 50% of credits towards a tertiary education degree. This followed the changes in Spanish university structure introduced by the 1987 education reform, whereby courses were replaced by the credits system.

more than 50% of total academic course time and tenders generally contain restrictions as to the maximum number of hours that interns should spend in the firm during the academic year. However, this restriction is generally lifted during the summer months – *i.e.* outside the academic year.

Box 2.3. The impact of students' work on future labour market performance: evidence from other OECD countries

The impact of working while in school on future labour market outcomes has been the object of a rich international literature. The number of hours worked is recognised in most analyses as being key, with positive returns most likely if the employment is half-time or less.

In Europe, emphasis is also put on the relation between work content and the student's field of study for tertiary education students. Evidence from France and Switzerland (see Bédoué and Giret, 2005; Chagny and Passet, 2006; and Murier, 2006) shows that work experience acquired while studying has a positive effect on future labour market outcomes if the job is related to the student's field of study. When this is the case, students' work is found to i) reduce the probability of being unemployed a year after the end of schooling, ii) reduce the time needed to find the first job, and iii) increase post-education wages. On the other hand, work experience in an area not related to the student's field of study is found to have no impact.

For the United States, Molitor and Leigh (2005) find positive earnings returns to in-school work experience. Another study conducted on Australian high-school attendees (Vickers *et al.*, 2003) finds positive returns of students' part-time work. The authors find that, although having a job in high school is associated with a reduced likelihood of completing education (statistically significant only for young men), it does yield substantial and lasting labour market benefits once young people leave school. More precisely, part-time work in high school increases by 65% the probability that a young person enters an apprenticeship or traineeship rather than being unemployed in the transition out of school. Part-time work while in school also increases by 46% the probability that a young person enters full-time employment rather than being unemployed. These results are shown to be robust across several specifications and after controlling for social and academic background, ethnicity, gender, region and school type. It is also noteworthy that this study does not find that these results are dependent on the fact that jobs held by students are related to their study. In fact, another study conducted on Australian students (Green and Smith, 2003) finds that structured work placements – *i.e.* organised by the school and generally strongly related to course content – do no better than other types of paid work experience. In both cases, positive returns of students' work on school-to-work transitions are found.

Overall, most analyses provide evidence that working a moderate number of hours helps youth in post-school labour market outcomes without compromising school achievement (DeSimone, 2006; Salamonson and Andrew, 2006; and Dundes and Marx, 2006). Some analyses – not all – also show that a close relationship between the job held and the field of study is essential for positive labour market returns when working students are attending tertiary education.

There are no official figures on the number of students on internships, but a study carried out by Red2Red (2006) for the Ministry of Education estimated that they were around 150 000 in 2005. This is only about 20% of students potentially entitled to the scheme (having obtained at least 50% of credits towards their diploma). The same study estimated that in 2005 an intern was paid on average EUR 600 a month. As an internship has the legal status of a grant – not an employment contract – the intern retains the same social insurance coverage as when studying.

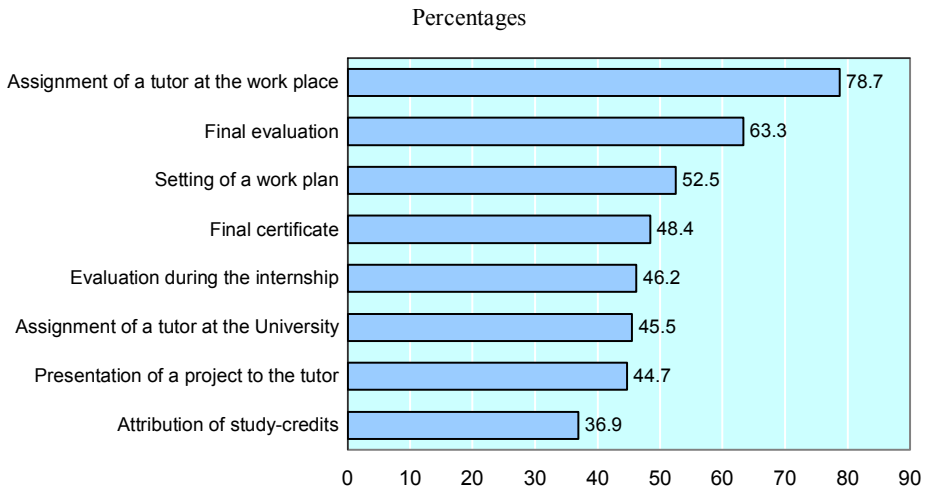
Surprisingly, while internships are not widely used, they appear to be highly valued by both students and employers. The Agency monitoring quality of service, courses and career prospects for the universities of the city of Madrid has recently carried out a survey on this subject among 800 students of Madrid universities (ACAP – *Agencia de Calidad Acreditación y Prospectiva*, 2006). Students were asked to evaluate the Internship Service (*Servicio de Prácticas y Empleo*, SPE) of their university. About 76% of interviewed students declared they knew of the existence of an internship service, which they evaluated at 7 on a 1-10 scale. About 58% reported they had actually been on an internship. When asked about specific aspects of their internship, work content scored 7.4 on the same 1-10 scale, the respect of SPE internship rules scored 7.3 and the link between work content during the internship and study scored 6.9. In terms of importance for future labour market entry, the average score was 7.5, with about 75% of students giving a score higher than 7 to this aspect.

Students were also asked to assess the fulfillment by the internship of the conditions required by law. Figure 2.9 summarises the replies to this question for each legal requirement. The most frequent characteristic reported is the assignment of a tutor at the work place to the intern. A tutor from the university and a work plan were present only in half of the internships. Evaluations, both during the internship and at the end of it, were only reported by less than half of the students.

Another study, carried out by the Foundation for Growth and Development (Fundación CYD, 2005) on the relationship between firms and universities, investigates the position of firms *vis-à-vis* internships, through a series of interviews (400, all over Spain). Among interviewed firms, 47% said they had had some contact with universities, rising to 86% among firms with more than 200 workers. About 83% of the firms saying they had links with universities declared this happened through internship grants, and 66% of them valued the experience positively. The overall view emerging from the report was that firms thought it was essential that universities place more importance on internships to prepare young people for the labour market. Employers also found an overall coincidence between skills of interns and those required by the firm, but highlighted some areas of mismatch.

Students were thought to be better prepared than necessary in ICT, theoretical knowledge and analytical skills, but were lacking practical knowledge, team-work skills, and language knowledge.

Figure 2.9. **Application of legal requirements in internships in Spain, 2006**



Source: *Agencia de Calidad Acreditación y Prospectiva (ACAP)*.

Overall, these positive evaluations of internships and their perceived role in facilitating transitions from school to work suggest that internship should be better promoted and encouraged by the SEP.¹⁹ In addition, employers' involvement in the design of internships has been limited and the lengthy negotiation process with universities and rigid conditions set by law tend to represent an obstacle to their larger use by firms.

Indeed, when employers have been more actively involved in the design of programmes combining education with work, the provision of internship places has not been a problem. This is supported by the success encountered by the Citius programme – a work and study programme – jointly managed by the University of Madrid and the University of Barcelona in close cooperation with local employers (see Box 2.4).

19. Note that internship pay is not considered fiscally as a wage so students who participate are still fiscally dependant on their parents, other things being equal.

Box 2.4. The CITIUS programme: a training scheme for graduates that works

CITIUS takes the form of a one-year postgraduate study grant financed by employers and directed to youth under the age of 29 within the four years of obtaining a university diploma. It is an inter-regional programme managed jointly by the University of Madrid and the University of Barcelona, with the ultimate objective of facilitating labour market entry of participating students. The programme is totally financed by the participating firms but there is no employment relationship with the firm and no salary paid to the beneficiary who remains a student.

It has two components: a training programme with a firm and an academic learning plan. The training component is carried out in the firm under the supervision of a tutor and the employer is responsible for defining the training plan. The governing body of the CITIUS programme is responsible for monitoring quality of the progress. The part dedicated to academic learning covers a minimum of 160 hours – at times compatible with the firm’s working schedule – and is administered by the university in a classroom environment with personalised programmes adapted to the firm-based training part of each student. Attendance is compulsory and to obtain the final certificate, the student has to obtain at least 80% of the credits included in his/her academic plan.

Take-up has been considerable, covering 20% of the contracts obtained by recently graduated students in the two administering universities. In 2002, 85% of the participants were hired by the firm where they carried out the practice, and 14% by a firm in the same area.

4. The challenges faced by university education

Many more Spanish youth hold a university degree than their older counterparts but 60% of them appear to be “overeducated” for their job – *i.e.* they are employed in jobs that require less than a university diploma. While this phenomenon may partly be due to the large incidence of temporary jobs (see Bover *et al.*, 2002), it certainly also reflects existing difficulties in adjusting university curricula to labour market needs.

The large increase in tertiary education attendance over the past decades has been mostly driven by students’ demand while the labour market has had difficulties creating enough new jobs for youth with tertiary qualifications. Indeed, many have argued that the Spanish economy does not focus enough on high-technology products and does not seem to have the capacity to generate enough jobs for graduates (see Mora, 1997; and Dolado *et al.*, 1999).

Another problem is the relatively limited incidence of short-cycle university degrees – with a less theoretical approach and closer link with the needs of the labour market. Although attendance at short-cycle courses has

increased over the past decade,²⁰ fewer than one in three university graduates obtained a short-cycle diploma in 2004, close to the OECD average but still about 20 percentage points lower than in Belgium, Japan and Canada. Tertiary non-university education is also little used. France is a good example of how reinforcing this route may provide a tertiary education pathway that is more labour-market oriented (see Box 2.5).

An implication of the limited use of short-cycle programmes is that the higher education system in Spain is more focused on professional education, *i.e.* the transmission of knowledge and professional skills needed for professions. When professions and qualifications for jobs change very quickly this type of orientation is too rigid to adapt quickly to the changing labour market. Limited attention, on the other hand, is paid to so-called “soft skills” – notably, methodological competences as well as social competences – valued on the labour market.

Box 2.5. **The French experience of *licences professionnelles***

The *licences professionnelles* (LP) in France are a new type of tertiary-level diploma introduced in 2000 that has registered a rapid increase over the past six years. The growth in the number of specialisations offered has been of the order of 55% per year and at present there exist more than 1 400 different LPs in the country.

The programmes last one year and combine sectoral-specialisation with an apprenticeship-based approach. The defining feature of this diploma is the fact that it is based on partnerships between universities and local employers and strictly linked to the local labour market – *i.e.* in Toulouse, where most of the economic activity is related to the aeronautical industry, LP are focused on specialisations related to this industry. Teaching techniques focus on practical and specific knowledge and classes are often given by professionals from the concerned sector. While the main objective of a LP is labour market entry with more specific skills and some apprenticeship-based experience, graduates can also pursue further study.

Students come from a variety of backgrounds but only 5% have followed vocational secondary education, 33% come from scientific secondary education and 25% hold a technology secondary education qualification. The rate of success of LPs is quite high, with 80% students successfully completing the programme in 2003/2004.

While employers were initially hesitant to support this new qualification level, the number of partnership agreements signed is an indication that they now recognise the value of LPs, particularly in terms of providing specific skills required by the local economy.

20. About 40% of university students attended short-cycle courses in 2005/2006 in Spain, up from 35% in 1996/1997.

This has been changing slowly over the past decade, particularly in terms of increasing flexibility in syllabi and choice of courses. The University Organic Act draft, presently discussed in parliament, has put further accent on improving the quality of teaching and research by making it more relevant to production needs. Co-operation with industry by teachers and researchers is particularly encouraged, via the introduction of a system of “leave of absence” for periods spent in technology intensive companies to exploit patents and the results of research. The Ministry of Education and Science has also recently started a process of evaluation and modernisation of teaching methodologies at universities with the aim of introducing more practical classes and tutorials to accompany the traditional theoretical sessions.

Other OECD countries where teaching and research methods are constantly monitored serve as good examples. In the United Kingdom, for example, university financing depends to some extent on the quality of teaching, which in turn has come to represent a major factor in university choice by students. In Germany, particular importance is attached to teachers’ training which is organised in conjunction with university establishments. Training is spread over a three-year period and is the object of certification.

**Box 2.6. Polytechnic education in Finland:
a successful reform of tertiary education**

In Finland, higher education enrolment rates doubled between 1990 and 2000 following the introduction of a new polytechnic tertiary education sector that was different from other university courses in terms of duration of studies (shorter), content (more technically oriented, applied studies), governance (more employer, municipal, regional input), and financing (municipal, with local/regional in kind contribution of facilities).

Parallel to traditional university education, the polytechnic sector is mostly dedicated to the conduct of professionally-oriented higher education and applied research supporting regional development and adult education, principally in engineering, business and health care. A principal feature is work practice as part of the undergraduate and post graduate degrees.

Polytechnics have successfully established their place as the second pillar of the Finnish tertiary education system alongside university. There are at present 29 polytechnics in the country and 20 universities.

Finland has recently decided the further development of polytechnic education, through the enhancement of contacts with working life. Special attention will be paid to curricula, credit transfer practices, guidance and advisory services and the development of postgraduate polytechnic degrees. The new legislation also emphasizes the autonomy of polytechnics and focuses on enhancing their regional impact.

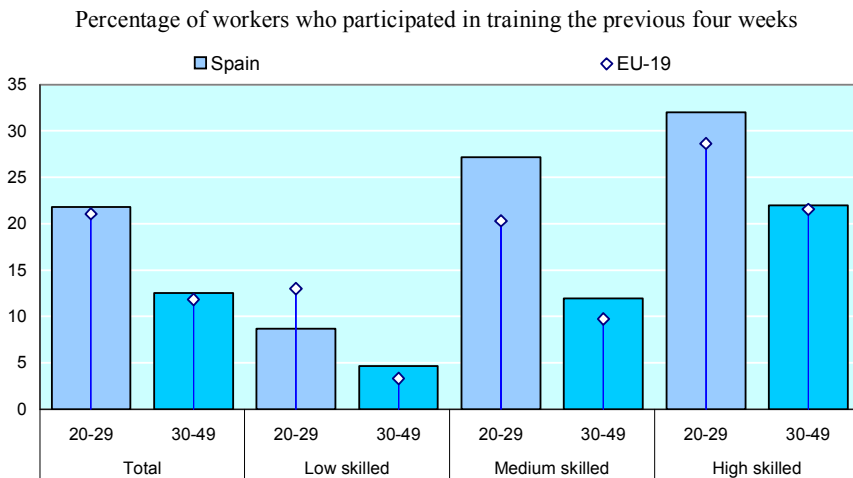
Among OECD countries, Finland has successfully reformed its tertiary education system over the 1990s (see Box 2.6) with the introduction of polytechnic education – a system of tertiary institutions focused on professional tertiary education. More recently, the new Polytechnics Act (2003) has provided the basis for further developing polytechnics in connection with the world of work, particularly at the regional level.

5. Training on the job

A. *The incidence of on-the-job training among youth is relatively high*

Spanish youth benefit from on-the-job training to a greater extent than adults and about as often as their European counterparts (Figure 2.10). This is an encouraging achievement, especially since continuous improvements in employability through on-the-job training have been shown to avoid unemployment or make it shorter (see OECD, 2003b and 2004b). However, as in other countries, training is not well distributed and seldom reaches those who need it most – low-educated workers.

Figure 2.10. **Training among workers, by age group and educational attainment^{a,b}, Europe, 2005**



a) Persons identified as being on training are those who have obtained their highest education qualification before 2005 and were not students in 2004.

b) Low skilled are individuals with less than upper secondary qualifications; Medium skilled are individuals with an upper secondary qualification; High skilled are individuals holding tertiary qualifications.

Source: European Union labour force survey.

One important aspect of on-the-job training not captured by Figure 2.10 and particularly important for Spain, is the difference in training participation of permanent and temporary workers. Toharia (2005) reports that while about 27% of 16-24-year-old workers on permanent contracts receive some training, only 17% of those on temporary contracts do. The difference is even larger for 25-29-year-olds – 35% for permanent employees compared with 20% for temporary workers.

Recognising the importance of lifelong learning, the Spanish Government has put it at the centre of an agreement with social partners signed in 2006 (*Acuerdo de Formación Profesional para el Empleo* – the Agreement on Vocational Training for Work). However, this agreement does not focus on youth and only unemployed young people are specifically targeted under it.

6. Summary

Spanish youth are on average much more educated than their older counterparts, but several issues remain to be addressed. First, early school leaving remains a very serious problem, with as many as one young person in four leaving school without an upper secondary education qualification. To address the problem, curriculum diversification programmes offer intensive help to youth with learning difficulties. However, participation thresholds are such that only the most serious cases of disadvantage are dealt with and not all youth who need support receive help. For those who have already dropped out of school, social guarantee programmes seem to be doing a good job in providing youth who left education too early with the basic skills needed to enter the labour market but do not allow participants to return to education directly via the vocational route. Similarly, some training programmes within the activation strategy for unemployed youth – ET and CO – focus on teaching unskilled youth a profession but provide no bridge back to education for those who wish to return to it.

Second, few students choose to attend vocational secondary education despite the labour market advantage it gives relative to other educational choices. This is partly due to the fact that it suffers from a lack of prestige and is perceived by parents and students as a choice dictated by failure in general education.

Third, youth completing education in Spain have had much less contact with the labour market than in some other OECD countries. Internships for students attending the second half of their university studies are insufficiently used. Employers recognise the importance of youth acquiring labour market experience and students who have participated in these

initiatives have found they helped considerably in their transition from school to work. Their limited use is likely to be imputable to a setup too rigid for some employers.

Finally, as many as six out of ten university-educated youth in Spain are carrying out a job that requires a lower qualification than they possess. This problem can partly be explained by the sharp increase in university attendance in Spain. However, other causes are to be found in the organisation of the Spanish system of university education. First, the system is still too rigid and based on professional knowledge and links between university and industry are very limited. Second, short-cycle university courses and professional tertiary education – more relevant to labour market needs – are still not as developed as in other European countries.

