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Challenges of the Unemployment Protection System and Active Policies in Spain

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Abstract:

The NorSpaR project aims to analyse the main public policy initiatives by which Norway and Spain cope with the new social and economic challenges derived from the so-called New Social Risks (NSR). Although both countries present significant differences in their institutional settings (such as Spanish EU membership), or its belonging to diverse welfare regimes types (Norway is generally included in the Nordic regime, while Spain is part of the Mediterranean one), both countries share a common interest in addressing the aforementioned challenges while maintaining social cohesion. In the last decade, governments in both countries have tried to respond to those challenges by reforming their labour markets, adapting their unemployment schemes, as well as their gender, family and long-term care policies. The analysis covered in this project includes three areas of public policy addressing NSR. First, dependency is one of the most daunting challenges for post-industrial societies experiencing population ageing and with an increasing number of frail people in need of care. This situation is forcing governments to rethink their long-term care policies. Second, family and gender public programs need to respond to the growing difficulties of families in reconciling professional and family life. Third, in the transition to a post-industrial order, and in a context of mass unemployment, social protection systems have a renewed prominence. Along with the so-called passive policies offering financial support to the unemployed, active labour market policies are geared to put people back into work. In our analysis we try to find answers to the following questions: What are the challenges that each of these policies have been trying to address in recent years? How have these policies evolved? What kinds of reforms have been implemented, and which ones have been neglected? Have the policy goals and targets of welfare programs been modified in any significant way? Have the policy tools (services, transfers, funding or models of provision) changed? To what extent have these policies been successful in coping with social and economic problems? To what extent a social demand in favour of these changes exist? What are the main political and social actors intervening as stakeholders in these policies? Finally, what are the major similarities and differences existing between the two countries? To what extent are there policy proposals that might easily travel between them? Could they foster mutually enriching exchanges of information?

Keywords:

Welfare State; Public Sector Reform; Public Policies; Labour market; Long Term Care; Family Policies; Europe

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Introduction

A brief overview of the history of the Spanish Unemployment Protection System (UPS) from the reestablishment of democracy in 1978 shows the challenges that it has faced over the years. Some of the most persistent problems of the UPS that have not been solved by the successive reforms are high unemployment, the sustainability of the public spending system, the insufficient protection of the unemployed people or people with low quality jobs and the inefficacy to put back the unemployed in the job market.

Besides, these challenges have not been solved by the successive reforms that the UPS has experimented and all these problems have been worsened by the economic crisis that started in 2007 and 2008. From 2007, the unemployment rate increased in 19 percentage points reaching up to almost the 27 per cent, with more than six millions of people that wished to work and could not do it (Data from the economically active population survey (EAPS), National Statistics Institute). Although at the end of 2014 the unemployment rate had decreased up to 23.7 per cent, a big part of this reduction was due to the existence of low quality jobs. Almost 60 per cent of the unemployed has been more than one year trying to find a job without success. They are long-term or very-long-term unemployed people that do not always receive adequate job protection. Moreover, this crisis has made evident the increasing vulnerability of specific groups, such as people that have never had a job or the so-called 'working poor'.

At present, the design of the UPS in Spain and other developed countries try to face the challenges pointed out above using two types of policies. On the one hand, the so-called passive policies (PLMP) have the objective to protect the unemployed and, on the other hand,

the active policies of employment (ALMP), attempt to put back the unemployed in the job market in a short period of time.

In this paper we describe the main characteristics and challenges of the UPS in Spain and we discuss some potential reforms that could be implemented to make the system more effective from different points of view. In the next section, the main reforms of the UPS from the reestablishment of the democracy until now will be described in order to analyse which have been the main challenges of the system and to what extent they have been overcome. After this, the current unemployment protection system will be analysed. In the fourth section, we will introduce the main challenges and diagnosis of the current system. And, finally, we will explain some conclusions including the reforms proposed by the different actors involved.

1. Main reforms of the unemployment protection system and its unresolved challenges

As we have pointed out above, the Spanish UPS has never been exempt from various obstacles. Over the last 40 years, the main challenge for policy-makers has been to face the high rate of unemployment comparing to other developed countries. In the 70s and the beginning of the 80s, the unemployment increased rapidly while there was a big drop in the employment. During the 80s, the rapid increase of the unemployment rate influenced the design of the social protection system in a decisive manner in order to avoid the emergence of a social revolt during the period of the transition to democracy (Del Pino y Ramos 2009).

The unemployment allowance was regulated by the Basic Employment Law (*Ley Básica de Empleo*) of 1980 which was reformed considerably in 1984 and 1989 when the duration and the coverage of the allowance were increased significantly. These reforms “led to an increase of the intensity of protection of the system throughout the reduction of the needed periods of contribution to get a contributory unemployment benefit, the establishment of minimum unemployment benefit and the increase of the allowed periods to perceive those benefits”(Arango 2000: 90).

However, the following reforms of 1992 and 1993, implemented by a social-democrat government as the ones pointed out above, “meant significant cuts to the protective action regarding with unemployment” (Arango 2000: 90). This led to the decrease of contributory benefits with the objective of tackling the problem of the high public expenditure that was the result of a high rate of unemployment that reached the 25 percent in those years (Toharia et al. 2009).

After the 1992 reform, others were implemented in 1994, 1996, 1997, 1998, 1999 and 2001 following what we could call a “dripping strategy”. This strategy was based on the introduction of new reforms in many occasions. Besides, they were sometimes introduced using the laws that complement the implementation of National Budgets (Cabeza Pereiro 2003). According to this author, “the totality in a restrictive sense or the cuts of the benefits... a legislative politics of “little steps” has been followed, half hidden in the formulation of successive laws within a dense normative of social order, administrative and fiscal measures”.

An important reform of the system was carried out in 2002 (Del Pino y Ramos 2009). This reform, implemented by the conservative government, included two types of measures. On the one hand, some cuts in the benefits were applied. And, on the other hand, some measures in relation with active policies were introduced in line with the reforms implemented by other European countries in the second half of the 1990s. This reform consolidated in Spain the introduction of the “activation principle” which is based on the idea that it is not only important that the unemployed are active during the process of seeking a job, but also implies a turn in the philosophy of the policy whose objective now is to tell the unemployed to take responsibility of its own situation.

In 2006, new measures were introduced to improve unemployment protection for specific groups such as workers in cooperatives, people older than 45 years or permanent seasonal workers. In fact, the most recent reforms of the UPS, in 2000 and 2009, have been designed to tackle the situation of lack of protection of vulnerable groups. More concretely, the reform in 2009 aimed to solve the situation of vulnerable groups affected by the worsening of the economic crisis.