CHAPTER 3

REMOVING DEMAND-SIDE BARRIERS

While the previous chapter addressed supply-side issues related to education, labour demand conditions are also an essential element when evaluating the labour market prospects of young people. Overall, hiring of young workers could be hampered by the limited labour market experience they possess. High legal and/or collectively-bargained minimum wages or apprenticeship pay could also make it too costly for employers to hire and train young people. Finally, strict employment protection legislation (EPL) may also represent a disincentive for firms to hire inexperienced workers. This chapter will look at these three aspects, with a particular focus on EPL and employment subsidies, *i.e.* areas which have received considerable policy attention over the past decade.

1. Wages and labour costs

A. Wages of youth have increased over the past decade

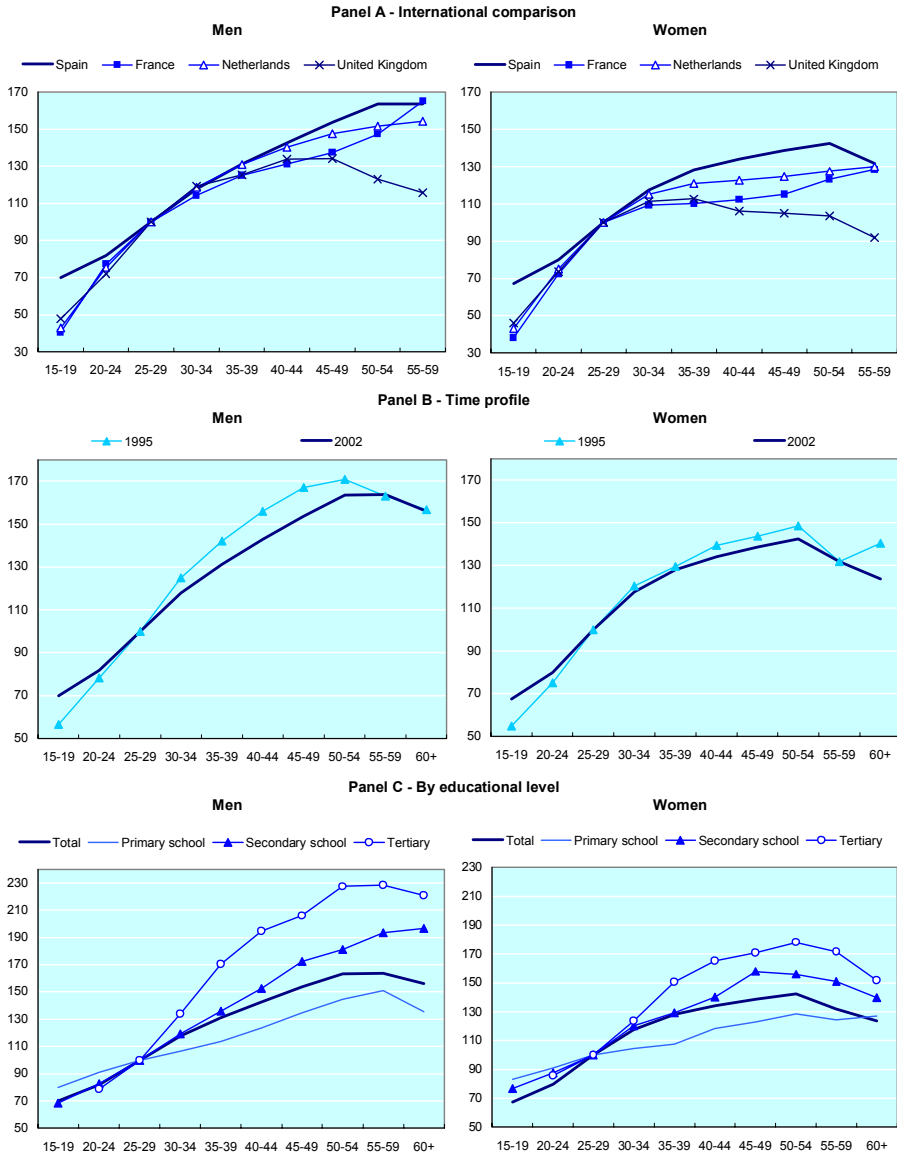
At a young age the wage profile for full-time workers is flatter in Spain *vis-à-vis* other countries and the average wages of teenagers and young adults relative to that of 25-29-year-olds are higher in Spain than in France, the Netherlands, and the United Kingdom for both sexes. Things change after the age of 30 when the age-profile of earnings becomes much steeper than in other European countries.²¹ This may reflect the long and somewhat bumpy transition process (see Figure 3.1, Panel A).

The age-earning curve has flattened somewhat between 1995 and 2002 (Figure 3.1, Panel B). This may reflect the fact that the average educational attainment of new youth cohorts has increased. The wage profile of youth working full-time by age and gender shows an improvement for 15-19 and 20-24-year-olds relative to 25-29-year-olds, for both young men and women.

21. As in other countries, earnings tend to peak near age 50. However, the subsequent decline in earnings for individuals aged 55 and over is not so pronounced in Spain, especially as compared to countries such as the United Kingdom.

Figure 3.1. Wage profiles of full-time workers by gender in Spain and selected OECD countries, 1995-2002

Index 25-29=100



Source: *Enquête Emploi* 2002 for France, *Enquête Werkgelegenheid en Lonen* 2000 for the Netherlands, Labour force survey for the United Kingdom, and the *Encuesta de Estructura Salarial* 2002 for Spain.

This improvement is confirmed by the *Encuesta de Estructura Salarial* (Spanish wage structure survey – EES). The EES shows that between 1995 and 2002²² the largest wage gains were recorded for youth. Teenagers saw their annual earnings double, reaching 49% of average earnings from just 28%; young adults experienced a rise of 59%, reaching 61% of average earnings from 46%; youth between 25 and 29 experienced a rise of 34%, reaching 79% of average earnings, up from 69%.

Wage profiles by educational level show some early earnings advantage of school drop-outs relative to secondary school and tertiary education graduates at an early age (20-24). This advantage – partly due to labour market experience accumulated by drop-outs while their more educated counterparts were still in education – disappears later in life where returns to additional years of schooling in secondary and university education are clearly positive (Figure 3.1, Panel C).

B. The low minimum wage rate plays a limited role as a wage floor

Spain abolished the sub-minimum wage for youth in 1998. However, while the present minimum wage – see Table 3.1 – is the third lowest in the OECD after Mexico and Korea and is unlikely to pose a serious barrier to youth employment (Box 3.1), several researchers have pointed to the fact that it may not be the right wage floor to look at in Spain (see Vincent, 2006; and Gutierrez-Hevia and Schwartz, 1997). In fact, analysts have argued that the right reference should be the wage floor *negotiated in collective agreements*, which is significantly higher than the minimum wage in most cases. Indeed, the minimum wage has declined relative to average wages over the past two decades and lost its relevance as a labour market policy tool.

On the other hand, the minimum wage has had a central role as a baseline for determining the level of several social benefits – e.g. minimum retirement income and unemployment benefits – and this role has dictated its evolution over time. In fact, because of this link, increases in the minimum wage brought about automatically increases in the overall social security bill, explaining the policy of restraint followed by Spanish governments over time.

The separation of the two roles played by the minimum wage agreed in 2005 goes in the right direction of making the minimum wage a more relevant wage floor and of creating a new baseline quantity (IPREM) for

22. See note 7.

calculating social benefits. As a result, the minimum wage is now officially indexed to observed inflation and is defined in relation to the average wage and cannot be lower than 60% of the latter.

Table 3.1. **Minimum wages for adults and youth in OECD countries, 2004**

	Ratio of minimum to median wage	Ratio of sub-min for youth to median wage	Ratio of youth to adult rate
Australia ^a	0.56	-	-
Belgium ^b	0.46	0.38	0.82
Canada	0.41	-	-
Czech Republic ^c	0.38	0.34	0.90
France ^d	0.66	0.56	0.85
Greece	0.49	-	-
Hungary	0.45	-	-
Ireland ^e	0.38	0.22	0.57
Japan (2003)	0.32	-	-
Korea ^f	0.27	0.24	0.90
Luxembourg ^g	0.56	0.43	0.78
Mexico	0.19	-	-
Netherlands ^h	0.50	0.26	0.53
New Zealand ⁱ	0.48	0.32	0.66
Poland ^j	0.40	0.34	0.85
Portugal ^k	0.42	0.29	0.70
Slovak Republic ^l	0.42	0.26	0.63
Spain	0.30	-	-
Turkey (2004)	0.50	-	-
United Kingdom ^m	0.47	0.34	0.72
United States	0.30	-	-

- Not applicable.

- a) In Australia, youth are entitled to a reduced MW to be set in collective agreements.
- b) Youth get an amount ranging from 75% of the adult MW at 16 to 94% at 20 and 21 (85% is used in the calculations).
- c) Youth aged 18 to 21 receive 90% of the adult MW for the first six months of employment.
- d) Youth aged 17 and 18 with less than six months experience receive 90% of the adult MW and youth 16 or younger receive 80% of the adult MW (85% used in the calculations).
- e) Sub-MW applies to youth younger than 18.
- f) Up to 2006, workers under 18 were entitled to 90% of the adult MW for the first six months of employment. Since 2007, the age criteria will be abolished on discrimination grounds, and all workers with less than three months of tenure (probation period) will be entitled to 90% of the MW.
- g) 75% of adult MW for youth aged 15 and 16 and 80% for youth aged 17 (average used in the calculations).
- h) Youth are entitled to a reduced MW, varying from 30% for 15-year-olds and 85% for 22-year-olds (average used in the calculations).
- i) Sub-MW applies to youth between 16 and 18 years of age.
- j) Youth are entitled to 80% of the adult MW for the first year of the first job held and 90% over the second year (85% used in the calculations).
- k) Sub-MW applies to youth up to 17.
- l) Youth between 16 and 18 are entitled to 75% of the adult MW and youth under 16 to 50% (the latter has is not used in practice as the age of compulsory schooling has been raised to 16, as a result 75% is used in the calculations).
- m) Sub-MW applies to youth under 18.

Source: OECD database on minimum wages and Eyraud and Saget (2005).

Box 3.1. **The minimum wage and youth employment: evidence from Spain and beyond**

The balance of international empirical evidence suggests that too high minimum wages have a negative impact on youth employment, especially if combined with high non-wage labour costs (e.g. Abowd *et al.*, 1997; OECD, 1998; Neumark and Wascher, 1998 and 1999; Kramarz and Philippon, 2001; Pabilonia, 2002). However, it should be added that analysts are not unanimous on this issue and some studies have failed to find significant negative employment effects (e.g. Card and Krueger, 1995; Stewart, 2003; Hyslop and Stillman, 2004).

In Spain, there have been surprisingly very few studies of the possible effect that minimum wages could have on employment. The work of Dolado *et al.* (1997) stands as the reference analysis of this subject. The authors find a negative relationship between the minimum wage level and the employment level for workers aged 16-19. The estimated effect was such that a 10% rise in the minimum wage level was associated with a fall of about 2% in the employment rate. This effect was found to be more pronounced in those regions which had a higher proportion of the labour force in the lower salary range. On the other hand, a positive effect was found for young adults and, according to the authors, this may be due to the fact that, as a result of being relatively more expensive, the younger workers are being replaced by older ones, especially those in the 20-24 age group. For older workers, the effect was insignificant, a result explained either by the existence of a significant informal economy not covered by minimum wages or by the fact that for this group of workers the relevant wage floor was not the minimum wage but the wages agreed for the sector in the collective agreements.

C. Non-wage labour costs on low-wage earners are relatively low in Spain

Non-wage labour costs accounted for about 25% of total labour costs in 2005, roughly constant over the past few years. International comparisons based on the tax wedge (see Table 3.2) convey a similar message and put Spain in the middle of the ranking of OECD countries and at the low end of the scale among European countries.

Although figures by age group are not available for Spain, Table 3.2 presents the tax wedge for a worker earning 67% of the average wage in the production sector. Given the wage figures presented above for youth, this is likely to be a good approximation of the relative wage earned by a young worker. At 34%, the tax wedge on low-wage earners is again about average compared to other OECD countries and low by European standards.

Table 3.2. **Tax wedge including employers' social security contributions in OECD countries, 1997 and 2004**

Percentages

	Tax wedge on average earner ^a		Tax wedge on low-wage earner ^b
	1997	2004	2004
Mexico	20.8	15.4	10.6
Korea	12.4	17.5	15.7
New Zealand	21.6	20.7	19.0
Ireland	33.9	23.8	15.6
Japan	20.7	26.6	25.8
Australia	29.6	28.6	17.2
Switzerland	30.0	28.8	26.1
United States	31.1	29.6	27.3
Iceland	24.4	29.7	24.4
United Kingdom	32.0	31.2	26.4
Luxembourg	35.2	31.9	27.5
Canada	32.3	32.3	27.8
Portugal	33.9	32.6	29.6
Greece	35.8	34.9	34.4
Norway	37.4	36.9	33.8
Spain	39.0	38.0	33.6
Denmark	45.1	41.5	39.4
Slovak Republic	-	42.0	38.8
Turkey	40.7	42.7	41.8
Poland	43.9	43.1	41.9
Netherlands	43.6	43.6	38.1
Czech Republic	42.9	43.6	41.9
Finland	48.9	43.8	38.6
Austria	45.6	44.9	38.6
Italy	51.5	45.7	41.7
Hungary	52.0	45.8	41.5
France	48.7	47.4	32.5
Sweden	50.7	48.0	46.2
Germany	52.3	50.7	45.4
Belgium	56.6	54.2	46.9

-: Not applicable.

a) Tax wedge including employers' mandatory social security contributions for a single worker with no children earning the average production wage.

b) Tax wedge including employers' mandatory social security contributions for a single worker with no children earning 67% of the average production wage.

Source: OECD statutory minimum wages and taxing wages databases.

2. Special contract types to stimulate work demand for youth

A. *Training contracts are used too little*

New entrants to the labour market require a large training effort on the part of employers and this often works as a barrier to hiring them. In Spain, two types of training contracts designed to overcome this barrier exist: contracts of practice – *contratos en prácticas* (CP) – and the contracts for training – *contratos para la formación* (CF). Potentially, the CP and CF should also provide the firm with a screening device to filter potential future employees. These contracts have existed since the first formulation of the Labour Code in 1980, although the parameters regulating them have changed considerably since.

The CPs are targeted on youth holding university or other tertiary education qualifications²³ and can only be used within four years from the end of education. The CFs are available for youth aged 16-21²⁴ who do not fulfill the requirements to participate in CP and for individuals belonging to specific target groups.²⁵ Both contracts consist of a period of training with a firm.

In both cases, the relationship is formalised in a contract which has to be registered at the public employment service. Both CP and CF can last no less than six months and no more than two years, and if they are set for less than two years, they can be renewed twice for a minimum period of six months each time and never exceeding the total of two years. Collective agreements can set different durations but cannot exceed the two years set by law. Trial periods vary between one and two months depending on the qualification of the trainee. There is no limit to the number of youth on CP

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23. Those holding non-tertiary qualifications recognised as equivalent to tertiary and giving right to exert the relevant profession are also entitled.
 24. The age limit was reduced from 25 to 21 in 1997. At the same time, other changes were introduced to reinforce the training content of CF, to reduce its maximum duration to the present two years, and to improve social protection.
 25. At present, disabled people of any age can be hired on a CF as well as unemployed youth (16-24) and adults (without age limit) if the hiring is done within the framework of specific training programmes organised by the public employment service (*Escuelas Taller, Casas de Oficios* and *Talleres de Empleo*). Before 2001, three other groups were entitled to CF: immigrants over the first two years of arrival in Spain and lacking the necessary skills for the job; individuals who had not worked for at least three years; and individuals in a social exclusion situation.

that a firm can have, but there are limits to the numbers on CF, which vary by firm size.²⁶

Employers receive a subsidy of EUR 11 per student and hour of training. This subsidy should be used to cover training costs (tutors, material and other related costs) and accident insurance for the students. As a counterpart, employers have the obligation of providing training, and, for CF, there is a formal requirement of at least 15% of the time spent in the firm to be dedicated to training. At the end of the contract period, employers have to issue a certificate containing information on the duration of the contract, job content and major assignments carried out by the trainee.

Trainees on CP and CF are paid a salary set in collective agreements within the limits established by law. Additional requirements apply to youth on CP, whose salary cannot be lower than 60% over the first year and 75% over the second year of the salary set in collective agreements for a worker carrying out a similar task in the firm. In both CP and CF, the salary also cannot be lower than the minimum wage. Both contracts are subject to standard contractual social security coverage.

If these training contracts are converted into permanent contracts with the same firm, the employer is entitled to a reduction in social security contributions for a period of 24 months following the conversion. After the conversion, no additional trial period can be set, and the time spent with the firm during training counts as work experience for the purpose of social insurance entitlements and employment protection in the event of job loss.

The use of training contracts remains limited. Only 4% of total youth in employment were hired on training contracts in 2005, up from less than 1.5% in 1990. During 2005, 120 584 CF and 80 577 CP were signed, making up 1.25% of all contracts signed that year.

The low take up of training contracts, particularly in the case of CP, may be explained by the fact that wages do not account for the substantial training component²⁷, thus making them unattractive to employers. For youth, particularly university graduates, other arrangements – notably *becas* (see Box 1.1) – may prove more attractive in terms of take-home pay. The fact that CP are directed to graduates of vocational tertiary education may also reduce their attractiveness to university graduates (Table 3.3).

26. These limits were introduced in 1997.

27. The average reported in Table 3.3 for CP is 13% lower than the average entry wage of a young person with tertiary qualification (as calculated in Table 1.3). This is lower than the gap intended by law to compensate employers for training efforts – 28% on average for the two years.

Table 3.3. Average pay of training contracts in selected sectors in Spain, 2005

Euros

		<u>Gross monthly wage</u>
<i>Becas no-convenidas</i> (private sector)		700
Contract for training (CF)		599
Contract for practice (CP, average)		830
Consultancy sector	1st year (60%)	687
	2nd year (75%)	859
Press sector	1st year (60%)	918
	2nd year (75%)	1071
Banking sector	1st year (60%)	738
	2nd year (75%)	923
Administration sector	1st year (60%)	681
	2nd year (75%)	765

Source: Red2Red (2006).

Another problem with contracts giving rise to specific hiring conditions based on age – as it is the case with training contracts – is that they are likely to benefit the best youth rather than the most disadvantaged – notably those who would require no training otherwise – and may also stigmatise individuals who are targeted. Although no rigorous evaluation of later labour market outcomes of trainees is available for Spain, evidence from other OECD countries shows that deadweight loss is indeed a major problem when age is the only targeting criteria.²⁸ In addition, the net impact on employment may be small as substitution between youth and workers in older age groups may arise. Narrower targeting would avoid deadweight loss and further subsidisation could be justified on equity grounds despite some substitution.²⁹ This is already done, in part, in CF where, aside from

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28. The “Convention Premier Emploi (Rosetta Plan)” in Belgium provides a good example. Between 2000 and 2003, firms with more than 50 employees had the obligation of hiring each year a number of youth who had recently left education equivalent at least to 3% of their workforce. For them, the firm benefited from reductions in social security contributions. A study carried out in 2003 (CIRIEC, ULG, VUB, 2003) found that youth hired under the Rosetta Plan exceed 5% of employed youth under 30. However, it also showed that if 85% of beneficiaries were still in their job six months after the end of the “convention”, among them highly qualified Flemish youth were a majority. This reveals a considerable deadweight loss as most of youth in this group would have been hired even in the absence of the “convention”. Since 2004, only unemployed youth who do not hold an upper secondary qualification give right to reductions in social security contributions.
29. Although this would come at a cost, one could envisage transforming the present conversion subsidies into hiring subsidies for the targeted disadvantaged youth.

youth aged 16-21 without a tertiary qualification, some disadvantaged groups of youth and adults are also targeted.³⁰ However, unemployed or inactive youth who have dropped out of school before completing upper secondary education (a group at high risk of being out of work and one that is relatively large in Spain) are only indirectly covered by CF – *i.e.* they account for roughly one in two participants in *Escuelas Taller* and *Casas de Oficios* programmes, which cover only 4% of unemployed youth after all.

3. Changes to employment protection legislation and financial incentives for hiring on permanent contracts

Employment protection legislation (EPL) – the set of rules regulating the firing of workers – has been used by several OECD countries, particularly in Europe, as a policy instrument to stimulate the demand for labour. While too-strict EPL discourages layoffs, thus increasing job security for incumbent employees, it also reduces hiring when labour demand increases. Because of this negative effect on hiring rates, EPL is likely to affect youth disproportionately, given the high incidence of young people among labour market entrants and jobseekers (OECD, 2006c).

The main employment strategy of successive Spanish governments has been to expand – since the 1980s – the legal scope for the use of fixed-term contracts and later on – in the 1990s – to legalise the use of temporary work agencies. Some measures have also been taken with respect to permanent contracts but there has been less action than with other contracts, thereby leading to a marked degree of duality in the labour market. Many economists have highlighted the fact that partial EPL reforms focusing exclusively on freer use of temporary contracts, though possibly facilitating job creation, may have negative side-effects in the longer term which run counter to good labour market performance (OECD, 2004b; Blanchard and Landier, 2002; Dolado *et al.*, 2002).

As a result, contrary to the original objective, the changes to EPL introduced in the 1980s may have damaged the prospects of some youth trapped in short and successive temporary contracts. In addition, temporary forms of employment are often characterised by less opportunities for upgrading human capital, with negative effects on career progression and productivity (see also Box 3.2 on evidence of the effects of EPL reforms on youth employment in Spain).

30. Data suggest that these extra groups account for roughly one third of the total number of contracts signed in 2005.

Box 3.2. Some reasons to reduce the incidence of temporary work for Spanish youth

While the widespread use of temporary contracts is likely to have had a positive effect on the unemployment rate of young people, particularly after the 1997 reform (questioned by some, see Güell, 2001), it has also been found to have some negative effects on the stability of the labour market position of youth and on their long-term career prospects.

For instance, there is evidence that the widespread use of temporary contracts and temporary work agencies has increased employment volatility, particularly for youth, by reducing average job tenure. In this respect, García-Serrano and Jimeno (1999) show that flows of temporary workers and contracts are many times higher than those for permanent ones. Dolado and Jimeno (2004) calculate an overall average duration of temporary contracts of between 25-40 days, and CES (2005) shows that contracts of very short duration (less than seven days) are highly concentrated on youth. Güell and Petrongolo (2001) confirm these findings but, at the same time, show the existence of another peak in the duration distribution of temporary contracts at about one year, which they explain by the use of temporary contracts as trial periods for the most educated youth. This study is consistent with the idea that relatively stable – *i.e.* long–temporary contracts do constitute stepping stones to the labour market for skilled youth while others are often traps, especially for the least-educated youth.

Existing evidence is also quite conclusive on a negative effect of temporary work on productivity in Spain. Given the very short average duration of temporary contracts, particularly for youth, incentives to invest in job-specific training are very limited both for employers and temporary employees. This is an explanation for the slow productivity growth in the Spanish economy. Dolado *et al.* (1999) argue that reforms that help increase the use of permanent contracts for youth would likely raise the amount of training on the job they received.

Jimeno and Toharia (1993) and Davia and Hernanz (2003) also find a large wage gap between permanent and temporary employees of 10-15% for men and 7-10% for women, with stronger effects for youth. Given that it is forbidden by law to set different wages for different contract types, Bover *et al.* (2002) explain this by the under-classification of temporary workers which in turn could explain the higher rate of so-called “over-education” among young temporary workers relative to their permanent counterparts (see also Olivier and Raymond, 2003).

Some economists have also been concerned with outcomes that go beyond overall labour market performance. Some studies have found that the instability introduced by the high rotation of temporary contracts has contributed to the strong reduction in geographic mobility and fertility rates (Bentolilla, 1999; Ahn and Mira, 2001). And, Jimeno and Toharia (1996) and Guadalupe (2003) report how temporary jobs tend to increase the likelihood of work accidents, particularly for youth who do not accumulate enough tenure to undergo on-the-job safety training.

While the evidence presented above is relatively unanimous on the fact that the incidence of temporary employment for youth should be reduced, by how much is hard to calculate. Dolado and Jimeno (2004) estimate that the *structural* incidence of temporary work among Spanish employees should be around 20-25%. At present the incidence for adults stands at 31%, for youth at 65%, and lower rates apply to workers aged 55 or older. Obviously many alternatives are possible but some can be excluded as unlikely. For instance, a reasonable assumption is that the incidence of temporary work for adults should continue to be lower than for youth after the rate has reached its structural level. Second, given that the rate of adults has not changed much over the past decade, the smallest possible fall fulfilling the previous assumption would be that the adult rate falls to 25%. Third, there is little reason to want the reduction of the incidence of temporary employment for older workers as temporary jobs represent a productive way of keeping them longer in the labour force. Under these assumptions (25% incidence for adults, 16% for older workers) and using present employment figures as weights, the incidence of temporary employment for youth that would bring the total to 25% is 33%, approximately half of its present level.

The various steps of the evolution of EPL in Spain are outlined in Annex 4, with particular attention paid to the changes affecting youth and/or the use of temporary contracts. While up until the mid-1990s reforms were restricted to changing legal provisions for EPL, more recently reforms have included the reduction of labour costs through a temporary subsidy to social security contributions for permanent contracts. In addition, since 1997, individuals belonging to some target groups can be hired on a new permanent contract type (the “*contrato de fomento de la contratación indefinida*”) for which compensation for unfair dismissal³¹ is set at 33 days per year of service (instead of 45 for ordinary permanent contracts) up to a maximum of 24 months (instead of 42).³² The most recent reform took place in 2006 and is presented in Box 3.3.

31. Note that the Spanish Labour Code also sets rules regarding compensation in cases of fair dismissal. For dismissals justified on *disciplinary* grounds, it establishes that no severance pay is due while for dismissals motivated by *economic* reasons it sets a compensation equivalent to 20 days per year of service. However, most of the Spanish literature on the subject, as well as the government in its recent reform efforts, has focused on the payment due in the event of unfair dismissal. This is because dismissal cases are often resolved in out-of-court negotiations between the employer and the dismissed worker and the average compensation paid to workers on *ordinary permanent contracts* has approached 45 days (see Malo and Toharia, 2006; and Bentolilla and Dolado, 2006) – *i.e.* the compensation due in the event of the dismissal being declared unfair in court, suggesting that either court rulings are extremely long or it is very difficult to prove fairness of dismissal in court.
32. This reduced compensation for unfair dismissal applies to dismissals for *economic* reasons which are recognised as unfair and this type of dismissals also requires a

Box 3.3. Agreement for the improvement of employment and growth signed in 2006

The most recent labour market reform (May 2006) called the “Agreement for the improvement of employment and growth”, reinforced past measures to promote permanent employment in Spain and introduced some new ones.

Existing reductions in social security contributions (SSC) for new hires on permanent contracts (old or new type) were maintained with some changes. First, young men were re-introduced as a target group for SSC reductions. Second, reductions in SSC were set as yearly lump-sums (varying by target groups and types of contract) rather than as a percentage of the yearly SSC bill. Finally, the duration of such reductions was extended from two to four years.

The reductions in SSC granted for the conversion of temporary contracts to permanent ones were withdrawn starting 1 January 2007 (with the minor exception of training contracts). Conversions from temporary to the new permanent contract type introduced in 1997, will be possible until 31 December 2007 and, until 1 January 2007, these conversions also gave rise to the reduction in SSC mentioned above – *i.e.* from 1 January until 31 December 2007, conversions will be possible without SSC reduction, and from 1 January 2008 only hiring directly on a permanent contract will allow employers to take advantage of the more advantageous firing conditions accorded by the new permanent contract introduced in 1997.

The 2006 agreement also introduced some de-facto conversions of temporary to permanent contracts. Workers who during a period of 30 months have been employed for a total length exceeding 24 months on the same job by the same employer – either continuously or not; either by the use of two or more temporary contracts; either directly or through temporary employment agencies; either on fixed-term contracts of the same or different types – will automatically be converted to permanent contracts.

As far as labour costs are concerned, in addition to the above-mentioned SSC reductions, some other smaller cuts were granted by the reform. Employers’ contributions for unemployment benefits were reduced for permanent contracts to 7.3% (to be attained in two steps by July 2008) while temporary contracts remain subject to a contribution of 8.3% or 9.3% in the case of TWA contracts. Also, a further reduction in employers’ contributions by 0.2 percentage points was also granted (for all contract types).

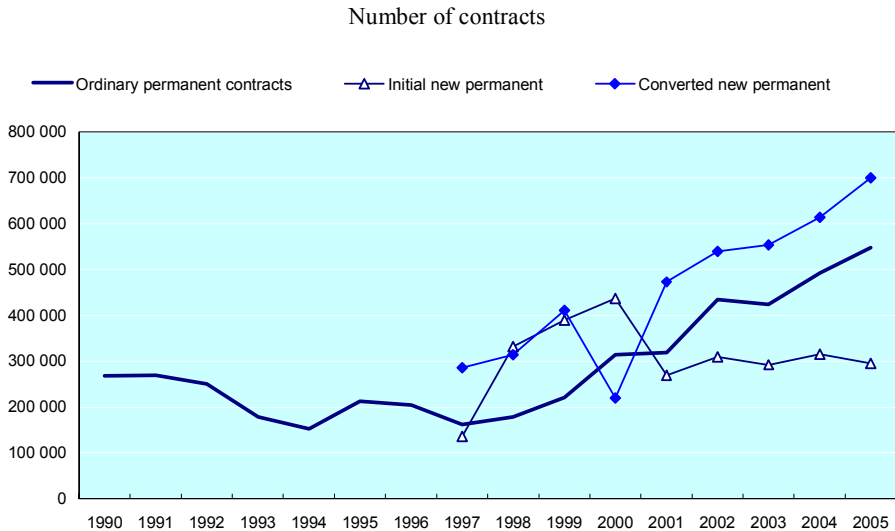
Finally, in the 2006 labour market reform, two other measures were agreed upon. First, the role of the labour inspectorate in limiting abuse in the use of temporary contracts was strengthened (despite legislation limiting the use of temporary work to exceptional situations in Spain, inspections had been few, giving rise to abuses). Second, the reform also set the basis for evaluation of programmes run by the public employment service, a starting point for better labour market policies.

notice period of 30 days. For dismissals initiated on *disciplinary* grounds and declared unfair in court, the compensation remains 45 days (with no notice requirement) even with the new permanent contract type.

A. *Employers in Spain respond quickly to changing financial incentives*

The response of employers to the changes in hiring incentives introduced by the various reforms can be seen in contract data presented in Figure 3.2. The data suggest a relatively quick response to changing financial incentives, probably encouraged by the limited number of situations in which employers are entitled to SSC reductions.³³

Figure 3.2. **Permanent contracts by type, 1989-2005**



Source: Instituto Nacional de Empleo (INEM), contract data.

The increase in total permanent contracts between 1996 and 1997 – the total almost doubled – is at least partly related to the introduction of the new permanent contract and the related reductions in social security contributions (SSC) in 1997. The increase continued until 1999 and, after a period of stability in the number of permanent contracts, picked up again in 2004. The number of temporary contracts also increased since 1994.

33. In other countries, the presence of several types of employment subsidies subject to different conditions but potentially affecting the same individual – *e.g.* for youth, for long-term unemployed, for women – may imply a slower response from the market as employers need time to calculate what subsidy is most convenient to use under the conditions of a specific hiring.

The effect of reductions in SSC associated to the new permanent contract is also visible in Figure 3.2. Conversions from temporary to the new permanent contract fell sharply in 2000 when they were excluded from entitlement to reductions in SSC and picked up again in 2001 when the subsidies were re-introduced. The exclusion of young men from the financial incentives probably contributed to the overall slowing of the growth in the number of initial new permanent contracts after 2001. Overall, Figure 3.2 suggests that contracts are to some extent substitutable with one another and employers tend to choose the most financially interesting for them.³⁴

Youth under 30 account for about half of total permanent contracts and half of temporary contracts (see Table 3.4). Comparing the distribution of youth on permanent contract types to that of adults, youth are much less likely to be on ordinary permanent contracts or initial new permanent contracts – partly due to the fact that the figures refer to the period 2002 to 2005 when young men were excluded from SSC reductions if hired directly on a new permanent contract.

In 2005, most of the conversions to the new permanent contract (about 73%) originated from temporary contracts justified by temporary production needs – *contratos eventuales de circunstancia de production*. This is more than the share that these contracts represent in total youth temporary employment – about 50%. On the other hand, temporary work agency (TWA) contracts correspond to 7.2% of all contracts while less of 2% of conversions come from TWA contracts. Finally, with the exception of training contracts – which are limited by law to young people – the distribution by origin of the conversions from temporary contracts to new permanent contracts are rather similar across age groups (see Table 3.5).

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34. The rise in the total number of permanent contracts was mostly due to an increase in the new permanent contracts – indicating some degree of substitutability between new and ordinary permanent contracts – and the rise in the total number of new permanent contracts was in turn due to both the rise in initial permanent contracts and conversion of temporary contracts – with substitutability visible in these two types too. However, it is interesting to note that ordinary permanent contracts continued to rise in number, albeit modestly, even when employers could have used the cheaper new permanent contracts by hiring on short temporary contracts and converting shortly after. Toharia (2005) suggests that employers have been hiring workers whose high productivity is immediately observable on ordinary permanent contract, they have been using initial new permanent contracts for those whose productivity was to be tested, and have continued to use temporary contracts for the clearly unproductive workers.

Table 3.4. **Permanent contracts by type, youth and adults, 2002-2005**

Percentages				
	Age share in total permanent contracts	Distribution of permanent contract types		
		Ordinary permanent	Initial	Conversions
Under 30				
2002	51.4	29.1	22.7	48.2
2003	49.6	29.0	21.0	50.0
2004	47.9	30.7	20.0	49.3
2005	46.1	32.2	16.3	51.4
30 and older				
2002	48.6	38.9	25.5	35.6
2003	50.4	37.7	25.0	37.4
2004	52.1	38.2	24.1	37.6
2005	53.9	38.3	21.5	40.2

Source: Instituto Nacional de Empleo (INEM), contract data.

Table 3.5. **Conversions by contract of origin, youth and adults, 2005**

Initial contract	Under 30		30 or older	
	Number	Share ^a	Number	Share ^a
Specific project	56 598	15.5	80 067	24.0
Production needs	270 291	73.9	240 440	71.9
Temporary work agencies	6 228	1.7	6 741	2.0
Training contracts	29 941	8.2	2 494	0.7
Other	2 800	0.8	4 483	1.3
Total conversions	365 858	100	334 225	100

a) Share of all conversions.

Source: Instituto Nacional de Empleo (INEM), contract data.

Overall, contract data show that Spanish employers are very responsive to financial incentives and tend to treat different contract types as substitutes. The introduction of the new permanent contracts in 1997 has been a major driver of the increase in the number of permanent contracts signed and youth have benefited more than adults from conversions of temporary into new permanent contracts.

B. The 2006 reform and youth employment: peak in conversions in the short run but no long-run effects expected

More youths than adults – in absolute as well as relative terms – benefited from conversions from temporary to the new permanent contract after the 1997 reform and the conversions were relatively long-lasting (see Box 3.4). The re-inclusion of young men in the groups entitled to reductions in SSC and the time limit to exploit the reductions – up until 1 January 2007 for SSC reductions and 31 December 2007 for conversions to the new permanent contract – are likely to create a peak in conversions over the next year.

However, after the end of 2007, the conversion rate will most likely return to its pre-reform pattern (see Box 3.5 for a detailed discussion of the possible effects of the 2006 reform). As mentioned above and in line with what happened after 1997, initial new permanent contracts might entail a degree of job instability. However, their longer expected duration – because of longer entitlement to SSC reductions – may give youth more time to reveal their productivity and increase the likelihood that they are maintained in their job after the financial incentives expire.

Box 3.4. Estimated effect of the 1997 reform on youth employment

Several multivariate studies have confirmed that the 1997 reform has had a positive effect on employment rates of targeted groups, and youth in particular.

Toharia (2005) finds that the 1997 reform had a clear effect on the composition of permanent contracts, with the choice of employers following the availability of SSC reductions. The author also follows individuals hired on permanent contracts over a three-year period to compare the stability of the three options: direct hiring on the new permanent contract; hiring on an ordinary permanent contract; and conversions from temporary to permanent contracts. Conversions turned out to be the most stable – longest lasting, permanent contracts – followed by ordinary permanent contracts and then by the new permanent contracts.