To sum up, until the beginning of the 1990s, the system showed an expansive tendency, especially in relation with the social assistance component (Toharia et al. 2009: 23). However, contributory benefits have been cut back since then. People that in the beginning were entitled to contributory benefits were included in social assistance schemes and the entitlements to the latest have also been tightened. We can observe the same tendencies in the reforms applied since 2009. In this sense, the reform carried out in 2012 and other later reforms (e.g. the recent fiscal reform of 2014) have meant a decrease of the unemployment benefits and the criteria to be entitled to social assistance programs has also been tightened. For example, the subsidy for people older than 45 years has been eliminated and the age to receive a subsidy for workers older than 52 years has been increased up to 55 years. Finally, from 2008 and over the years of the crisis, other reforms have been implemented in order to promote employment active policies, as we will see later in this article.

2. Characteristics of the Unemployment Protection System after recent reforms

The objectives of the unemployment protection and the assistance to the unemployed to put them back in the labor market as soon as possible are achieved in Spain through the passive (PLMP) and the active employment policies (ALMP). The PLMP are the responsibility of the central government exclusively. On the contrary, between 1998 and 2010, the implementation of the ALPM was decentralized. In relation with the management of policies, the Employment National System is formed by the National Public Employment System (NPES) and the Regional Public Employment Services. In practice, this means that there exist many employment services managed by the regional governments which have certain capacity to organize and administer their public policies but within the limits of the national government.

In Spain, unemployment benefits are linked to the working life and are based on the transferring to the unemployed a certain level of income that substitutes the salary that they perceived before losing their job. More specifically, unemployment benefits cover to those

that want and can work but they have lost their jobs or to those that have seen reduced their working hours. They are structured in two levels: unemployment insurance (UI) and unemployment assistance (UA).

The contributory level (UI) requires the unemployed to be registered and to be in an unemployment situation involuntarily. Another requirement is to have paid the unemployment insurance for a minimum period of 360 days during the last six years. Besides, the unemployed needs to prove their availability to seek for a job actively and to accept an adequate job offer signing a commitment contract of activity. The duration of the UI depends on the days that the unemployed has paid the insurance and has a maximum period of two years. In regard with the amount, this can vary from 500 to 1.400 € depending on different variables. The amount of the benefits decreases in relation with the salary received during the previous six years. The unemployed starts receiving the 70 percent of their previous salary and after six months it decreases up to 50 percent. This reduction used to be up to the 60 percent before the reform implemented by the conservative government in 2012.

The assistance level (UA) covers those unemployed that have finished the period to be entitled to receive the contributory unemployment benefit (UI) or to those that have paid the unemployment insurance but not the required time that would enable them to receive the contributory unemployment benefit (three months with family responsibilities and six months without them). In order to perceive the unemployment assistance it is necessary to prove that the person that does not have a monthly income over 484 €. The amount of the subsidy is 426 € and the period of payment can last between 6 and a maximum of 30 months depending on the period of paid insurance and the family responsibilities. Besides, there are other subsidies of the same amount directed to other vulnerable groups such as people older than 55 years, migrants who have returned or people released from prison, between others.

In the assistance level (UA), we can also find the so-called *Renta Activa de Inserción* (Active Insertion Income) that covers those groups that are not included in the previous categories. The access to this type of subsidy and the requirements asked to renew it have been tightened in the last years. This subsidy covers those unemployed with special economic needs and difficulties to find a job. The amount of this subsistence income is 426 € and is given in exchange of participation in formation activities.

Finally, in 2011 the rapid increase of long term unemployment (from 8 percent in 2007 to 26 percent in 2011) forced the government to implement a new subsidy of 426 € for those that had finished other subsidies or for those that were not entitled to receive them. This last measure, which depends on proving the lack of income, is still applied in 2014. Moreover, all these benefits and subsidies required the signing of an “activity commitment” by the unemployed. By this contract, the unemployed commits to the active seeking of a job and to accept and adequate job offer.

The Spanish Employment Strategy (SES), the Annual Plan of Employment Policies (APEP) and the Information System of the Employment Public Services, form the legal framework within which the employment active policies are developed in Spain. Concretely, the Annual Plan of Employment Policies (APEP) includes the actions and measures of active employment policies

of regional governments and also the measures of the Public Services of National Employment. Those measures are financed with both, national funds and regional economic resources.

The main objectives of the measures of the APEP 2014, approved in September 2014, are included in six general guiding objectives: counselling, formation, job opportunities, and equality of opportunities to jobs access, entrepreneurship and the institutional improvement of the National Employment System. After the implementation of the APEP 2013, it was planned that one part of the regional funds would depend on the achievement of the objectives which will be measured according to some indicators that will also be useful to design the following Activation Strategies (CES 2014). The Spanish Strategy of Activation for Employment was approved in 2014 (2014-2016) and attempted to incorporate more coordination between national and regional initiatives. Besides, it introduced some new public policies tools and other measures to improve the links between training programs and the needs of the productive model (CES 2014).

Regarding to the tools used for the promotion of active policies, the labor intermediation services have been characterized in the last years by an increasing collaboration between public and private entities. The Public Services of National Employment manages only the 15 percent of the firms' job offers. In 2013, out of 2 million of job offers managed by the public services, only one percent was rejected by the unemployed (CES 2014). However, data from the private intermediation services does not exist.

Regarding to the measures to promote hiring, the policies of incentives to firms have followed a specific tendency from 2010. They are only directed towards vulnerable groups with difficulties to find a job. They have limited efficacy and most part of incentives were concentrated in temporal contracts in the last year. In relation with vocational programs that combine training with some kind of income, the number of participants decreased in the last year. Besides, the education programs for school leavers have also decreased which seems worrying because this group has special difficulties to find a job. The rate of incorporation to the labor market has been 58 percent, slightly higher than the previous year. The Ministry itself (2014) has admitted that the training offer is not adequate in relation with the needs of the productive model and that it has both, an inefficient management and inefficient results regarding the increase of employability and the entrance into the labor market (see Mato and Cueto 2008 to qualify this affirmation).

At the same time, some measures have been introduced such as the possibility of capitalization of the totality of the unemployment benefits and the creation of the 'entrepreneur contract' in order to stimulate the creation of autonomous work.

The expenditure on passive policies is higher than the average of the UE due to the high rate of unemployment in Spain. In 2011, the expenditure on passive policies was 1.38 per cent in the UE-25 and in Spain reached the 2.88 (percentage of the GDP). In relation with active policies, Spain spent the 0.71 per cent of the GDP against the average of 0.57 in the UE-25. However, if the expenditure is analysed depending of the unemployment rate, Spain spent in 2011 in active and passive policies less than the European average, and the expenditure in active policies has decreased significantly (CES 2014). The expenditure in unemployment protection

was 78 percent whereas the expenditure in active policies was only 22 percent. If we analyse the percentage of expenditure in active policies, Spain is in a lower level than the European average that is 33 percent (CES 2014). This has been the tendency not only in this period of economic crisis during which the unemployment problem is more relevant. Between 2011 and 2015, the budget for passive and active policies has decreased almost 25 per cent (CCOO Economic office, 2015). In spite of this, the Ministry continues arguing that there is not a problem of the quantity of the resources but of efficiency of those resources.

3. Persistent Problems and challenges for the unemployment protection system

In general, the reforms implemented in the UPS over the years prove how the latter has recurrently faced a series of problems that have been worsened by the crisis and that are defined by the involved actors in the following way:

High unemployment, high temporality and the sustainability challenge

The diagnosis of the SPS is complex due to two main factors. First, the analysis of the phenomenon and its solutions vary depending on the actor that makes it and on the perspective used to observe the problems. As we are going to see now, both active and passive policies show problems and deficiencies that should be solved. However, neither the problems of the unemployment protection system, nor their solutions, can be analysed only as a result of the subsystem of policies. If we observe the challenges of the UPS with a wider perspective, we can argue that some of them are in relation with the productive system and the political economy. One of the characteristics of the Spanish economic system has been the investment on low value, low productivity and low technological sectors and the dependence on sectors such as construction and tourism. This fact has made the economic system extremely vulnerable to face the economic crisis. At the same time, Spain has a business structure formed mainly by small and medium firms, especially micro firms (more than the 92 percent). Currently, they sustain the 62 percent of total employment and they have more difficulties to develop their internationalization and the promotion of competition using productivity.

From a narrower perspective, the labor market laws and the way in which they have been implemented create some challenges to the UPS that cannot be solved only from within the same system. Although the last two decades before the crisis there were not very high unemployment rates comparing to the present figures, Spain has traditionally been one of the developed countries with higher numbers of unemployed people. Precisely, this problem and the objective to tackle it inspired the reform that introduced temporary contracts in 1984. As a consequence of this reform, and as a result of the entry of Spain in the UE in 1986, employment rates increased. However, this reform led to a serious problem of the labor market, the high temporality, which is one of the highest in the UE.

At present, high temporality is not only the consequence of the labor market law- that allows temporal contracts- but it is also the result of an erroneous implementation by the firms and a permissive attitude by the administration. This fact is widely known by different actors that explain it by using cultural arguments such as the rooted custom of the Spanish business class

that show a certain aversion to use permanent contracts. On the other hand, other actors explain this fact arguing that other contracts have higher costs, rather than higher rigidity, when the firms want to end the contracts. Some studies have shown that the excessive use of labor legislation to achieve internal flexibility is not only an answer to institutional incentives but also the result of the belief by firms that achieving internal flexibility through other means would be difficult (Dubin 2012b: 416).

Although in 2002 the dismissal costs were reduced, the labor market reform of 2012 facilitated the firms to answer to the crisis using redundancies (more than the 80 percent of the dismissals are unfair at present) instead of using other tools to achieve an increase in productivity. In a context of economic crisis, this way of readjustment is significantly used by firms (even before the crisis the number of dismissals in relation with total employment in Spain was one of the highest in the UE). It is important to remember that the study made by Toharia et al. (2009) suggests that the constant increase of people that receive the contributory unemployment benefit in a prosperous economic period, shows that the unemployment protection system is not only a way to substitute income when there is an unemployment situation but also a way to subsidize firms and workers in a hidden way.

The high and persistent rates of unemployment, from one percent in the 1970s to 25 per cent of the total active population in 1994 and 26 per cent in 2013, have also been present in the years of economic growth when the unemployment rate could not be decreased under the 8 per cent. Although Spain achieved to create employment comparatively, the new jobs were rapidly absorbed by women that incorporated to the labor market and by a high number of immigrants. Regarding to the temporality rate, it reached the 35 percent of workers in 1995, being the highest in the UE. Today, it is still one of the highest of the EU, over the 23 percent.

Both, high unemployment and high temporality, allowed by the present labor market law, jointly with the type of employment that is generated by the Spanish productive system are important challenges. They generate high rates of unemployment that need to be addressed. Besides, the characteristics of the unemployed are diverse. Some groups have low or none qualification because of different reasons. Either because they left school and they entered the labor market without qualification or because firms have not invested in training due to the temporal duration of the contracts or due to the expensive cost of this education. Although as we have seen above, the expenditure in both passive and active policies in relation with the unemployment rate was under the average of the UE, the expenditure is still high from a comparative point of view and its sustainability would be difficult if the crisis continues.

Unemployment protection, the challenge of the lack of protection and the increase of poverty

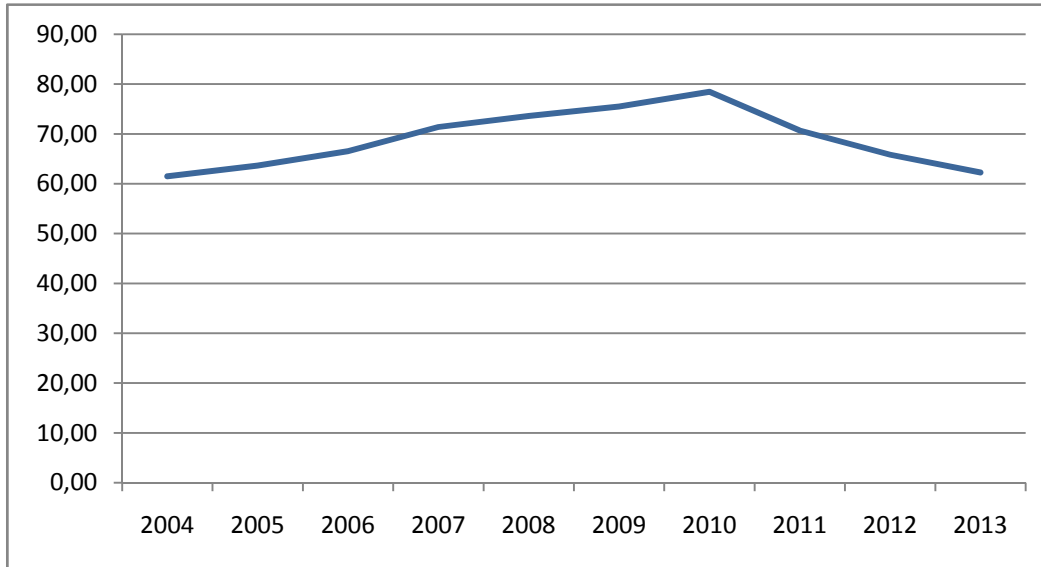
The main challenge of the unemployment protection system is without a doubt its capacity to protect unemployed people. As we have observed, Spain is one of the developed countries that spend more in unemployment protection due to its high unemployment rate. Although the comparative evaluation about the generosity of the UPS is complex, the analysis made by Toharia et. al (2009) placed the Spanish UPS in 2007 in a medium level regarding its protection capacity (Stovicek and Turrini 2012).