Toharia (2005) also argues that the 1997 reform may have partly reduced the reservation that employers showed in using permanent contracts. At the same time, the fact that the incentives for new permanent contracts were only introduced for a limited period of time (they were to expire in 2003) may have induced employers to use the short-term strategy of maximising direct savings rather than a long-term vision of using permanent contracts more than temporary ones. By guaranteeing the permanency of the changes, the 2006 reform may have a stronger effect.

Kugler *et al.* (2003) and Alonso-Borrego *et al.* (2004) also show positive effects of the 1997 reform for workers on the target groups, particularly in terms of transition rates from unemployment to work. However, the authors find evidence of substitution effects with the

improved situation for the target groups being at the expense of those excluded from the measures introduced by the reform. Güell and Petrongolo (2005) find a similar substitution effect, with the overall rate of conversion unchanged after the 1997 reform – and the reform of 1994 – but conversions from temporary to permanent employment increased for youth. Dolado *et al.* (2002) also point to a strong compositional effect of the 1997 reform. The fall in the share of temporary employment in the private sector – by about 7 percentage points – was compensated by a strong rise in the public sector.

On the effect on youth unemployment, Dolado *et al.* (2002) are rather positive while other authors have been more critical. García-Perez and Muñoz-Bullón (2003) find mixed evidence. On one hand, they find a reduced likelihood of youth exiting employment after 1997. At the same time, they also show that youth have been less likely to exit unemployment within very short durations since the reform took place. Güell (2001) also questions the role of the 1997 reform in the reduction of long-term unemployment. She finds evidence that the fall can be imputed more to the explicit use of temporary employment as a labour market instrument for the long-term unemployed by Autonomous Communities than to market forces responding to incentive changes.

Overall, consensus has formed among researchers that more youth than adults – in absolute as well as relative terms – benefited from conversions from temporary to the new permanent contract after the 1997 reform. In addition, analysts agree that while initial hirings on new permanent contracts turned out to be rather short-lived, conversions were relatively long-lasting.

On the other hand, the de-facto transformation of temporary contracts after 24 months is likely to reduce the average duration of contracts. This might have no effect on the incidence of temporary employment as employers will terminate those temporary contracts that they did not intend to convert to permanent in the first place. But, the reduction in the average duration of temporary contracts may damage youth job prospects, as temporary employment often plays the role of a trial period during which productivity is revealed to the employer.

Box 3.5. The 2006 reform: possible effects

The two main measures introduced by the 2006 reform were: i) the reduction in SSC for initial and converted new permanent contracts; and ii) the de-facto conversion of temporary contracts. Given evidence provided by Toharia (2005) on the use of the new permanent contract after the 1997 reform, the first measure is likely to give rise to a relatively large number of new permanent contracts, some of which, however, may not last beyond the SSC subsidy entitlement period.

On the other hand, voluntary conversions from temporary to new permanent contracts are more likely to be conversions that would have happened anyway – but to an ordinary permanent contract – thus would be more likely to continue beyond the reduction in SSC entitlement. Given an historic conversion rate of about 10%, Bentolilla and Jimeno (2006)

estimate that setting a time-limit for conversions to the new permanent contract (December 2007) and for entitlement to reductions in SSC (1 January 2007) is unlikely to create a conversion peak of more than 20% of the stock of temporary workers.

As for the second measure, it is likely that employers will just terminate temporary contracts, for which conversions were not planned anyway, before the 24 months have elapsed. Bentolilla and Dolado (2006) estimate that, unless the conversion gives rise to a considerable – and unlikely – productivity increase, the reduction in SSC is not sufficient to make the conversion interesting in light of expected future dismissal costs.

From the budget efficiency point of view, the reduction in SSC for permanent contracts has a cost for the government that has to be recovered somewhere else. OECD (2007) estimates that the various subsidies will amount to close to 0.2% of GDP. At present this is financed by the existing surplus in the unemployment benefit system. Some economists have criticised the use of such surplus to finance the reductions in social security contributions introduced in 1997 and maintained with some changes in 2006 and have argued that the money should come from the same tax voice as the reductions – *i.e.* the reductions in social security contributions for the targeted groups should be financed by a rise in social security contributions elsewhere. To show how this would be unsustainable, Dolado and Jimeno (2004) calculated that, for each percentage point reduction in SSC for permanent contracts, an increase of 3.5 percentage points for temporary contracts would be necessary. Such an increase, according to the authors, would be unfeasible as it would probably eliminate temporary employment altogether. In addition, reducing SSC to the extent that the 2006 reform does at a time when population ageing starts to put strain on the pension system may turn out to be a counterproductive measure unless there is a significant net gain in employment, which seems unlikely.

C. *What are the alternatives?*

Given the limited long-term effect expected of the 2006 reform, several alternative proposals, some more radical than others, have been put forward by Spanish economists on how to reduce the incidence of temporary employment. Many of these proposals are in line with OECD thinking on how best to ensure adequate security for workers while also guaranteeing the level of flexibility required for a good functioning of the economy. And some of the proposals are likely to be particularly beneficial for the prospects of youth in the labour market.

Lengthening trial periods could help employers assess productivity of new hires and encourage them to recruit under permanent contracts

Other measures than the reduction in SSC could make employers more prone to recruit under permanent contracts. The trial period for permanent contracts set in collective agreements is particularly short in Spain. Indeed, while the Labour Code sets a maximum of six months for qualified technicians and two or three months for all other workers depending on company size, collective agreements often set much shorter trial periods –

often as little as one month (see Dolado and Jimeno, 2004) – particularly for unskilled workers. This is quite short in international comparisons. Norway, Sweden and Germany have trial periods of six months and in Denmark and the United Kingdom unfair dismissal legislation does not apply at tenures shorter than 10-12 months. Increasing the trial period to between 6 and 12 months may facilitate the use of permanent contracts, although setting it too long risks creating further abuses – *i.e.* employers could rotate workers on the same position artificially.

Greater convergence in the treatment of temporary versus permanent contracts should be achieved

Another option would be to reduce further the difference in dismissal costs between permanent and temporary contracts. The new permanent contract and the elimination of lost wages in case of unfair dismissal went in this direction but a large difference remains that is only temporarily covered by the reduction in SSC. When the entitlement to reductions in SSC expires after four years, the difference in severance pay entitlements between firing a worker with a new permanent contract rather than a temporary one goes back to its pre-reform value of 25 days per year of service.³⁵ To overcome this discontinuity, some Spanish economists have suggested that a more balanced treatment between temporary and permanent contracts at dismissal should be pursued, with one option being that dismissal protection rights grow in line with seniority (see Bentolila and Dolado, 2006).

Judicial uncertainty should be reduced further

Severance costs and administrative procedures should be made more predictable to reduce judicial uncertainty. Evidence shows that complex administrative procedures and uncertain judicial outcomes can be as heavy a burden for employers as high severance payments. In Spain, evidence that judicial uncertainty matters comes from a number of facts: i) most cases of dismissal before 2002 were resolved with out-of-court conciliation; ii) the average amount paid by employers after negotiation approached unfair dismissal compensation; iii) since 2002, when the right to claim lost wages was abolished (see Annex 4), the most used firing route has been

35. Note that this is the result of comparing a compensation of 33 days per year of tenure due in the case of unfair dismissal of a worker on a new permanent contract type with one of eight days per year of tenure due to temporary workers at the end of their contract. For the reason why unfair dismissal compensation is used here rather than severance pay in fair dismissal cases (20 days), see note 35.

self-declared unfairness of the dismissal.³⁶ These facts suggest that there is room for improvement, particularly in the definition of a fair dismissal and on how defensible it is in court. In fact, while dismissal legislation should protect workers against discrimination, some simplification in cases of dismissals for economic and disciplinary reasons may encourage the use of permanent contracts.

Box 3.6. The importance of dismissal cost predictability: the case of Austria

Austria has recently succeeded in making dismissal costs more predictable by transforming severance pay legislation into a system of individual savings accounts, which makes dismissal payments predictable to firms. Severance pay entitlements were previously based on the length of the employment relationship between the worker and the firm. The past legislation stipulated that severance pay must be paid to private sector employees in the event of termination of the employment contract by the employer, as long as the employee had worked for the employer at least for the previous three years. The payment started with one month's wage per year of tenure exceeding three years, and reached a maximum of one year of pay for workers with 25 years of seniority or more.

Since 2003, employers have to contribute just over 1.5% of the payroll to an individual account (managed by a fund that invests the balance in private capital markets), from the first day of employment until contract termination. In the case of dismissal by the employer, an employee with at least three years of job tenure can choose between receiving his/her severance payment from the account at once, or saving the entitlements towards a future pension. The amount will not be paid out if the employee quits or job tenure is shorter than three years. The entitlement, however, remains and the balance is carried over to the next employer. Indeed, the new separation allowance is saved and cumulated by the employee over his/her entire working life. From the employer's standpoint, this new system suppresses the specific monetary cost of a dismissal and the uncertainty related to this payment at the time of hiring. From the employee's standpoint, it reduces the cost of job mobility, in that workers do not lose anymore all of their entitlement to severance payments when taking a new job. In the new system, entitlement starts on the first day of employment and does not depend on the way the employment contract is terminated.

36. Malo and Toharia (2006) show that as many as two thirds of dismissals invoked the 2002 law in 2004 (a growing share, up from only 40% in 2002). The authors also estimate that the 2002 reform has brought about a rise by 1 percentage point in the annual dismissal rate (from 4.5% of private sector permanent employment in 2001 to 5.5% in 2002 and thereafter) but find no evidence that it has reduced the incidence of temporary employment. Perhaps more work needs to be done to verify the latter, as data used in paper does not allow a separate analysis of private sector (where the share of temporary employment has declined recently) and public sector (where the incidence of temporary work has increased) dismissals.

A more radical solution to improve predictability – at hiring – in the cost of a possible dismissal would be to transform the traditional severance pay system into one of individual severance accounts which are portable between employers, as Austria has recently done (see Box 3.6 for more details). In the Austrian framework, there is no longer any uncertainty for the employer regarding the amount of severance pay to be paid in the event of dismissal and the worker also benefits from the new scheme in terms of greater incentives to mobility. This route might well be worth pursuing in Spain.³⁷

Experience rating and the single contract environment

Finally, a radical change in the system of dismissal protection to move towards a similar system to the one of experience rating (ER) of unemployment insurance premia in the United States has been envisaged (see also OECD, 2004b; Blanchard and Tirole, 2003; Dolado and Jimeno, 2004). In the case of ER, employers' contributions to the unemployment insurance system depend on their firing behaviour so that those firms who fire more cover part of the social cost caused by their firing behaviour (see Box 3.7 for a more detailed description of the US system). In an ER-type system, the distinction between temporary and permanent workers cannot exist anymore and everybody would be subject to the same compensation in case of dismissal.

Box 3.7. The system of experience rating in the United States

The United States is the only OECD country that makes widespread use of a tax on layoffs used to finance UI payments to dismissed workers. Employers' social security contributions are partially "experience-rated", *i.e.* they are calculated partly on the basis of the layoff activity of the firm: a firm's tax rate is determined by individual States based on the UI benefits paid to employees it has recently laid off. There is considerable variation across States in terms of how tax rates are precisely assessed. Each year the UI funds in *each* State fix a set of contribution rates based on the situation of their accounts. As a result, rates of employers' contributions vary widely across States, both in terms of the minimum and maximum contribution rates and within these two boundaries. In fact, the only federal rule concerns the maximum contribution rate, which has to be at least equal to 5.4%.

To determine what contribution rate should apply to *each* firm, the vast majority of States follow either a "benefit-ratio" approach or a "reserve-ratio" method (see Fougère and Margolis, 2000). Under the "benefit-ratio" system, firms pay taxes in proportion to the ratio of 1) benefits charged to their account (paid to its laid-off employees) to 2) taxable wages, both averaged over the preceding three to five years. Under the "reserve-ratio" system, firms pay taxes that are a function of the ratio of 1) their reserves, that is past taxes less benefit payments

37. Note that this would rely on a more clear-cut and enforceable distinction between unfair (discriminatory) and unfair (all other grounds) dismissals.

accumulated over the entire history of the firm, to 2) their taxable payroll averaged over the preceding three years. Each approach yields a measure of how much a firm's laid-off employees have drawn on the UI system over the previous three years. As this amount increases, the firm's tax rate rises up to a ceiling.

Over the long life of this system, the contribution rate seems to have followed the economic cycle with some lag. This lag originates from the fact that UI funds fix their set of rates on the basis of the state of their accounts of the previous years. At the beginning of a recession, disbursements from UI funds increase while contribution rates remain unchanged. This continues until the UI funds' balances worsen and a new, higher set of contribution rates is introduced. When the balance of UI funds becomes negative, the government provides a loan. Reimbursing this loan may require contribution rates to remain high for a certain period after the end of the recession.

In all states, experience rating is only partial in that taxes charged to a firm do not rise on a dollar-for-dollar basis with benefits drawn by that firm's laid-off workers. The lack of complete experience rating occurs for three reasons. First, a firm's decision to lay off employees has no impact on its tax payments when it is either already at the maximum tax rate or below the minimum rate. Second, for firms that are between these two extremes, tax rate increases due to a change in the reserve/benefit ratio are typically insufficient to meet the full cost of the benefits resulting from layoffs. Third, in certain states, some UI benefits are not charged to the firm: for example, those paid to short-tenure employees, students who have returned to school, or individuals whose employers have gone bankrupt. In fact, in 2002, employers covered only partially the expense caused by their layoff behaviour, with the remaining implicitly funded by general taxation. This rate varies considerably across States, ranging from 72% in New Hampshire to 14% in Georgia, and does not seem to depend much on the system used to calculate contribution rates.*

* See: www.workforcesecurity.doleta.gov/dmstree/uipl/uipl2k3/uipl_2603a1.htm

A shift to an ER-type system would be a very radical reform for Spain and it could not happen without concerns among the social partners. This is unlikely at present. However, changing the length of the trial period and the structure of dismissal payment calculations may turn out to be more feasible reforms.

4. Summary

Wages and labour costs do not appear to be, *per se*, a barrier to the hiring of Spanish youth in general. However, Spanish employers have proved very sensitive to financial incentives and, presented with various options for the hiring of youth, they tend to choose the cheapest.

Special training contracts for youth are used very little as they remain financially less attractive than some other contract types available to hire youth. In addition, with entitlement based exclusively on age, they may not

benefit the most disadvantaged youth and create little net employment effect because of substitution effects with other age groups.

For similar reasons of financial convenience, employers tend to hire youth whose productivity is not immediately observable on temporary contracts. While for some, this proves to be a good entry path, for others they prove to be a trap. This is the case for youth on very short successive contracts, providing little incentives for training and little or no opportunity for conversion to permanent status.

The recent labour market reform puts considerable emphasis on time-limited financial incentives for the hiring of youth on permanent contracts and risks having only short-lived effects. A more effective way of encouraging the use of permanent employment and reducing the share of temporary work to its 20-25% structural level, would be to take action on the different treatment of permanent and temporary workers at dismissal. Reducing the difference in severance costs by making it dependent on tenure would be a way of doing so. In addition, increasing the length of the trial period in permanent contracts – presently short in Spain by international standards – would likely favour youth. More radical alternatives to rebalance worker security and employer flexibility over hiring/firing decisions are also available, such as moving to a system of individual severance accounts or to one of experience rating of unemployment insurance premia with no distinction between permanent and temporary contracts.

CHAPTER 4

PASSIVE AND ACTIVE LABOUR MARKET POLICIES TO MOBILISE YOUNG PEOPLE INTO WORK

The first steps on the labour market are characterised for youth by the experience, sometimes repeated, of unemployment. Thus it is important that young people have sufficient incentives and means to return to work. For instance, jobless youth often lack the job-search and interview skills needed for a smooth return to work and, for them, good-quality guidance and support by the public employment services (PES) play a crucial role. The provision of these services should ideally follow a “mutual obligations” principle by which youth must actively seek work in exchange for targeted actions to help them find a job. In this respect, there is increasing recognition of the importance of activation strategies for promoting employment prospects of unemployed youth.

This chapter outlines the passive and active labour market programmes (ALMPs) available for youth in Spain, pointing to areas of possible improvement. It also puts forward a few examples from other OECD countries from which Spain could draw inspiration within the current process of evaluation and modernisation of its PES.

1. The role of passive labour market measures for youth

A. *Youth are seldom entitled to unemployment benefits*

In Spain, unemployment benefits are conditional on having paid social security contributions for at least one year (see Box 4.1). As a result, few youth in the 16-24 age group are entitled to them and the share that this group represents in all unemployment benefit claimants has decreased slightly since 1995 (see Figure 4.1).

Box 4.1. Unemployment insurance benefits and unemployment assistance rules in Spain

Unemployment insurance benefits

All unemployed aged 16-64 who have lost their job, have paid social security contributions for a given number of days – more than one year – and can and want to work are entitled to unemployment benefits in Spain. The duration of the benefits depends on the contributory history of the unemployed, as shown in the table below.

Unemployment benefits duration by contributory history, Spain, 2006

Contributory history over the previous 6 years	Duration of the benefit
From 360 to 539 days	120 days
From 540 to 719 days	180 days
From 720 to 899 days	240 days
From 900 to 1 079 days	300 days
From 1 080 to 1 259 days	360 days
From 1 260 to 1 439 days	420 days
From 1 440 to 1 619 days	480 days
From 1 620 to 1 799 days	540 days
From 1 800 to 1 979 days	600 days
From 1 980 to 2 159 days	660 days
From 2 160 days	720 days

Source: Instituto Nacional de Empleo (INEM).

The benefit amount is a function of a baseline for calculation – the *base reguladora* – which is specific to each worker. This baseline corresponds to the salary, excluding pay for extra hours, for which the worker has paid social security contributions for the 180 days preceding the unemployment period. The benefit amount is set at 70% of the baseline for the first 180 days and 60% of the baseline from day 181.

Aside from being related to previous earnings, the benefit amount is also subject to a minimum and a maximum that limit considerably its variability across individuals. The reference to set the lower and higher bounds is an amount called IPREM (*Indicador Público de Renta de Efectos Múltiples* – public revenue index) and in 2006, at EUR 560, was just above the minimum wage. The minimum benefit amount corresponds to 80% of IPREM without children and to 107% of IPREM with children. The maximum was set at 175% without children, 200% with one child and 225% with two or more children. This implies an overall benefit range from EUR 447 to 1 258 per month in 2006.