The study cited above points out three main factors to evaluate the generosity of the Spanish UPS: the access requirements, the substitution rate and the duration of the benefits. In relation with the months needed to access to a contributory benefit, Spain is placed in a medium-high demand level. However, the access requirements are less to receive the assistance subsidy. In this sense, the duration of the contribution is longer than in other European countries. Finally, the substitution rate is difficult to measure because it depends on the family situation and other variables. Whereas for a period of six months Spain is an especially generous country, if we calculate the same indicator for one year or longer, the country moves towards medium or low generosity levels.

Although the global generosity rate is not between the lowest in the EU, the fact is that the way that the benefits are calculated leads to a decrease in its generosity. For some income levels, this means a loss of salary of more than the 70 per cent even in the first six months (Muñoz de Bustillo and Antón 2013). As it has been mentioned before, the reform realized by the government in 2012 has decreased the generosity of the unemployment benefits and it has tightened the access to the existing subsidies. In the same way, the fiscal reform of June 2014 will decrease even more the generosity of the system because it will demand the payment of the income tax in some cases of dismissal compensations.

Other problems related to the protective capacity of the passive policies have to do with the extension of the crisis and its shift towards a system based more on the assistance level. People that before the reforms received a contributory benefit, receive now a subsidy. Besides, subsidies have also been reduced in the last years due to the mentioned reforms (Negueruela 2013). The medium coverage rate of the unemployment benefits, both for contributory and assistance, has been increased in 18 points from the start of the crisis until now. However, the number of unemployed people that receive protection started to decrease from 2011. While in 2010 78.44 percent received some kind of unemployment protection (see graph), in 2013 this number decreased up to 62 per cent (in the first months of 2014 was under the 60 per cent). According to the Ministry statistics, the total number of people that received unemployment benefits was 2.742905, 17.4 per cent less than the year before (CES 2014).

Table 1. Coverage rate of unemployment benefits (2004 to 2013)



Source: own elaboration with data from the Ministry of Employment and Social Security

Since the start of the crisis, we can find the highest number of people that received a contributory unemployment benefit, 1.600.000, in 2009. At that moment, the 60 per cent of the total of people that received any kind of benefit received a contributory benefit. However, this number started to decrease due to the increase in the number of long-term unemployed that it reached the 36 per cent in 2013. Long-term unemployed people stop receiving the contributory payment after two years and they start receiving subsidies that have lower quantities. At present, people who receive the contributory benefit are less than the half of the total, around 1.040.000 people in 2014.

Moreover, the total number of people who received the assistance subsidy also decreased from 2012 to 2013. In this sense, from 2009, the number of people who receive contributory unemployment benefits has decreased in 19 per cent whereas assistance subsidies has increased in 36.7 percent (Benefits Statistics, SPEE).

As highlighted by the CES (2014: 251), the main cause that unemployed people receive the subsidy has been the exhaustion of the contributory benefit. Other reasons are the increase of 55 years old people that receive the subsidy and the existence of a number of workers that have not paid enough social security contributions in order to get the contributory benefits. This highlights the problem of high temporality in the Spanish labor market.

It is also important to observe the data in relation with the “protection rate” calculated using the number of the unemployed (according to the EPA), instead of using the registered number of unemployment. The protection rate, in other words, the division between the number of people that receive the benefit and the number of the unemployed, it is only the 32, 5 per cent in Spain. The decreasing tendency in generosity is due to three main factors. First is the decrease of the amount of the benefits (sometimes even lower than the poverty line). Second is the tightening of the access requirements. And third is the fact that many unemployed people (one every three) do not receive any type of benefit.

Table 2. Unemployed People according to the unemployment duration and the type of benefit. First semester 2014

Unemployment duration	2014				Variation 2014 – 2011			
	With benefits	Without benefits	Total unemployment	Rate	With benefits	Without benefits	Total unemployment	Rate
Less than one year	922.012	1.287.942	2.209.954	41,7 percent	-241.534	-120.200	-361.734	-3,5 percent
From 1 to 2 years	435.689	827.178	1.262.867	34,5 percent	-33.240	52.945	19.704	-3,2 percent
From 2 to 4 years	373.486	1.106.052	1.479.538	25,2 percent	135.253	532.724	667.977	-4,1 percent
4 years or more	196.516	776.484	973.000	20,2 percent	146.835	535.836	682.671	3,1 percent
TOTAL	1.927.703	3.997.656	5.925.359	32,5 percent	7.314	1.001.305	1.008.619	-6,5 percent

SOURCE: Negueruela (2013) with data from INE: Microdata from EPA.

Finally, it is also important to point out the lack of protection of workers that receive a low salary, the so-called “poor workers” or “precarious workers”. This has been a problem in Spain from a long time ago. It is in relation with the growing of employment in low qualified sectors such as the care of dependents that are also characterized by high levels of temporality. However, this problem has worsened in the last years because the decrease of wages has affected above all to those workers that are in the low levels of the salary scale. After Romania and Greece, Spain is the third country with a higher percentage of workers at risk of poverty (12.7 percent in 2010). The number of this type of workers in Spain has increased over other countries that were in the worst conditions in 2000 such as Estonia, Italy, Leetonia, Lithuania, Poland and Portugal (Marx y Nolan 2013).

The challenge of Youth Unemployment

One of the most challenging New Social Risks (NSR) in Spain at present is youth unemployment, which has reached his peak level during the five years of economic crisis. In 2013, Spain was in the second position of the highest youth unemployment rates in Europe, with 55.5 per cent of the unemployed people aged between 16 and 24 and it was only outnumbered by Greece, with 58.3 per cent. On the contrary, the European countries with less young unemployed were Norway and Germany with 9.1 percent and 7.9 percent, respectively¹. In this sense, there is a division between Nordic countries, where the differences between youth unemployment rates and aggregate levels are relatively small, and Southern European countries where these differences have maintained higher levels over the years (Jimeno and Rodríguez-Palenzuela 2002:4).

The economic crisis has affected significantly youth unemployment in Spain. From 2007 to 2013 the employment rate for young people (from 16 to 24) went from 45.2 percent to 17.6 percent, a decrease in 27 points (Dolado et al. 2013b:1). However, this phenomenon is far from being new. Youth unemployment rates have always been high in Spain comparing to the rest of European countries and in the last three decades young employment reached 40 per cent in three times (Dolado et al. 2013 a:7).

¹ Eurostat “Unemployment Rate by age group”

One of the immediate reasons of young unemployment is the fact that firms prefer hiring older people because young people have less work experience and therefore they are less productive. But apart from this cause, which can also be applied during good economic periods, youth labor markets have certain characteristics that make young unemployment very volatile. They suffer more fluctuations depending on macroeconomic cyclical conditions (Choudhry et al 2010). And this volatility is due mainly to three structural causes: high temporality, difficult school-to-work transitions and the knowledge and skills mismatch.

First, temporality is one of the main determinants of the volatility of youth unemployment and the high rates of worker turnover (Dolado et al 2013: 5; Molina and Barbero: 2005). In 2013, 49.7 per cent of people from 15 to 29 years held a temporary contract whereas in Norway this percentage was 19.8². The youth labor market is more affected by economic fluctuations because fixed-term jobs are easier to end when there are economic problems. Besides, most of young people enter the labor market with a temporary contract and they tend to stay in temporary jobs much longer than in other European countries. Whereas in other European countries, fixed-term contracts behave like stepping stones towards permanent contracts, in Spain they have become dead-end jobs (Dolado et al 2013:20).

Youth unemployment is also a consequence of a segmented labor market. In Spain, dualism is very pronounced and is based on the existence of a core of workers that enjoy permanent contracts and employment protection (insiders). On the contrary, precarious conditions like temporary contracts and low-paid jobs are concentrated in a group of workers formed mainly by young people, women and immigrants (outsiders).

Second, young people take longer to find their first job. On the one hand, the high rate of school-drop in Spain have led to a significant number of low educated youth that lack the proper skills to enter the labor market. In 2013, 23.5 percent of people from 18 to 24 years old left school against the 13.7 percent of school leavers of Norway³. This group usually takes more than two years to find their first job (Dolado et al. 2013: 15). On the other hand, there is a relationship between the high drop rates in secondary education and the high rate in youth unemployment. In fact, almost the 63 percent of young unemployed are workers with only primary education (Dolado et al. 2013b: 2). In 2013, 531.1 thousands of young unemployed (15-24) had primary and lower secondary education against the 258.3 thousands with upper secondary education and 142.1 thousands with tertiary education⁴.

This is in relationship with the third cause of youth unemployment: the mismatch between the demand and the supply of skills. Regarding to the supply, we find that there is a high number of young people in both, the beginning and the end of the educational chain. In other words, there are many university students and many low-skill people whereas the values of the intermediate levels (vocational degrees) are empty (Dolado et al. 2013b: 7).

² Eurostat “Young temporary employees as percentage of the total number of employees, by sex, age and country of birth” Last update: 26-05-2014.

³ Eurostat “Early leavers from education and training by sex and labour status”. Last update: 10-04-2014.

⁴ Eurostat “Youth unemployment by sex, age and educational attainment level”. Last update: 26-05-2014.

In addition to this we need to have in account the sectorial composition of employment prior to the crisis (Choudhry et al. 2010:4). Although sectorial characteristics by themselves cannot account for the sharp increase in youth unemployment, it has had some influence in the Spanish case because of the construction bubble and the significant weight of low-knowledge intensive services (Dolado et al. 2013). Many young man left school to work in the construction sector in the beginning of 2000s. After the bust cycle all these young people were jobless and without the needed skills to find another job. The high concentration of young males in the construction sector led to a significant difference of job losses in relation with the gender dimension. Although there was an increase in the number of young people that returned to education, Spain remains with one of the highest number of young people not in employment and not in any education and training (NEET) in Europe. In 2013, Spain had 22.8 per cent of NEET (from 15 to 29 years).

The high number of youth unemployment can have serious consequences in different levels. In the individual level, it is obvious that unemployment for young people mean high instability and economic uncertainty. In this sense, significant levels of jobless young people can have scarring effects (Dolado et al 2013: 6). People that suffer long spells or that enter the labor market in times of economic recession have more probability of having more precarious and low-paid jobs during their professional lives. Besides, regarding to the economic dimension, significant rates of youth unemployment can be a threat for the financial sustainability of the public system of social security and the system of welfare and a sign of no optimization of the human capital available (Molina and Barbero 2005: 150; Jimeno and Rodriguez-Palenzuela 2002: 1).

The crisis has almost tripled youth unemployment but as we have seen above its structural causes come from long time ago. In this sense some specific institutional reforms are needed to tackle this problem. On the one hand, labor market experts suggest a change in some institutional setting in both fields, education and labor market. For example, difficult school-to-work transitions are in relation with the lack of dual education programs in Spain. On the contrary, countries with low numbers of school drops and easier school to work transitions, such as Norway or Germany, have widely applied dual programs that combine training with some kind of economic remuneration. In this sense, some of the recommendations by labor market experts are introducing dual programs of vocational training to reduce the number of school leavers and tackling the segmentation of the labor market and the high levels of temporality to reduce the volatility (Dolado et al. 2013b).

Some of these policies have been adopted by Spanish governments since 2010. In 2011, an agreement between the government of PSOE and the social partners introduced measures to promote youth employment, to maintain training programs for people that had exhausted the unemployment allowance, to strength the professional training programs and provide some incentives to hire young people (CES 2011: 34-38).

With the formation of the government of the conservative party, PP, at the end of 2011, new policies were applied regarding with youth unemployment. The government has insisted on the importance of active policies and has suggested the creation of the dual vocational degrees program within the *Formación Profesional* scheme (Professional Education), limited the use of

incentives only for the Education and apprenticeship Contract and reinforced the importance of training and dual vocational education.