To gain access to unemployment benefits, individuals have to sign a document called an “activity commitment” (*compromiso de actividad*), with which they commit to actively seek work. It contains a series of actions that the unemployed commits to undertake. Participation

in these actions is on a voluntary basis over the first 100 days of unemployment. Beyond 100 days, non-participation brings about sanctions. Sanctions are also applied if the unemployed rejects a suitable job offer, considering type of job, distance from residence and duration in unemployment – *i.e.* the unemployed is allowed to be selective in terms of accepting job offers to start with but after one year he/she is expected to accept any job that INEM proposes.

Unemployment benefits continue to be paid if the unemployed finds a part-time job but are reduced euro for euro by the amount earned.

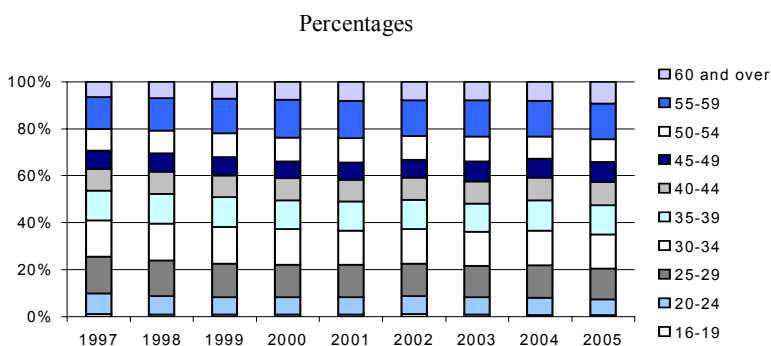
Unemployment assistance

Given the contributory requirements specified above, very few youth are entitled to unemployment benefits in Spain. However, youth who have not accumulated enough contributory history to be entitled to unemployment benefits, can draw assistance, for which contributory history – of only six months – is shorter. As with unemployment insurance benefits, beneficiaries need to sign an activity commitment in order to receive assistance.

The amount paid as assistance and the duration of the benefit depend on whether the unemployed has family responsibilities and partly on contributory history. For a young person without family responsibilities, assistance would be paid for six months, and would amount to EUR 376 per month.

Despite the shorter contributory requirement for assistance, youth seldom apply for it, as they prefer to save their days of entitlement to reach the threshold required for the more generous unemployment benefit.

Figure 4.1. **Beneficiaries of unemployment benefits, 1997-2005**



Source: Instituto Nacional de Empleo (INEM).

On the other hand, youth aged 25-29 are the third largest claimants' group in size after 55-59-year-olds and 30-34-year-olds and they receive, on average, a benefit amount roughly equivalent to the minimum wage (Table 4.1). The large share of young people on benefits in the 25-29-year-old group may be the result of the high incidence of temporary contracts that imply considerable job rotation with short spells of unemployment between jobs.³⁸

Table 4.1. **Average unemployment benefit payments, by age group, 1997-2005**

	1997	1998	1999	2000	2001	2002 ^a	2003	2004	2005
Average benefit in euros/month	425.9	438.8	463.6	485.6	507.2	528.0	543.1	552.8	550.0
	Percentage of average benefit								
16-19	84.77	82.28	77.87	74.34	71.2	95.1	92.44	90.81	91.27
20-24	97.52	94.65	89.58	85.52	81.9	105.0	102.10	100.30	100.81
25-29						106.2	103.21	101.39	101.91
25-54	100.66	100.66	100.71	100.68	99.9				
30-54						99.2	99.48	98.90	97.65

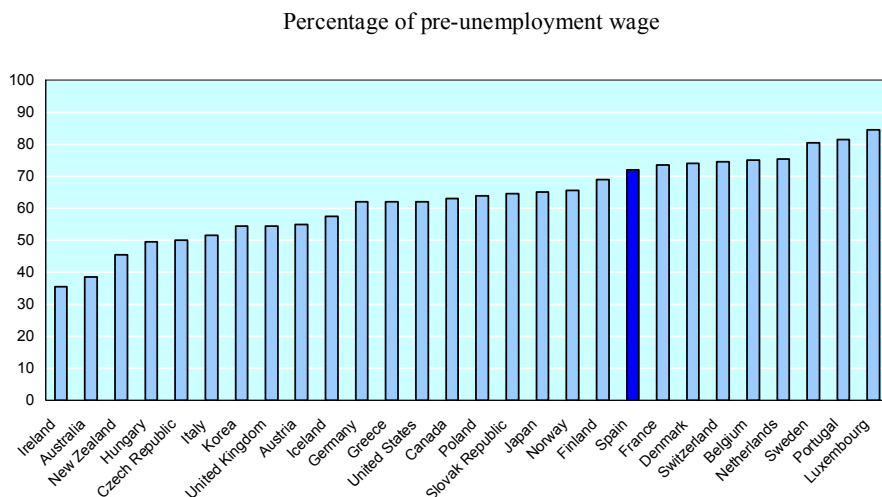
a) Break in age-group series.

Source: Instituto Nacional de Empleo (INEM).

A risk of benefit dependency for the 25-29 age group may also exist. The average net replacement rate – *i.e.* the benefit amount relative to pre-unemployment earnings adjusted for the effects of taxation – is not related to age but, when calculated for single persons earning between 67% and 100% of the average production wage, it attains 72% in Spain (see Figure 4.2), not too low if one considers that 46% of Spanish youth in this age group still live with their parents.

38. While this is true among 15-24-year-olds too, very few of these younger youth have accumulated a sufficiently long contributory history to draw unemployment benefits.

Figure 4.2. **Net unemployment benefit replacement rates, in OECD countries, 2004^a**



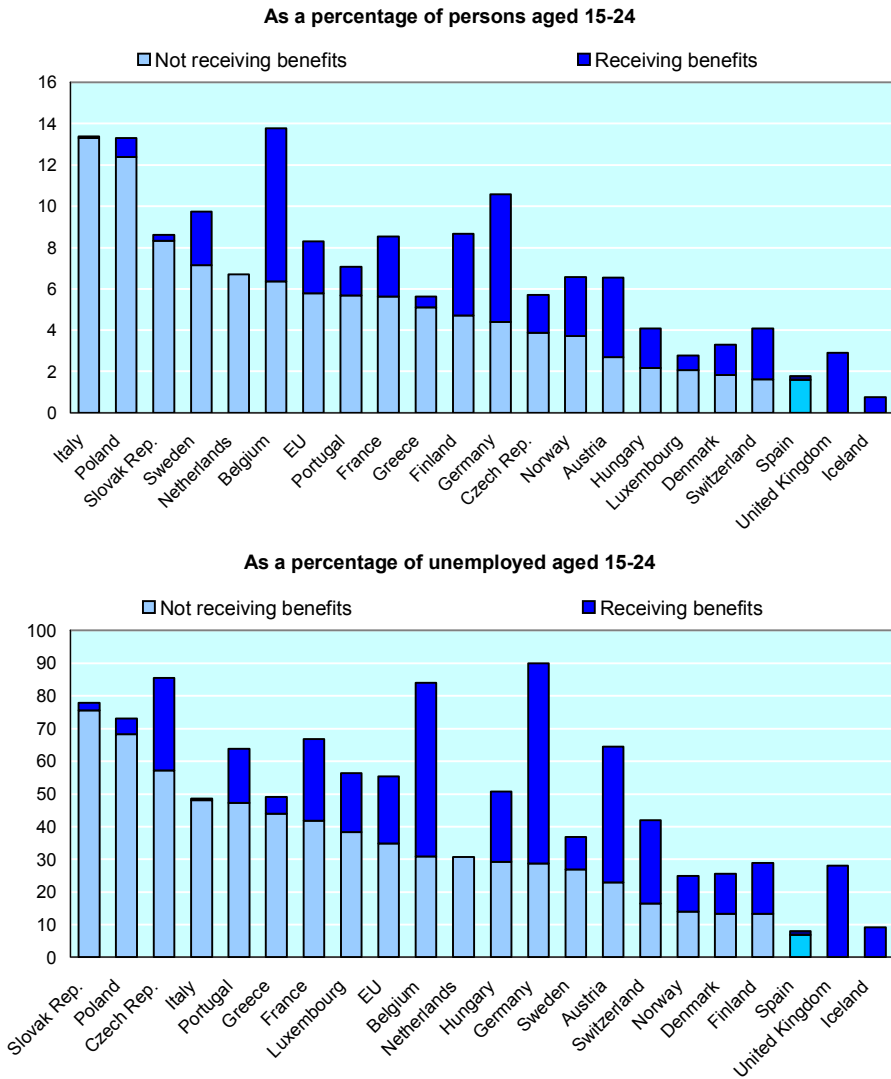
a) These data are *net* replacement rates, *i.e.* they are adjusted for the effects of taxation. They refer to the average of net replacement rates faced by single persons without children with pre-unemployment earnings of 67% and 100% of the average production wage. They relate to the initial phase of unemployment but following any waiting period. No social assistance “top-ups” are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (*i.e.* monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months.

Source: OECD, Tax-Benefit Models (www.oecd.org/els/social/workincentives).

C. *Few unemployed youth register with the PES*

Very few Spanish unemployed aged 15-24 are registered with the PES: in 2005, only about 8%, the lowest registration rate in OECD Europe (Figure 4.3). The fact that few in this age group qualify for unemployment benefits plays a role as well as the fact that many young people are not aware of the help that INEM can provide them in finding work. Indeed, most services provided by INEM – including training programmes targeting low-skilled youth – do not require that youth are receiving unemployment benefits.

Figure 4.3. **Registration with PES of youth aged 15-24, with and without benefit, 2005^a**



a) EU average corresponds to the average of 21 EU-OECD countries.
 Source: European Union labour force survey.

2. Activation of unemployed youth

There is increasing recognition across OECD countries of the importance of activation strategies based on the so-called “mutual obligations” principle for promoting employment prospects of unemployed youth. In Spain, this principle is applied to all unemployed in receipt of benefits and to all social assistance beneficiaries through the activity commitment described above (see Box 4.1), whereby receipt of the benefit is conditional to actively seeking work. In practice, however, because few youth under 25 receive benefits, the principle of mutual obligations can only really be implemented for 25-29-year-olds.³⁹

Aside from the activation of previously passive benefits, INEM provides a number of ALMPs targeting youth – among other groups – particularly if they have been unemployed at least six months. On the other hand, programmes dedicated exclusively to youth are limited in Spain.

In Spain, the share of ALMPs expenditure devoted to youth programmes is relatively small in international comparisons. Furthermore, this share more than halved between 1995 and 2002 (see Table 4.2) against a background of increasing expenditure in about two-thirds of OECD countries.⁴⁰ In 2002, only 6.5% of the total ALMPs budget was spent on youth, a rather low share considering that youth represent about 26% of all unemployed. Even assuming that ALMPs concentrate on the long-term unemployed, in Spain youth make up a fifth of the unemployed for more than six months and 15.5% of the unemployed for more than one year. In percentage of GDP, Spain devoted to the young unemployed about half of

39. Note that, however, the definition of youth used in official statistics relating to PES and expenditure refers to those under 25.

40. Note that the large fall is partly attributable to the inclusion of the SSC subsidy for initial or converted new permanent contracts in the total expenditure on active labour market policies for Spain. Because the figure is included in total expenditure but not in each programme area separately, the total expenditure on youth appears to fall more than it actually did. While attributing the share of subsidies going to youth to the total expenditure on youth would solve the problem, arguably the best solution would not to include subsidies at all, as their active nature is questionable. Excluding subsidies would bring the share of ALMPs expenditure for youth to 19.3 in 1995 and 9.7 in 2002, while reducing expenditure as a proportion of GDP by 36% (from 0.06 to 0.04). The practice of subsidies inclusion is, however, in line with Eurostat rules on ALMPs expenditure and also affects the figure for Italy in Table 4.3.

the budget devoted by New Zealand and the United Kingdom, a third of the budget devoted by Ireland and Finland, a fourth of what Portugal spent, and many times less the expenditure of France.

Table 4.2. **Public spending on youth labour market programmes, 1995-2002^{a,b}**

	As a percentage of GDP		As a percentage of total expenditure in active labour market programmes	
	1995	2002	1995	2002
Italy	0.16	0.20
Hungary	0.00	0.00	0.0	0.0
Mexico	0.00	0.00	0.0	0.0
Poland	0.07	0.07	18.4	0.0
Belgium	0.07	0.01	5.2	0.6
Norway	0.08	0.01	6.2	1.3
Switzerland	0.00	0.01	0.0	1.7
Sweden	0.02	0.02	0.7	1.8
Japan	0.00	0.01	0.1	1.8
Netherlands	0.10	0.04	7.0	2.4
Slovak Republic	0.00	0.01	0.4	2.4
Canada	0.02	0.02	3.3	4.4
Austria	0.01	0.02	2.3	4.7
Denmark	0.14	0.10	7.7	6.2
Korea	0.02	0.02	..	6.3
Spain	0.08	0.06	15.7	6.5
Germany	0.06	0.10	4.2	8.6
Czech Republic	0.01	0.02	6.1	8.9
Ireland	0.24	0.18	15.0	15.8
Australia	0.06	0.08	7.5	16.9
Finland	0.15	0.17	9.9	17.2
United States	0.03	0.02	14.8	17.2
New Zealand	0.09	0.15	12.6	28.2
France	0.27	0.40	20.8	32.2
Portugal	0.33	0.22	42.3	35.6
United Kingdom	0.12	0.13	25.9	35.8
OECD unweighted average	0.08	0.08	9.42	10.27

.. missing data.

a) For Denmark and Portugal, data refer to 2000 instead of 2002; for Ireland data refer to 2001 instead of 2002; for Italy, data refer to 1996 instead of 1995.

b) Data on spending on youth ALMPs is not available after 2002 because of a major change in the classification of ALMPs introduced by both Eurostat and the OECD.

Source: OECD database on labour market programmes.

The *timing of the provision of activation services* has been identified as being particularly important for youth. The Spanish Government is committed to comply with the European Commission objective that an individualised action plan should be established for all unemployment youth within six months of being unemployed. Table 4.3 shows the progress of the Spanish Government towards achieving this objective compared to other EU countries. In 2003, about 7% of unemployed youth had not had an action

plan set despite having been unemployed more than six months, putting it in the middle of OECD countries for which data are available. In addition, a difference of 2.4 percentage points is observable across gender, with 8.3% of women still excluded from any action plan six months after entering unemployment (the second largest difference after Luxembourg).

Table 4.3. **Unemployed youth lacking an individualised action plan, selected EU countries, 2003^a**

Percentage of unemployed youth

	Total	Men	Women
Sweden	0.7	0.8	0.6
Austria	3.3	2.9	3.7
Portugal	5.5	5	5.7
Germany	5.8	5.6	6.2
Ireland	6.7
Spain	7.1	5.9	8.3
Luxembourg	15.3	10.8	21.3
Belgium	16.8	15.7	17.9
Hungary	19.6	19.7	19.5
Czech Republic	33.7	33.9	33.4

.. missing data.

a) All data are for 2003, except for Belgium and Germany (July 2002-June 2003) and Spain (April 2003-March 2004). They refer to youth for whom an individualised action plan had not been set within six months of unemployment.

Source: European Commission (2006), “Indicators for Monitoring the Employment Guidelines, 2004-2005, Compendium”.

A salient feature of the Spanish public employment service that makes it difficult to apply the mutual obligations principle – at least to youth receiving benefits – is the fact that, while INEM designs and finances both passive and active policies, the implementation of activation programmes is left to the autonomous communities. In addition, links between these two levels of government are weak. Autonomous communities’ representatives did not participate in the consultations leading to the 2006 reform and did not sign the agreement, which also included a line on modernising the public employment service – an objective for which their participation is crucial. Hopefully, the evaluation process agreed at the time of the reform and launched in 2007 will highlight examples of good practices at the regional level and be the starting point of better co-ordination between the central government and autonomous communities as well as more co-operation between communities.

A. One in four unemployed youth is sent on a training programme by INEM

Among new entrants aged under 25 participating in the various active measures organised by INEM and implemented by autonomous communities (see Table A.5.1 in Annex 5), about one fourth were on some type of training programme in 2004 (Category 2), and about one fifth benefited from direct job creation (Category 6). On the other hand, only 10% attended more general guidance courses (Category 1). Table A.5.1 also shows that youth represent about a third of all participants in training and job rotation and job sharing (Category 3), and almost half of all benefiting from direct job creation.

This is regrettable as evidence from several countries' experiences shows that training is far from being the best of programme among activation measures (see Box 4.2). Several studies have shown that only small-scale training programmes, well targeted to specific groups, involving a strong on-the-job component and designed in connection with local or national labour market needs, tend to show positive employment effects. Among the Spanish training measures for youth, only *Escuelas Taller* and *Casas de Oficios* (ET and CO) fulfil these requirements and only 13% of youth participating in training were involved in these programmes in 2004.

Box 4.2. Active Labour Market Policies for youth

Over the past decade, several countries have come to realise that, for those youth who are already out of the education system – particularly youth leaving school without an upper secondary qualification – active labour market policies, as opposed to passive ones, constitute the best option. However, while there is general agreement that focusing on activation and mutual obligation policies is the way to go (see OECD, 2006c), many of the programmes targeted to youth, especially those most at risk have produced disappointing outcomes. Evaluation of existing programmes is thus fundamental in highlighting what works and what does not and in setting guidelines for future action.

Trying to sum up what works and what does not is an arduous task but drawing on the several evaluations of existing programmes, successful programmes appear to share some characteristics (see Martin and Grubb, 2001; and Betcherman *et al.*, 2004):

- Early action is particularly important for young people as those without work experience are generally not entitled to unemployment benefits or other welfare transfers. A number of OECD countries already have major programmes for youths that come into play early, often before or at six months of unemployment, *e.g.* Australia, Belgium, Denmark, New Zealand, Norway and the United Kingdom. Sweden uses a shorter period (90 days), and youth activation in Finland, for those without a vocational qualification, starts immediately.