As we can observe, both governments have combined passive (incentives) and active (training) policies to tackle youth unemployment. However, the lack of investment in activation policies reduces the possibility of strengthening the dual formation system which is one of the keys to solve some structural problems, as pointed above. Moreover, other structural problems like temporality are far from being solved. In 2012, almost 48 percent of unemployed under 30 years had temporary contracts (CES 2012: 301).

On the other hand, social partners have shown different views about how to face the problem. The main Spanish business organization, CEOE, has suggested the implantation of the German “minijobs” and the creation of a different minimum salary for young people (El País 2013). On the contrary, trade unions, CCOO and UGT, argue that these measures would increase the precarious situation of young people. Against that, trade unions’ suggestions are more oriented towards a broad reform of the political economy based on a fiscal reform that would allow the government to improve the budget available for active policies. In this sense, CCOO and UGT have specially insisted on the importance of reinforcing financially active policies such as training (CCOO 2014).

One of the actor that is currently influencing governments’ policymaking in youth unemployment is the European Commission. Taking in account that youth unemployment is a widespread problem in most European countries the EC has created the Youth Employment Initiative (2014-2020) which is supported by the European Social Fund. The Youth Employment Initiative includes, between others, the establishment of a Youth Guarantee “to ensure that all young people under the age of 25 years receive a good quality offer of employment, continued education, an apprenticeship within four months of becoming unemployed or leaving formal education” (EC 2014).

The Popular Party (PP) government in Spain started implementing the Spanish Youth Guarantee scheme in July 2014 under the general program of Youth Unemployment and Entrepreneurship Strategy 2013/2016 that also includes a specific program to reinforce entrepreneurship and self-employment for people less than 30 years. The Spanish Youth Guarantee, which is co-financed by the EU and has received 1887 million of euros by the European Structural and Investment Funds, aims to improve the employability of young people and to facilitate their access to the labor market. Some of the requirements to access the benefits of the program are to be between 16 and 25 years old, to be unemployed for more than 30 days, to have finished education more than 90 days ago and not to have participated in any training activities in the last 30 days. In addition to this, the participants need to sign a commitment of active participation in the program.

Regarding with the measures, the Youth Guarantee includes different types of actions. On the one hand, it continues with the plan of incentives for firms to hire young people such as the elimination of social security contributions or its decrease in cases of social exclusion and disability. Firms will receive 300 € monthly to hire people who have been registered in the program and the different types of training contracts will also have special reductions. On the

other hand, it reinforces the introduction of special contracts that combine work with training by promoting the Dual Professional Formation (FP) and the Contract of training and apprenticeship. Besides, the program includes some measures to promote entrepreneurship and self-employment such as reductions of social security contributions or the possibility to combine the unemployment benefits and the starting of an entrepreneurship activity.

This strategy is in line with some of the proposals of the experts because it will tackle directly the problem of difficult school-to-work transitions. However, trade unions have shown their scepticism about the plan because they think that it is not enough to face up the entrenched problem of youth unemployment of Spain (CCOO 2014).

The challenge of redeployment and the long-term or very long-term unemployed (LTU)

Apart from their protection, another challenge of the UPS in a broad sense is the redeployment of the unemployed people that are jobless at present. This objective has become more visible from the generalization of the active policies (APLM) in Europe from the second half of the 1990s. Between the unemployed there is a group of specific importance, that is the long-term or very long-term unemployed. Before the crisis that started in 2008 Spain showed lower numbers of long-term unemployed than those observed in Europe. However, the crisis has led to an increase of the percentage of LTU (Rica y Anghel 2014)⁵. The explosion of the construction bubble, one of the first effects of the crisis (López y Rodríguez 2011) was without a doubt one of the causes of the increase of LTU. As De la Rica and Anghel (2014) point out, the presence of male workers between the LTU has increased during the crisis and they are now the 53 per cent against the 38 per cent of 2007.

If we observe the number of long-term unemployed by age, this type of unemployment affects to the groups located in intermediate ages, from 30 to 44 years old. This group includes almost the 40 per cent of the total. On the other hand, there is a percentage of LTU that can be considered “very long term” because around the 60 per cent of them has been from 2 to 4 years looking for a job. This type of very long-term unemployment affects to all ages from young people or intermediate ages to older people. However, the group formed by people older than 45 years is specially affected and 28 per cent of unemployed in this group has been jobless for four or more years. Another important factor to point out is the relationship between long-term unemployment and education. In this sense, holding a university degree reduces the probability of being LTU in 70 per cent. Those than before the crisis worked in the construction sector, have 72 per cent more possibilities of being LTU. In short, the high number of the LTU and their characteristics have led to the fact that they represent a big challenge for the system in relation with their lack of protection and the design of the APLM that could help to achieve their redeployment. As we will see later, the proposals concerning these policies are not easy because of many reasons. Some of them are the lack of data and solid evaluations about the functioning of the system or the lack of coordination between administrations, between others.

⁵ La mayoría de los siguientes datos proceden de De la Rica y Anghel (2014) sobre LTU en España.

Although there have been some evaluations of specific programs there is a persistent lack of global assessments of the system, which is a shared complaint by the actors and experts of the system (Mato and Cueto 2008; see the work by Pérez del Padro 2011). This criticism has surely encouraged the recent creation of a series of indicators that will allow the realization of some kind of evaluation of the different programs framed within the ALMP. However, we can already argue that those indicators are insufficient because most of them are indicators about the implementation of the policy but not about its impact.

The lack of evaluation of these programs by public administrations are in part due to technical problems such as the deficits of information systems. Besides, all actors admit that there are problems regarding with the relationship between central and regional administrations (one example is that some regional public services refuse to provide information). These deficiencies do not allow us to evaluate the impact of the policy in a concrete territory neither it is allowed to realize some basic tasks such as sharing information in order to achieve an effective management of the programs by different regional governments. Those problems are again a sign of lack of coordination between the State and the regions and between the regions themselves with regard to knowing the social protection mapping in Spain.

As it has been pointed out above, the expenditure in ALMPs in relation with unemployment data is in Spain lower than in most of European countries. Besides, the latter has been reduced during the last years. If we analyse specifically the resources invested in employment public services, we can easily conclude that the Spanish public employment services are underfunded. On the contrary, the design and implementation of ALMPs require the existence of personalized intermediation services for all unemployed people, almost six millions of people. These personalized services, which already exist in countries with lower number of unemployed, would demand a significant quantity of resources, a policy choice that is currently at odds with the retrenchment politics of the economic crisis. This situation leads to the proposal of alternative policies such as the focus on specific activation policies, as we will see below.

4. Policy proposals from different points of view

Regarding public expenditure and sustainability

The problem of the high expenditure in unemployment protection is shared by different actors. However, the possible solutions that they offer vary and some of them are incompatible. Some proposals of reforms to solve this problem are not in relation with the UPS and escape from the scope of this study. However in the general terms many of them are based on the increase of the internal flexibility of the firms and the decrease of the so-called external flexibility in order to reduce the high rates of dismissal (now very high even in the case of permanent contracts), and temporality. This would also serve to reduce the consequences of the latter in terms of high volatility and high job turnover and its negative impact on spending UPS.

Other actors argue that it is necessary a reconfiguration of the Social Security System that would include a redefinition of the requirements to access to some benefits such as subsidies for widows or for disabled people with the objective to use these resources to improve the

UPS. Other proposals are based on a redefinition of the funding of the UPS. One of them argues for the creation of a Reserve Fund like the one used for pensions. This would allow to save the surplus of the social security contributions in periods of economic growth (Ministry of Work and Immigration 2011). In fact, the UPS could have been self-funded since 1981 to the arrival of the economic crisis and could have generated a Fund to face part of the economic recession period (Nagore et. al. 2011; Arranz and García Serrano 2014). In the same line, another proposal argues for a reconfiguration of the funding system in a way that the social security contributions would be used only for the payment of unemployment benefits whereas the rest of programs would be funded by the General National Budgets.

Although the so-called Experience Rating Model, linking the contributions of each company to finance benefits to its record of layoffs, has not been applied in Europe (Arranz and García Serrano 2014), there are some proposals that suggest variants of this model. Other reforms that have been proposed argue for the elimination of the gap between the salaries that pay contributions according to the 100 per cent of the salary and those that pay contributions according to only one part of the salary (Negueruela 2013).

Finally, although no less important because they have inspired the recent UPS reforms undertaken by the Government to a certain extent, there are some proposals that argue for a greater deregulation of the labor market and an increase, instead of a decrease, of the external flexibility (besides the internal) as a strategy that would create employment, would decrease the expenditure in the unemployment benefits and would avoid that the worker leaves the labor market for a long period. Although this would be achieved through accepting a low quality and an undesired job (for example, the 60 per cent of workers in part-time jobs already work under those conditions in an involuntary way). From this point of view, the main problem of the UPS is considered to be a problem of high public expenditure and unemployment benefits are considered to have a discouraging effect to find another job. The solution would be then to cut unemployment benefits or to introduce incentives to encourage a rapid entry in the labor market.

The problem with these proposals is that they generate a lack of protection of workers and the inefficiency of the economy and the labor market. Although the cut in the expenditure of unemployment benefits would lead to a rapid relief of the budget, in practice this would also lead to an increase in the investment on active employment policies in order to monitor the activities of the unemployed (and which have been cut recently). Besides, they would also lead to an increase of other benefits funded by the central or the regional governments. In any case, the supposed discouraging effect of unemployment benefits has been assumed by all Governments until now and it is one of the reasons why there has not been a serious debate in Spain about *flexicurity* proposals.

Improve the Protection of Unemployed

We can find many proposals whose objective is to improve the protection of the unemployed people. However, we can highlight that not all actors have made proposals in this sense comparing to what happened in relation with the proposals about the improvement of the sustainability of the system where we could find proposals by all actors. The latter is due to the fact that the lack of protection does not represent a problem from their point of view. In fact,

from their perspective it is often demanded a tightening and decrease of the unemployment benefits (FAES 2014) following the logic that this would facilitate the incorporation of the unemployed to the labor market (even in moments when the unemployment rate is as high as it is now). This view is often described by the sentence “employment is the best protection policy”. In general, from that point of view the idea is that all benefits must be accompanied by a system of incentives in order to reduce their discouraging effect.

However, most of the proposals that aim to improve protection defend the design of reforms to “recognize sufficient benefits”. In this line, UGT (2014) demands to decrease the contributory period needed to access the benefits, to increase the period of payment of the benefit up to 30 months (at least for certain workers), to re-establish the past substitution rate of 60 per cent from the sixth month and decrease it in the next months and to widen the coverage level for unemployed people older than 45 years or for unemployed people with dependents. These changes would mean a shift from the recognized rights in the assistance level to the contributory level. Another proposal is to increase the unemployment assistance for registered unemployed people with dependents that lack of alternative income.

In relation with the proposals directed towards improving the situation of poor workers, these are generally diffused and most of them are not linked with the unemployment system of protection (e.g. there is little discussion about allowances for precarious workers, for instance in-work-benefits, that could encourage unemployed to work or active policies targeting workers with low quality jobs).

Proposals are more in line with the demands to increase or decrease the minimum salary. In the case of decreasing the minimum salary, actors argue that this would allow firms to hire people that would never be accepted by firms in other case. Besides, other proposals are in relation with an indirect support to the unemployed. These proposals highlight the importance of active policies and other measures that, in a wider perspective, can help to support groups with special personal difficulties to find a job like, for example, the existence of dependents.

Regarding Active Policies

The various proposals about APLM in Spain are the consequence of the great diversity of approaches that there exist about them in the rest of Europe. We can find universal or focused, reactive or preventive approaches. We can also find approaches based in an economic logic or based on human capital arguments. Finally, we can observe coercive approaches or those based in negative or positive incentives (Bonoli 2011). In spite of the fact that all actors defend the intensification of the APLM at present, a fact that did not happen a few years ago, the proposals depend obviously on how each actor define the unemployment problem. Besides, the proposals in this field are not simple and very often they become general suggestions.

This situation is due to the belief that there is a lack of systemic and global evaluations of the system (although some has been done about specific programs), which is a shared complaint by the actors and experts of the system (Mato and Cueto 2008). This criticism is surely the cause of the recent design of a series of indicators that allow to make some kind of evaluation about the functioning of different programs framed by the APLM. However, we can affirm that

those indicators will not be enough because most of them are indicators of the implementation of the policy but not of the effects of the policy.

The lack of evaluation of these programs implemented by the public administration is partly due to the deficits of the information system and other technical problems. It is also a consequence of the problems of relationship between the central and the regional administrations regarding with this issue which is widely accepted by all actors. For example, some regional public services refuse deliberately to give information.