- In terms of content, job-search assistance programmes are often found to be the most cost-effective for youth, providing positive returns to both earnings and employment. On the other hand, some wage and employment subsidy programmes do yield positive returns, but they generally tend to perform poorly in terms of their net impact on the future employment prospects of participants.
- Training programmes should be designed in connection with local or national labour market needs. In this respect, mobilising and involving the private sector and communities to assess local or national demand for skills and community needs is most important to project design.
- Good targeting of the programmes is also crucial. For instance, there is a need to distinguish between teenagers and young adults and to focus on early school drop-outs. Specifically, the most desirable solution to the employment problems of teenagers is to help them to remain in school and acquire educational qualifications, whereas for young adults, help to acquire work experience is more important.
- Tight work-search requirements tend to encourage early exit from unemployment, as much for youths as for adults. Indeed, in Australia, when “mutual obligation” requirements were applied to youths who had been unemployed for six months, an increase in the rates of exit from unemployment was observed (see QED, 2003).
- Programmes that integrate and combine services and offer a comprehensive “package” seem to be more successful. An example of comprehensive programme introduced over the past decade is the New Deal for Young People in the United Kingdom.
- Greater involvement of the social partners, as well as the public authorities at all levels, can help enhance the effectiveness of programmes. A tightly controlled system of certification to ensure the quality and relevance of training programmes may also contribute to the same goal (OECD, 1996; and O’Higgins, 1997).

B. Few youth are directed to cost-effective basic re-employment services

Only about 10% of new entrants under 25 participated in actions aimed at supporting job-search in 2004, despite the fact that these measures have been found to be among the most cost-effective in helping the unemployed – and unemployed youth in particular – find a job. In Spain, a series of actions, part of a personal action plan, are implemented for each individual to stimulate active job-search. The first action consists of an interview to determine the level of employability of the unemployed and draw an individual plan. This activity is sometimes subcontracted to co-operating agencies. During the interview, the level of skill of the unemployed is determined with a view to match it to that required by available vacancies. The interview helps set out a plan including professional guidance and job-search training. Depending on the individual’s needs, the following options are available:

- A personal training and employment plan: for those unemployed who lack the skills needed to return to the labour market;
- Information on labour market entry: for those unemployed who lack basic information on labour market entry options;
- Counselling to improve self-esteem and motivation: directed to jobseekers who encounter special difficulties due to personal barriers to work (discouraged jobseekers, individuals lacking self-confidence, unemployed lacking commitment to their individualised plan);
- Active job-search: job-search classes, interview skills classes, and other actions towards successful job-search;
- Planning and follow up of self-employment initiatives: for those unemployed who envisage setting up their own business, a special programme for the support of self-employment, with tutoring from initial conception of the project to the implementation and the follow-up.

Those of the above actions included in the personalised plan drawn up at the time of the interview are compulsory. In case of refusal to participate, the unemployed receiving benefits will have their benefits cut. For those who are not receiving benefits but have registered for the actions, failing to participate in any of the initiatives in their personalised plan implies the loss of jobseeker status (which grants access to INEM services) for a month.⁴¹

C. Direct job creation is often used to help the most disadvantaged acquire benefit entitlement

About 6% of youth entering unemployment in 2004 participated in direct job creation programmes. These are programmes aimed at facilitating the integration into the labour market of the unemployed through temporary jobs, lasting six months at the maximum, in the public or non-profit sectors. INEM, in cooperation with the regional authorities, autonomous communities, universities, non-profit organisations and other public administration bodies, helps the unemployed find a subsidised and temporary job in the public or non-profit sector. It also finances labour costs (including 100% of SSC) and compensation ranges from the minimum wage to three times the minimum wage. While some of these contracts aim to assist participants enter the labour market by enabling them to organise useful work experience, others – particularly for the most disadvantaged –

41. This is a very weak sanction: youth refusing to participate in re-employment actions are “punished” by denying them access to such actions for a month.

are just oriented to providing them with a sufficient contributory history to earn the right to unemployment benefits (carousel effect).

Another 11% of unemployed youth participated in 2004 in programmes for the promotion of agricultural employment in *Andalucia*, *Extremadura* and underdeveloped rural areas, targeted to unemployed casual workers in these regions. The assistance provided on these programmes consists of subsidies (wages and SSC) for local authorities and other public administrations for the recruitment of unemployed workers, especially casual workers in the agricultural sector. Subsidies may be made available for various other services such as information, guidance and follow-up to the measures, vocational training, youth training projects, open-ended recruitment, local employment initiatives.

Both these programmes have been running since the mid-1980s but no evaluation studies are available. Evidence from other countries suggests that direct job creation is rarely cost-effective, although targeted programmes could be justified on equity grounds.

D. Training: programmes within the National Plan for Training and Professional Placement (FIP) are not very effective

One in five unemployment youth in Spain participated in a training programme within the national plan for vocational training and integration (plan FIP) in 2004. The plan was introduced in 1985 with the objective of facilitating the participants' integration into the labour market through vocational training in institutional centres or in enterprises. The programme is targeted to the low-skilled unemployed, particularly youth and the long-term unemployed. Eligible unemployed receive a daily allowance for transport, food and accommodation while employers and INEM-approved participating centres are subsidised to compensate for the provision of training. Training courses vary in length from 100 to 800 hours, with a typical course lasting 300 hours.

Management and planning of the programmes and pre-selection of candidates is done by INEM and/or by the autonomous communities authorities. Selection of workers is carried out by the training centre giving the course. Once the unemployed has successfully completed the course, he/she is issued with a certificate.

Programmes within this plan are divided into four broad categories:

- Broad basic training: it provides knowledge and skills to facilitate insertion in the labour market, but does not provide a specific qualification for an occupation;

- Occupational training: assigned to unskilled unemployed, it provides knowledge and skills specific to an occupation;
- Specialised training: assigned to skilled unemployed who need to train for a new occupation;
- Upgrading training: to improve and upgrade knowledge specific to a specific occupation.

Arellano (2003) carried out a rigorous evaluation of the training programmes within the plan FIP. He found that unfocused training programmes for unskilled workers had very little effect on re-employment probabilities. On the other hand, job-specific training programmes for skilled workers increased the probability of finding work by 40 to 50%. The author also finds that programmes administered centrally (by INEM) are generally more effective than programmes administered by the Autonomous Communities.

E. Escuelas Taller and Casas de Oficios: small focused programmes have worked well for unskilled youth

Escuelas Taller (apprenticeship schools, ET) and *Casas de Oficios* (craft schools, CO) are the only two training programmes dedicated exclusively to youth. They were created in 1985 and are both oriented to teaching unskilled youth a craft. They combine general classroom-based teaching with practical work in areas of social and public interest and monument conservation. The requirement that courses must focus on activities of public interest and must be publicly provided limits the number of projects submitted and approved and as a result explains the small share of participants among unemployed youth.

The schools are financed by INEM and the European Social Fund, but it is the regional communities that submit projects for approval and manage the courses. The courses last two years and students receive a salary of EUR 6 per day over the first year and 75% of the minimum wage per month over the second year. Examples of such schools are those run by the National Heritage that teach unskilled students gardening, carpentry, masonry, book restoration, and costume tailoring (see Box 4.3).

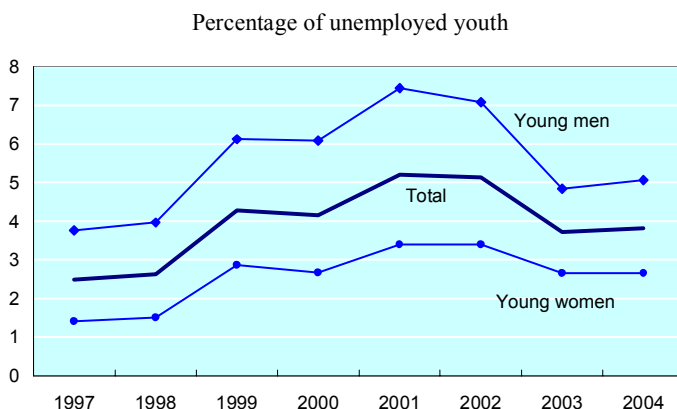
The proportion of participants to ET and CO among total eligible unemployed youth rose between 1997 and 2001/2002 but decreased quite sharply for both men and women between 2002 and 2003 (Figure 4.4). The fall can be explained by a sharp fall in the number of projects financed, particularly for CO, from 450 in 1996 to 159 in 2005. Overall expenditure has doubled since 1995 to attain EUR 500 million in 2005 – as a result, expenditure per project and per participant has risen sharply over the past decade. Figure 4.4 also shows that young men make up about two-thirds of participants.

Box 4.3. *Escuelas Taller and Casas de Oficios of the National Heritage Fund*

The National Heritage Fund opened the first *Escuela Taller* in 1986 with the joint purpose of training unemployed youth and the conservation-refurbishment of the Escorial Palace. The success in terms of labour market performance of students – 98% found a job after finishing the class – and conservation of the palace was such that in 1988 the programme was extended by National Heritage to include other sites around the country. Up to now, 65 cycles of *Escuelas Taller* and *Casas de Oficios* and five *Talleres de Empleo* have been completed for a total of over 2 600 students and 540 professionals as teachers.

Labour market outcomes for students have been quite satisfactory, with about 80% of participants who found a job after the end of the course – higher than other *Escuelas Taller* and *Casas de Oficios* programmes at the national level. In addition, as many as 90% of the students completing the programmes obtained a vocational education qualification.

Figure 4.4. **Participants in *Escuelas Taller* and *Casas de Oficios*, 1997-2003**



Source: Instituto Nacional de Empleo (INEM).

Data for 2004, available separately for ET and CO, show that participation is particularly low in ET while for CO there is almost gender balance (see Table 4.4). This is partly due to the fact that CO offer courses in areas such as personal services and health care, where female participation is relatively high. Youth under 17 are the main beneficiaries – almost 40% for CO and 47% for ET – followed by 20-24-year-olds. Almost all participants – about 90% – have dropped out of school after fulfilling the compulsory education requirement, with or without a certificate.

The distribution of male participants across various crafts is quite similar for ET and CO, with most of them taking construction, agriculture or carpentry courses. For women, differences are more marked. While construction attracts the largest proportion in both CO and ET, training in personal services attracts 10% of participants in CO, almost all of them women.

Table 4.4. **Participants to *Escuelas Taller (ET)* and *Casas de Oficios (CO)*, by gender, age, education and area of training, 2004**

Percentages

	Apprenticeship schools (ET)			Craft schools (CO)		
	Men	Women	Total	Men	Women	Total
Age						
16-17	54.3	34.1	47.4	46.4	29.2	38.1
18-19	24.1	26.9	25.1	23.5	24.7	24.1
20-24	21.6	38.9	27.5	30.2	46.1	37.8
Education level						
Less than compulsory education	56.9	44.3	52.6	57.1	42.4	81.0
Compulsory education	38.2	46.1	40.9	35.7	42.8	39.1
Upper secondary education	2.9	4.9	3.6	4.1	6.6	5.3
Middle-level vocational education	0.7	0.9	0.8	0.7	1.8	1.2
Tertiary education	1.3	3.8	2.1	2.4	6.4	4.3
Industry						
Construction and public works	56.8	35.0	49.3	43.2	22.0	33.0
Agriculture	8.8	22.7	13.5	15.7	12.9	14.3
Wood ind.	12.4	11.0	11.9	7.4	5.4	6.4
Crafts	6.5	10.3	7.8	6.5	8.0	7.2
Heavy ind. & metal constructions	5.6	2.9	4.7	5.7	1.6	3.7
Environment	3.3	5.6	4.1	0.2	1.8	1.0
Assembling	2.6	1.8	2.3	3.3	1.2	2.2
Personal services	0.9	3.7	1.9	3.6	21.9	12.4
Tourism and hotels	0.4	2.1	1.0	0.6	3.8	2.2
Enterprise services	0.4	1.2	0.7	6.7	7.9	7.3
Maintenance and repairs	0.5	0.2	0.4	1.8	1.1	1.5
Health services	0.0	0.4	0.2	2.3	8.4	5.3
Others	1.7	2.9	2.1	3.0	4.11	3.54
Total (number)	11 785	6 135	17 920	1 197	1 118	2 315

Source: *Instituto Nacional de Empleo (INEM)*.

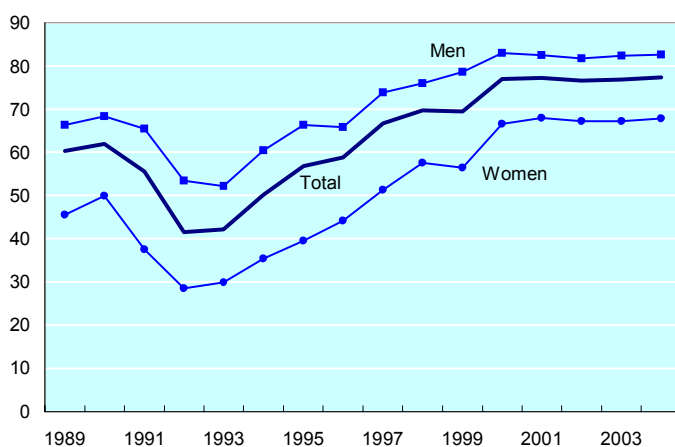
There are no rigorous evaluations of ET and CO, but INEM produces regular reports studying the employment paths of youth exiting ET or CO courses. Although job-finding rates for programme attendants do not tell whether the programme worked effectively or not, they are somewhat informative. The latest study available covers students who successfully completed one of these programmes in 2004 (INEM, 2006). First, a number of students appear to leave the programme before its end, which results in ratios of participants to the number of places available much higher than 1. In 2004, the ratio stood at 1.7 for ET and 1.4 for CO, indicating quite strong course turnover – particularly for ET. In addition, this rate was much higher

than that observed for equivalent courses targeting adults – *Talleres de Empleo* – for which the ratio was just 1.1.

As Figure 4.5 shows, the share of available youth who find a job within 12 months rose over time until about 2000 and then levelled off, for both men and women. The gender gap in placement rates remained roughly constant over time and stood at about 15 percentage points in favour of young men in 2004.

Figure 4.5. **Placement rates^a after *Escuelas Taller* and *Casas de Oficios*, 1989-2004**

Percentage of participants who had found a job within 12 months of exiting the programme



a) The placement rate is calculated as follows: (total number of students who found a job within 12 months of exiting the programmes + youth who started their own business) / (total of participants – participants who abandoned the programmes within six months of its start).

Source: Instituto Nacional de Empleo (INEM).

The total reported in Figure 4.5 hides a fair amount of variation across programmes and socio-demographic characteristics of participants. First, while the placement rate for women is quite similar between ET and CO, the placement rate for men in ET is 4.5 percentage points higher than in CO.

In ET programmes, it is particularly difficult to place 16-17-year-old women who left compulsory education without the corresponding qualification, and women who followed typically-male vocational training – construction, maintenance and repair and other physically demanding jobs. Placement rates for these groups do not exceed 65% (Table 4.5). Note that the sectors with the largest share of participants in ET programmes – construction, agriculture, and the wood industry – do not correspond to those with the highest placement probabilities. For CO, placement rates are equal or lower than for ET for almost every group and placement probabilities tend to increase with the education level.

Table 4.5. Placement rates after *Escuelas Taller (ET)* and *Casas de Oficios (CO)*, by individual and job characteristics, 2004

Percentages

	Apprenticeship schools (ET)			Craft schools (CO)		
	Men	Women	Total	Men	Women	Total
Total 12m placement index ^a	83.0	68.2	77.9	78.5	66.2	72.2
Age						
16-17	83.8	67.0	79.7	77.6	58.6	70.5
18-19	84.3	68.1	78.3	78.7	64.4	71.6
20-24	79.6	69.2	74.6	79.8	71.9	75.1
Education level						
Less than compulsory education	82.4	63.4	76.9	77.6	59.8	70.3
Compulsory education	84.0	70.6	78.8	79.8	70.3	74.7
Upper secondary education	81.2	76.8	79.1	73.9	68.5	70.6
Middle-level vocational education	79.5	73.6	77.2	87.5	84.2	85.2
Tertiary education	87.7	80.7	83.4	86.2	73.2	77.0
Industry						
Maintenance and repairs	96.0	50.0	87.1	95.5	91.7	94.1
Personal services	90.5	79.3	82.9	78.6	69.0	70.4
Heavy ind. & metal constructions	84.3	70.9	81.4	84.4	61.1	79.3
Environment	82.9	77.0	80.1	50.0	70.0	68.2
Assembling	84.6	67.6	80.0	68.4	76.9	70.6
Construction and public works	84.0	64.7	79.2	76.9	53.2	69.4
Wood ind.	80.1	65.3	75.4	90.5	66.7	80.6
Crafts	82.2	66.8	75.2	78.2	76.4	77.3
Enterprise services	75.5	74.7	75.0	77.9	70.5	73.9
Agriculture	79.7	70.3	74.2	77.1	65.0	71.9
Tourism and hotels	71.4	74.0	73.3	83.3	64.3	66.7
Health services	100.0	68.0	70.4	71.4	71.3	71.3
Others	81.7	76.7	79.4	79.5	83.0	81.4
Time to placement						
During the programme	45.9	36.2	42.9	33.0	24.4	29.1
Less than 3 months	25.6	23.1	24.9	27.4	26.9	27.2
Between 3 and 6 months	12.3	15.1	13.2	17.2	18.6	17.8
Between 6 and 12 months	10.7	15.4	12.2	15.1	19.7	17.2
Between 12 and 18 months	5.5	10.2	6.9	7.2	10.4	8.6
Type of contract						
Permanent contract	5.8	8.5	6.6	4.3	4.5	4.4
Temporary contract	93.4	90.6	92.6	95.4	94.5	95.0
Self employment	0.7	0.9	0.8	0.3	1.0	0.6
Relation with training						
Related to training received			33.2			66.8
Unrelated to training received			26.3			73.7

a) The placement rate is calculated as follows: (total number of students who found a job within 12 months of exiting the programmes + youth who started their own business) / (total of participants – participants who abandoned the programmes within six months of its start).

Source: Instituto Nacional de Empleo (INEM).

ET programmes also appear to be superior to CO in terms of the time needed to find a job and the probability of getting a permanent contract. Almost 50% of male ET students find a job even before the programme ends and another 25% does so within three months. For CO, only a total of 56% of students have found a job within three months of exiting the programmes. While for both programmes, the large majority of students find temporary jobs, the probability of being hired on a permanent contract is 2 percentage points higher for ET than for CO.

In order to compare these outcomes with what would have been expected of these young people had they not participated to ET and CO programmes, INEM (2006) constructs a control group comprising youth under 25 with the same distribution by gender and region as the ET and CO participants in 2004. Table 4.6 presents the difference in percentage points of the outcomes for this comparison group and the group of participants. While not very rigorous, this simple comparison does provide some insights into the value added to participation in ET and CO. Young women tend to benefit less than young men from participation and so do older youth (20-24) relative to the youngest (16-17).

Table 4.6. **Placement rates after *Escuelas Taller* (ET) and *Casas de Oficios* (CO) and comparison group, 2004**

Differences in percentage points

	Difference between ET/CO outcomes and the control group	
	Men	Women
Total	13.8	8.6
16-17	29.3	13.2
18-19	14.2	19.4
20-24	7.2	5.4

Source: *Instituto Nacional de Empleo* (INEM).

Unfortunately, these comparisons are not sufficient to isolate the effect of policies from that of individual characteristics, and should be taken as only suggestive. As pointed out by several Spanish analysts (see Alonso-Borrego *et al.*, 2004), it is crucial that rigorous evaluations are carried out for such expensive active labour market programmes.

3. Better support to unemployed youth: drawing from the experiences of other OECD countries

The mandate to evaluate labour market programmes contained in the 2006 labour market reform should bring forward examples of good practices at the local level in Spain. It should also be an opportunity to involve both INEM and the autonomous communities in a process of modernisation of services offered to unemployed youth in Spain. In this framework, it is important to look at other OECD countries for examples of good practices.

A. Comprehensive programmes to help youth at risk: examples from other OECD countries

Spain's activation strategy relies mostly on a series of labour market services and training courses, available to youth as well as to other unemployed and somehow unrelated to each other. On the other hand, some OECD countries have opted for a more systematic approach to help unemployed youth find a job, uniting under a single programme a number of services targeting youth. These programmes have the advantage of tailoring all services to the specific needs of youth – job-search training and monitoring, intensive counselling and direct placement assistance – and accompany youth from the day when actions start (generally after six months of unemployment) to when they become re-employed or are moved on to even more focused follow-up such as targeted training and/or wage subsidies. Programmes of this kind have the advantage of being more comprehensive and transparent for both the unemployed and the service providers, and easier to tailor to the specific needs of the target group.

The New Deal for Young People (NDYP) in the United Kingdom is an example of comprehensive programme starting after six months of unemployment and providing youth with a series of actions – from labour market services, to retraining, to placement in subsidised jobs in the public, private or non-profit sector – to help them return to work (see Box 4.4).

Introducing a programme on the scale of the NDYP would be rather expensive and would highlight even more the need for policy evaluation in order to assess how far any reduction in unemployment has come at the cost of an increase in “hidden” or “disguised” unemployment – *i.e.* individuals who exit unemployment to participate in unproductive or excessively lengthy education and training. It may be possible to limit costs if, faced with an activity obligation, some young unemployed people find an unsubsidised job instead and relatively few enter expensive job-creation options.

Box 4.4. The UK's New Deal for Young People

The New Deal for Young People (NDYP) was introduced in spring 1998 with the declared objective of improving employability of youth and helping them find a job. The programme is aimed at young people who have been claiming unemployment benefit (Jobseekers Allowance – JSA) continuously for six months. Participation is mandatory. Early entry to NDYP is possible and there are 11 groups who are entitled to enter NDYP before reaching the standard six months entry point. Early entrants include people with disabilities, lone parents, ex-offenders, ex-members of the regular armed forces, people with literacy or numeracy problems and those meeting a range of other criteria.

Eligible jobseekers are first put into a four-month programme with a New Deal Personal Adviser called “gateway”. The purpose of this initial phase is to develop an individually tailored plan for improving the jobseeker's employability. At the end of the gateway period, young jobseekers who have not found unsubsidised work can choose one of four options: subsidised work, full-time education and training, work in the voluntary sector or work with an environmental task-force.

All these options continue to be subject to JSA rules, such as the obligation to actively seek work, irrespective of the financial arrangements for the specific option. If a young person completes or leaves an option and still has not obtained a job, they can reclaim JSA (if previously paid a wage) and enter the follow-through period. During follow-through, they receive further intensive help with job-search in order to find a job, re-enter an option or even, in some cases, return to the gateway.

A notable feature of the NDYP is the extent of involvement by employers. In 2000, 60 000 employers had already undertaken to provide employment opportunities for NDYP participants. This involves signing a New Deal Employer Agreement provided by the Employment Service. The agreement is a commitment to quality from both sides. It sets out the terms and conditions of the NDYP subsidised employment under which employers agree to treat NDYP employees in the same way as other employees and, wherever possible, to continue their employment after the end of the subsidy period, subject to commitment and aptitude. In return, the Employment Service promises to make subsidy payments accurately and on time.

Assistance available to employers in the United Kingdom consists of a subsidy of up to GBP 60 a week for six months and an additional contribution of up to GBP 750 is also available towards training of a young person. There is a strong emphasis on the obligation of employers to provide training leading to formal qualifications, with a strict requirement for employers to provide a minimum of one-day training a week which must lead to the equivalent of a National Vocational Qualification. This training can take place in the workplace or at a college. The training provided by employers is constantly monitored and reviewed and if an employer is found not to be meeting these requirements, the subsidy is withdrawn.

Wilkinson (2003) estimates the impact of the NDYP on the probability of being unemployed six months after reaching the qualifying time for the programme – coinciding with movement from the gateway period into the options. The results indicate, for men, a reduction in unemployment of around 30 000 and, for women, a reduction of around 9 000.

A longer follow-up period produces a lower reduction in the probability of being unemployed, mostly due to the fact that some NDYP participants would have returned to claim unemployment benefits subsequently. The same study also finds pre-programme effects, with 25 000 fewer young people remaining unemployed for six months in the year after the introduction of the NDYP than in the preceding two years. As for overall changes in employment, the paper finds no overall effect for men and an increase in women leaving unemployment for work of about 3 000.

Another study, by Blundell *et al.* (2001), finds that the impact of the NDYP on the exit rate from unemployment to employment after four months spent in the gateway stage is a 20% higher probability of finding a job, although only part of this gain (one-fifth at least) is found to be due purely to the gateway services, such as job assistance.

A recent report from the National Centre for Social Research in the United Kingdom highlights the importance of the gateway process. The report collects evidence showing that young people see the key to the success of NDYP as the personal relationship between the Personal Adviser and the jobseeker. The study also noted that the effectiveness of gateway stems from ensuring that people are not forced into accepting any job but are matched to the one that suits them. Other important aspects of NDYP options reported on favourably by young people were the experience under the employment option, good work-based training opportunities to develop skills and gain qualifications through the full-time education and training option, and continued support once in a job.

On the negative side, some researchers (see Glyn and Wood, 2001) argue that the programme flexibility in offering youth different options to exit unemployment only applies in theory. Indeed, the choice for youth particularly at risk of repeated spells of unemployment and inactivity remains restricted to those options that are less likely to help them get unsubsidised employment.

B. Youth at high risk of exclusion benefit from residential programmes

Even the best performing programmes, when evaluated, often fail to help youth at very high risk of labour market and social exclusion. What has emerged from evaluation of several programmes is that the neediest youth need to be identified as early as possible during the unemployment experience and provided with specific attention and focused – as far as possible, personalised – help. In Spain, 14% of 15-24-year-old youth who were NEET in 1997 remained in this status over the following four years. This small group is likely to include those youth who are very difficult to mobilise and for whom ad-hoc strategies should be devised. Among programmes targeted specifically to disadvantaged youth, there is evidence that residential programmes may yield positive returns. An example of these programmes, the Job Corps in the United States, is presented in Box 4.5.

Box 4.5. Programmes for very disadvantaged youth: the US example of Job corps

Job Corps has been a central part of the Federal government's efforts in the United States for several decades to provide employment assistance to disadvantaged youth between the ages of 16 and 24. The programme is designed to help disadvantaged youth to become "more responsible, employable and productive citizens." Job Corps services are delivered at 119 centers nationwide in the United States, and serve about 60 000 new enrollees annually.

Programme components include academic education, health education, health care, vocational training, job placement, and counselling services. Additionally, a subset of youth participate in a dormitory-style residential living component (see table below for a summary of programme types). Experimental evaluations show that Job Corps has had several positive impacts on the employability of participants, including: higher paying jobs; higher levels of employment; and increased levels of educational attainment and job training. Some positive social outcome have also been found such as: reduced arrest and conviction rates; and reduced reliance on public assistance.

Job Corps: programme types

Component	Provided by	Duration	Description
Academic education	Center*	Open entry, open exit	Individual and self-paced. Includes remedial education, world of work (consumer education), driver education, home and family living, health education, programs for participants whose primary language is not English, and GED courses.
Vocational training	Center or national labor organizations through contracts with Job Corps	Open entry, open exit	Individual and self-paced. Includes business and clerical, health, construction, culinary arts, and building/apartment maintenance.
Residential living	Center	Open entry, open exit	Nonresidential students limited to 20 percent. Includes meals, dormitory life, entertainment, sports and recreation, center government, center maintenance, and other related activities. Required social skills training.
Health care, health education	Center	Open entry, open exit	Residential and nonresidential. Includes medical examinations and treatment; biochemical tests for drug use, sexually transmitted diseases, and pregnancy; immunizations; dental examinations and treatment; counseling; instruction on basic hygiene, preventive medicine, and self-care.
Counseling	Counselors and residential advisors	During involvement in program, recruitment, placement, and transition into regular life and jobs	Help students plan their educational and vocational curricula, offer motivation, and create a supportive environment.
Job placement assistance	Placement contractors (state employment offices, private contractors, or Job Corps centers)	Open entry, open exit	Provide assistance with interviewing and resume writing and services for job development and referral. Distribute the readjustment allowance, a stipend students receive after leaving the program.

* Centers are either contracted out or are U.S. Department of Agriculture centers (Conservation Corps).

Source : www.childrentrends.org/lifecourse/programs/JobCorps.htm

Schochet *et al.* (2001) carried out a comprehensive study on the effect of Job Corps on the employability of its participants and found rather positive outcomes. Compared to the control group, programme group members were more likely to receive a GED – a test that allows entry to university, particularly for drop-outs wanting to return to education – (42% versus 27%) or a vocational certificate (37% versus 15%) and to spend more hours in vocational training (3.1 hours per week versus 0.9 hour).

The programme was found to increase average weekly earnings after about two years (see also Lee, 2005). Beginning in year 3, programme group members were more likely than control group members to be employed, and they spent more time employed. In year 4, 69% of the programme group was employed, compared to 66% of the control group and programme participants worked 27.4 hours per week, compared to 26 hours per week for control group members. A wage differential of 12% was also observed in year 4 between participants and control group. Programme group members were also found to be more likely to be in jobs with health benefits and less likely to receive government support.

These gains were observed across most key subgroups including those at special risk of poor outcomes (very young students, youths who had been arrested for non-serious offences, and older youths who did not possess a high school diploma or GED at the time of enrolment), as well as those at lower risk (that is, those with a high school credential at the time of assignment to the programme). Earnings gains were similar for male and female participants. The programme was only found to have a negative impact on employment and earnings for Hispanic youths and for 18- and 19-year-olds. Researchers have not been able to explain these latter findings, although differences in enrolment rates or length of time in the programme, personal or family characteristics associated with low impacts, and language barriers have been ruled out through analysis.

4. Summary

Few unemployed youth in the age range 15-24 are entitled to benefits, given tight contribution requirements, resulting in limited registration for this group and exclusion from services provided by INEM.

It is important that disadvantage among youth is tackled early and INEM should provide effective re-employment services for this group. In addition it is crucial to ensure that services are provided to the young unemployed in an integrated manner and as part of an effective “mutual obligations” approach. While this is problematic for teenagers and young adults who rarely qualify for unemployment benefits, it is important for 25 to 29-year-olds who represent a large group among unemployment benefit recipients. The main institutional problem behind the application of mutual obligations principles in Spain is the shared responsibility of labour market policies between the central level (INEM pays benefits, designs and finances programmes) and the regional level (autonomous communities implement activation programmes).

INEM offers various re-employment services – implemented by the autonomous communities – to registered youth. About a fourth gets some training and another fifth is put on some job creation scheme. However, there are virtually no rigorous evaluations of these programmes so it is impossible to learn what works and what does not.

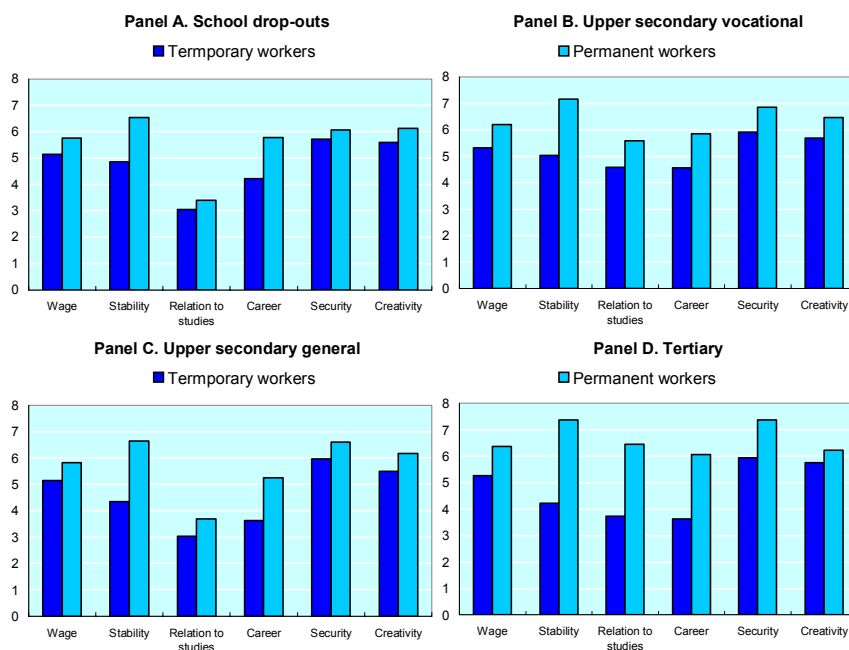
Few programmes concentrate on the specific needs of youth, despite evidence from other countries that well-targeted and comprehensive approaches are the most effective. Among programmes offered to young unemployed in Spain, only ET and CO programmes, focused on helping low-skilled youth acquired job-specific skills required on the labour market, fulfil these requirements and the number of places available is presently limited. Part of the reason is that programmes need to focus on public interest activities and be publicly provided to get approval from INEM.

ANNEX 1.

ARE YOUTH SATISFIED WITH THEIR FIRST JOB?

The evaluation delivered by Spanish youth of different aspects of their first work experience is reported in Figure A.1.1. Satisfaction on each aspect of work is measured on the scale 1-10, where 1 represents the least satisfaction and 10 the highest. On average, the first job scores 5 on this scale in terms of satisfaction about pay, 6 in terms of safety and just below 6 in terms of creativity, with small differences across qualifications for these three aspects. When the first job is permanent it generally entails a better evaluation in terms of salary, although the differences across job types are relatively small.

Figure A.1.1. **Evaluation of the first job, Spanish youth, 2004**
Scale 1-10^a



a) Level 1 represents the least satisfaction and 10 the highest.

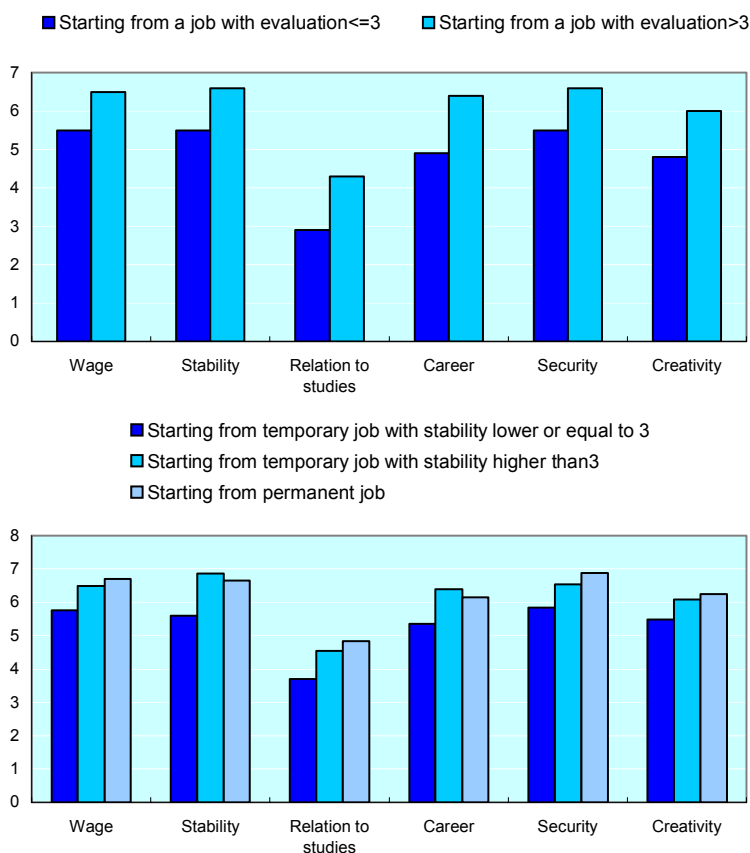
Source: OECD calculations based on INJUVE (2004), *Juventud en España*.

The first job is perceived as giving average stability – score 5 out of 10 – and, not surprisingly, it is reported to be more stable if it is a permanent job. Youth holding a middle-level vocational degree seem to enjoy the highest level of stability both when their first job is permanent and when it is temporary.

The two most disappointing scores are those attributed to career prospects and to the relation of the job held with the field of study of the individual. Initial jobs appear to be little related to one's studies, particularly so for school drop-outs and youth holding an upper secondary general qualification – three out of ten. Relatively good matches and career prospects only seem to be achieved by youth with tertiary qualifications and youth with middle-level vocational qualifications who start off in permanent employment. Entry temporary jobs are perceived as offering little in terms of career perspectives.

To get an idea of whether an entry job of poor quality – according to these aspects – will prejudice future prospects, youth are divided in two groups on the basis of the overall evaluation of their entry job: those whose first job was evaluated at 3 or less (about 10%) and those whose first job was evaluated as better than 3 (the remaining 90%). Figure A.1.2 Panel A suggests that those starting on poor-quality jobs find it difficult to catch up later on. Similarly, using stability as a proxy for contract length, Figure A.1.2 Pane B suggests that temporary jobs with relatively high stability levels do represent good ways to enter the labour market and guarantee a progression in job quality – under the aspects considered – equal to that afforded by permanent entry-jobs. However, starting off on a temporary job with low stability tends to penalise youth despite some catching-up.

Figure A.1.2. Evaluation of present job by quality of first job, Spanish youth, 2004

Scale 1-10^a

a) Level 1 represents the least satisfaction and 10 the highest.

Source: OECD calculations based on INJUVE (2004), *Juventud en España*.

ANNEX 2.

THE STRUCTURE OF EDUCATION IN SPAIN

Education in Spain is compulsory between the ages of 6 and 16. The present framework of compulsory primary and secondary education was established in 1990 through the LOGSE Act – *Ley de Ordenación General del Sistema Educativo*. Under that Act, compulsory education is divided into a six-year phase of primary education and a four-year phase of junior secondary education. Figure A.2.1 gives a graphical representation of the structure of the education system in Spain.

Compulsory secondary education is a general academic programme, broadened to include some basic vocational training (see OECD, 2006b for more details). Its completion is marked by a certificate (*Graduado en Educación Secundaria*, Graduate of Secondary Education). To be awarded their certificate, students must pass all subjects in the final year of compulsory education.

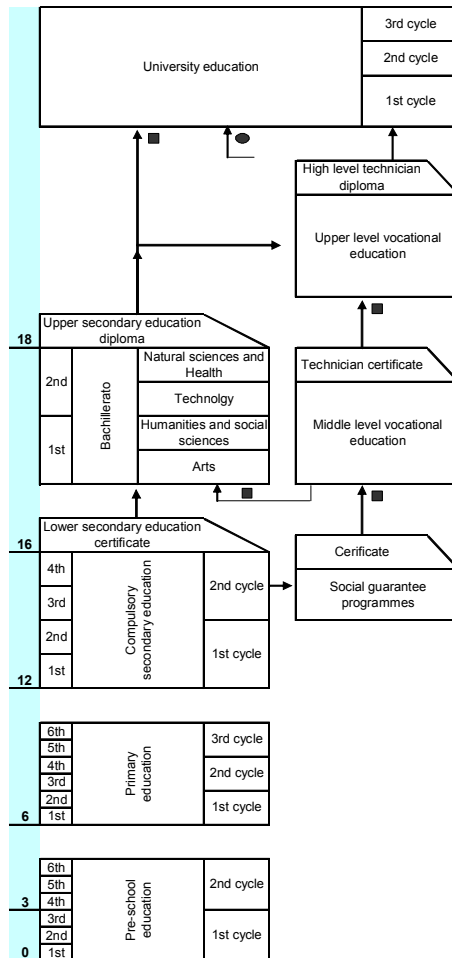
Students who fail to graduate obtain another type of leaving certificate which records the school they attended, the duration of their attendance, and their results in different subjects. These students have access to social guarantee programmes which are designed to improve basic skills and prepare them for work.

Young people who graduate from compulsory secondary education may enter upper secondary education where they attempt their *bachillerato* (baccalaureate). This programme is undertaken over two years, between the ages of 16 and 18 years. To be awarded the bachelor's diploma, a student must pass in all subjects.

Successful completion of compulsory secondary education also entitles young people to undertake vocational training at an intermediate level (*Grado Medio*). These studies are at technician level (or “middle-level”) and lead to a technician's certificate. Specific vocational training is available in 22 industry areas. The total period of training involves between 1 300 and 2 000 hours, and lasts between 18 months and two years. A period of

practice in a firm of between 300 and 700 hours is required. During this period of in-company training students follow a working schedule similar to other workers in the firm and spend approximately one day every two weeks in the educational establishment for tutoring purposes.

Figure A.2.1. Structure of the education system in Spain



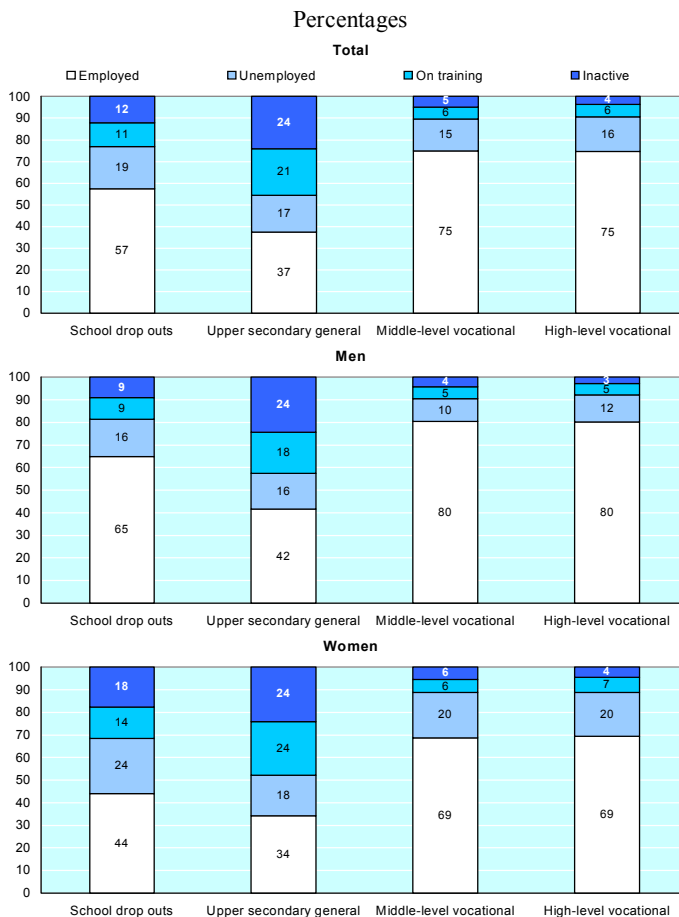
Source: Ministerio de Educación y Ciencia.

Holders of the *bachillerato* are entitled to enter a range of tertiary programmes. These include advanced technical training (*Grado Superior*), involving a one- to two-year programme and leading to a higher technician's diploma, which is also accessible to holders of a middle-level vocational

training certificate. In turn, students who successfully complete the advanced technical training programme can access university. Finally, access to university is controlled by the national university entrance examination.

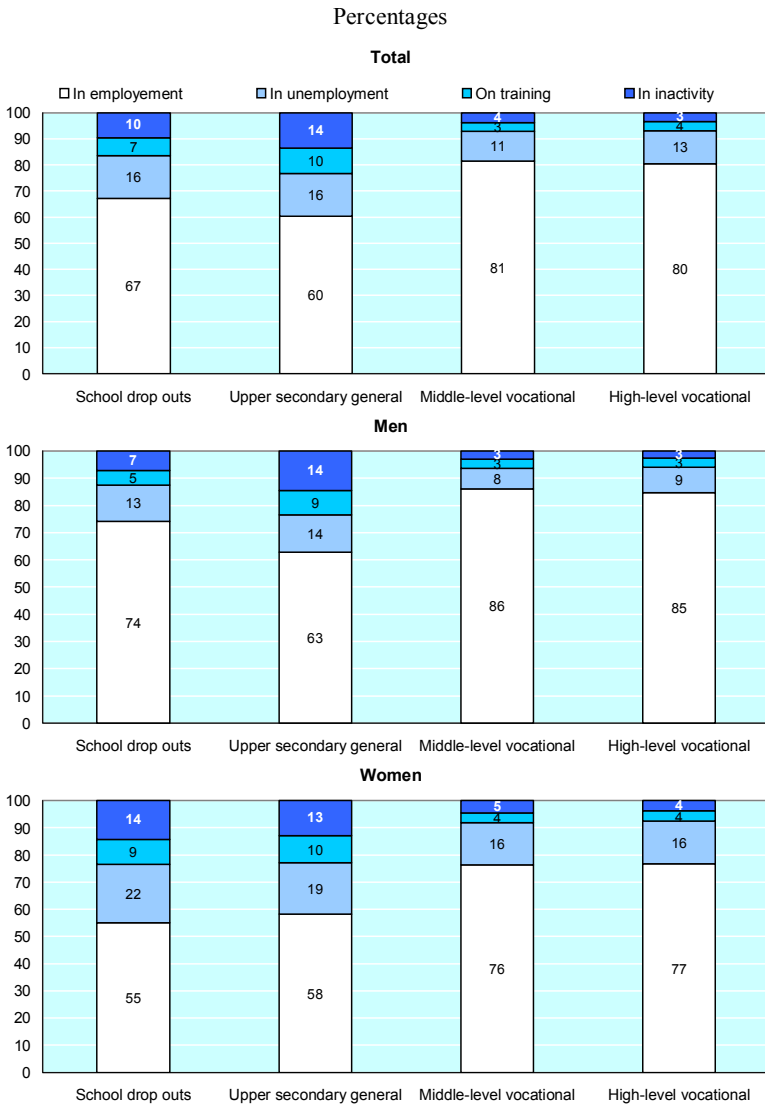
There have been further advances since the general reforms initiated in 1990 (LOGSE Act), and a new reform was passed at the end of 2005 (*Ley Orgánica de la Educacion* – LOE). The bill focuses on reducing early school drop-outs and reinforcing equity in education through the strengthening of vocational education and the reform of university education into a system of 3+2 years – in line with the guidelines of the EU Bologna Agreement.

ANNEX 3.

LABOUR MARKET PERFORMANCE
OF YOUTH LEAVING EDUCATIONFigure A.3.1. Labour market situation six months after leaving school,
Spanish youth completing education in 2001

Source: Encuesta de Transición Educativa-Formativa e Inserción Laboral (ETEFIL).

Figure A.3.2. Time spent in various labour market situations over the five years after completing education, 2001-2006



Source: Encuesta de Transición Educativa-Formativa e Inserción Laboral (ETEFIL).

ANNEX 4.

A TIMELINE OF EPL REFORMS IN SPAIN

A. Mid-1980s: the introduction of employment-enhancing temporary contracts

The first piece of legislation promoting the use of temporary contracts on a wide scale in Spain came about in 1984. Before then, temporary contracts were authorised for specific activities with a temporary and irregular nature and for training purposes. In 1984, the introduction of employment-enhancing temporary contracts – allowing the use of temporary contracts for any activity and any type of worker – marked a departure from the “causality” principle by which temporary contracts had to be related to situations of a temporary nature. As a result, over much of the decade that followed, the use of fixed-term contracts expanded rapidly.

In 1985, the government introduced the first financial incentives for hiring youth on permanent contracts. When permanent posts once occupied by early retirees were filled with *youth under 26*, the employer was entitled to a reduced rate of SSC – 12% – for the whole duration of the contract.

B. Early 1990s: first moves towards encouraging permanent employment, with youth as one of several target groups

The share of temporary employment in Spain grew so rapidly after the mid-1980s reforms that in 1992 the Spanish Government introduced a few measures to try and contain further increases. In that year, the minimum duration of a fixed-term contract was raised from six months to 12 months. The government also introduced financial incentives to promote full-time permanent contracts for specific groups at risk of labour market exclusion: i) *youth under 25* who had been registered unemployed at least 12 months (long-term unemployed); ii) *unemployed youth between 25 and 29* who had not worked previously longer than three months; iii) long-term unemployed

adults older than 45; iv) long-term unemployed women hired in occupations where women were underrepresented; v) unemployed women older than 25 who had previously worked but had interrupted their career for at least five years. The lump-sum bonus paid for the hiring of youth on full-time permanent contracts in categories i) and ii) was set at about EUR 2 400 – for young women who fulfilled the additional criteria of categories iv) and v) the bonus was about EUR 3 000.

In 1993/1994, the scope for the use of fixed-term contracts as an employment promotion tool was reduced in parallel to efforts to re-instate the causality principle in the use of temporary employment. At the same time, Temporary Work Agencies (TWA) were introduced. This had little effect on the total share of temporary employment, but increased the number of temporary contracts signed while reducing their duration.

C. 1997: concrete steps to reduce the incidence of temporary work among youth (and other groups)

All through the 1980s and much of the 1990s, the strictness of EPL for permanent contracts remained unchanged. Firing permanent workers entailed rather high costs, more specifically in the event of a dismissal being ruled unfair, the employer had to pay the equivalent of 45 days of salary per year of service up to a maximum of 42 months.

Among other measures to reduce the use of temporary contracts, the 1997 reform introduced – initially on a trial basis until 2001 – a new type of permanent contract for which compensation for unfair dismissal was reduced to 33 days per year of service up to a maximum of 24 months. The new permanent contract was specifically aimed at groups of workers who were finding it difficult to gain a foothold on the labour market: *youth aged 18-29*; those older than 45; the long-term unemployed; disabled workers; everybody who held a temporary contract signed before the 1997 reform or that would sign one within one year from the reform (up to May 1998). In practice, everybody could take advantage of the new permanent contract as employers could simply hire a worker on a short temporary contract before May 1998 and transform the contract into a new permanent type.

In 1997, parallel legislation introduced reductions to social security contributions (SSC) applicable for two years for hiring on a permanent contract or conversion from temporary to permanent contracts and expressed as a percentage of the yearly SSC bill. The groups targeted were the same as those targeted by the new permanent contract with some minor additions – youth under 30 were entitled to the subsidy, thus the under-18 were entitled to reductions in SSC but could not be hired on a new permanent contract.

The size of the reduction in SSC was such that hiring a worker on the new permanent contract became slightly cheaper for the employer than on a temporary contract, for the time during which the SSC reduction remained in place (see Malo and Toharia, 1999).

D. Reforms of 2000 and 2001: young men are no longer a target group

Further changes, introduced in 2000 and 2001, unbundled the new permanent contract from the reductions in SSC. In 2000, some new groups were entitled to reductions in SSC when hired on a permanent contract without being entitled to the new permanent contract. In the same year, reductions in SSC for conversions of temporary contracts to permanent ones were eliminated (except for training contracts, namely CP and CF).

In 2001, *young men were excluded* from the reduction in SSC when hired on a permanent contract or a new permanent contract, while the entitlement of women was extended to include all women aged 16-45. Conversions from temporary to permanent contracts were also reinstated as eligible for reductions in SSC, for all contracts signed up to 31 December 2003.

E. L45/2002: an important simplification in the dismissal process is introduced

In 2002, a change in entitlement rules for unemployment benefits brought about a significant simplification in the dismissal process by reducing the need for court judgment in the event of unfair dismissal. Since then, dismissed workers no longer need to wait for court judgment to be entitled to unemployment benefits and employers are exempted from payment of lost wages if, within 48 hours of dismissal, they declare that the dismissal is unfair and put unfair dismissal compensation at the disposal of the employee.

F. 2003: severance pay is introduced for temporary contracts

Dismissal compensation was extended to temporary workers – with the exception of CF and CP – in the measure of eight days per year of service for fixed-term contracts and 12 days per year of service for TWA work and contracts for disabled workers.

Table A.5.1. Distribution of youth in active labour market policies, by category, Spain, 2004

MEASURE	Share of youth in each measure	Weight of each measure in total youth participants	MEASURE	Share of youth in each measure	Weight of each measure in total youth participants
1. Labour market services	33.0	10.2	Open ended employment contracts for the disabled (measure ES-19-regions)	287	0.0
Managing placement, vocational guidance and retraining	33.0	10.2	Temporary contracts for the disabled (measure ES-16-regions)	177	0.0
2. Training	34.9	26.3	Integration of the disabled through self-employment (measure ES-25-regions)	167	0.0
National plan for vocational training and integration (Plan FIP, measure ES-8-regions)	26.7	3.7	Support for employment in special employment centres	184	0.7
National plan for vocational training and integration (Plan FIP)	33.3	19.2	Support for employment in special employment centres (measure ES-3-regions)	16.0	0.2
Scheme for workshops, schools and youth training centres (ET Y CO)	40.1	0.2	Training contracts for the disabled	608	0.3
Scheme for workshop schools and youth training centres (ET Y CO)	100.0	3.2	6. Direct job creation	48.0	19.1
3. Job rotation and job sharing	34.0	3.6	Collaboration between SPEE and public or private non-profit entities for contracting unemployed people	424	6.4
Temporary work to replace workers during maternity leave, adoption and childcare	34.0	3.5	Support for employment in under-developed rural areas	487	10.8
Temporary work to replace maternity leavers, adoption, etc. (measure ES-17-regions)	33.8	0.0	Employment workshops	729	1.8
4. Employment incentives	16.7	37.1	Collaboration between SPEE and public or private non-profit entities for contracting unemployed people (measure ES-18-regions)	4.9	0.0
Open ended employment contracts for the unemployed	36.4	12.1	Promotion of agricultural employment in under-developed rural areas (measure ES-19-regions)	7.8	0.0
Open ended employment contracts for persons aged over 45			7. Start-up incentives	9.1	2.0
Conversion of apprenticeship, training, replacement and substitution contracts into permanent contracts	27.8	23.3	Capitalisation of unemployment benefits	6.0	0.8
Support for domestic migration			Promotion of self-employment	14.7	0.5
Open ended employment contracts for the unemployed (measure ES-11-regions)	27.5	1.0	Financial aid for the integration of returning emigrants		
Open ended employment contracts for persons aged over 45 (measure ES-12-regions)			Promotion of employment in co-operatives	11.7	0.1
Conversion of apprenticeship, training and substitution contracts into permanent contracts (measure ES-15-regions)	28.7	0.6	Promotion of local employment initiatives	11.9	0.2
5. Integration of the disabled	17.8	1.9	Promotion of self-employment (measure ES-21-regions)	13.5	0.3
Open ended contracts for the disabled	10.5	0.3	Promotion of employment in co-operatives (measure ES-23-regions)	12.7	0.1
Temporary contracts for the disabled	14.9	0.3	Promotion of local employment initiatives (measure ES-24-regions)	5.3	0.0
Integration of the disabled through self-employment	10.7	0.0	Total categories 2-7	25.1	10.0

Source: Eurostat.

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