This fact does not allow to evaluate neither the effects of the policy in a specific field nor to share the necessary information for the efficient management of the policy by the different regional governments which would be essential for a complete evaluation. Those problems are the result of the lack of coordination between the central state and the regions regarding to the knowledge of the social protection situation in Spain. The current situation can also be worsened because there is not data about private labor intermediation. This problem should be solved immediately given the increasing use of public and private collaboration tools after the recent reforms implemented by the government.

As it has been explained above, the expenditure in APLM in relation with the unemployment rate is lower in Spain than in most of European countries, and it has also been reduced in the last years. If we analyse specifically the resources invested in public services of employment, it is easy to conclude that the Spanish public services of employment are underfunded. In spite of that, all APLM proposals suggest the implementation of personalized counselling paths for all the unemployed, which in Spain would mean personalized paths for almost 6 million of people. These paths, which exist in other countries with lower unemployment rates, would need a significant amount of resources that contradict the retrenchment tendency that has been applied to active policies during the years of the crisis.

The high amount of unemployed and the underfunding of these policies have led to the idea that it is better to focus on specific vulnerable groups such as the long-term unemployed. However, the lack of evaluations makes difficult to observe what would be the effect of any measure regarding to its capacity to create employment. For example, a more preventive approach proposes to insist in programs oriented towards the first phase of unemployment in order to avoid unemployed people to look for a job only when they have finished the unemployment benefits. This approach also suggests to focus in situations where the worker is trapped in low quality jobs to avoid situations that are difficult to reverse in the long-term.

However, other suggest that the LTU group, especially those older than 45 years, must be a priority precisely because they are in a more difficult situation than the majority of the unemployed. This group has significantly lower rates of reintegration in the labor market. Apart from the fact that they are older, they lack of adequate qualification and most of them have forgotten their skills because they have been out of the labor market for a long time and firms do not show any intention to hire them. Specific employment programs are needed for this group. De la Rica and Anghel (2014) suggest that it is also necessary to improve the skills of young people under 25 years that do not have any qualification. In order to carry out these

proposals a bigger effort than the one made at present is needed to adapt the training programs to the characteristics of the unemployed and the firms.

Finally, some proposals insist in the design of APLM that prioritise the elimination of the discouraging effect that it is attributed to the PPLM. Although it is very complex to estimate the effects of these policies in other countries in a comparative way because of the great diversity of the programs, there are some studies that point out to those effects. According to Toharia et al. (2009), in the Spanish case, unemployment benefits do not prevent unemployed people from looking for a job but they affect their willingness to accept jobs with specific characteristics (Toharia et al. 2009:52).

In this sense, based on the works of Cebrián et al. (2009), they remember that the length of the unemployment benefit is correlated negatively with the change from unemployment to employment, especially regarding to people who receive the contributory benefit during 24 months, that have redeployment rates lower than the rest of the groups (Toharia et al. 2009). However, the substitution rate does not seem to explain the redeployment in the labor market. According to this, a high number of proposals suggest to increase the conditions needed to receive benefits in order to link them to the participation of the unemployed in activation programs. The latter in line with the activation policies implemented in the countries of the North of Europe.

In any case, it is also important to remember that in times where the unemployment rate is very high the possibilities that active policies can foster the redeployment of the unemployed in the few job offers available are very low. The efficacy of the policies of intermediation is limited in this type of contexts. Besides, the policies of incentives have also been proved to be limited. Therefore it is possible that new and broader strategies should be defined linked to education and economic policies.

5. Conclusions

The consecutive reforms of the UPS have shown the challenges that the system has had to face over the years and also the priorities of the different governments regarding to public policies. The Spanish UPS has attempted to face two typical objectives of this type of systems: protection and reintegration in the labour market.

Especially during the years after its design, social and political circumstances helped to build a generous system of protection until the end of the 1980s. However, since then the generosity of the system has been determined by the control of the public expenditure and extensions of rights have been exceptional. Jointly with the substantive cuts of the 1990s, others reforms have decreased the generosity of the system. Among them, the cut backs carried out from 2012 up to now are the most striking. This does not mean that during this period some extensions of rights have not been implemented for some specific groups.

In the moment of finishing this article, December 2014, the Government has achieved the approval of the 'Agreement about the Extraordinary Program for the Activation of Employment', with the signature of all social partners. However, the Budget for 2015 has also

been approved and the expenditure destined to ALMPs is still poor. The public expenditure in ALMPs is still 36 per cent less with respect of 2011 and 17 per cent less with respect of 2014.

The crisis has worsened the problems regarding with the poor protection of many unemployed, especially long-term unemployed. Besides, an increasing percentage of workers is at risk of poverty. In addition to this, there is the problem of youth unemployment that includes the so-called NEET who are an important and special challenge not only for their own future but also for the future of the country from an economic and social point of view.


In the middle of the 1990s, as it happened in the rest of Europe, the UPS started to cover the problem of redeployment of workers and some activation programs were created. Spite of the lack of evaluations of those policies, different actors agree that the results of those policies were very modest. There are some factors that difficult the tasks of protection and redeployment: the high unemployment rates, the high number of LTU, the characteristics of youth unemployment and the problems of relationship between the State and the regions.

Neither the expenditure nor the configuration of the passive and active policies of the labor market can be explained only by the problem of the unemployment, we also need to take in account the partisan and the institutional characteristics of the public policy (Van Vliet, Caminada and Goudswaard 2012). Although the analysis of these factors exceeds the limits of this paper, the causes of the problems of the UPS are not only in relation with the system itself, but also in relation with other institutions, the economic policies, the labor market and the education system. Especially, the last two sectors of public policies, labor market and education, are very controversial in Spain.

There has been an increase of actors who denounce the impossibility of carrying out reforms not so much in the UPS but in employment policies in general due to the existence of a “robust coalition of interests”. This coalition would be formed not only by trade unions that are traditionally considered resistant to change, but also by labor relations specialists from inside and outside the administration, employers’ organizations and big firms (Dubin 2012a: 61). On the contrary, education policies are modified every time that the ideology of the government changes, showing a lack of strategy. Regarding with protection and active policies, there is also resistance to change especially in relation with the most controversial issues such as benefits, subsidies and training. In this sense, the configuration itself of the PLMP and the ALMP, including the territorial distribution of its management, makes difficult their reform.

In conclusion, although some policies seem to be in the same direction of the experts’ suggestions, there are still some structural problems such as the high incidence of temporality or the segmented labor market that have not yet been tackled in any of the labor markets reforms applied by the last two Spanish governments. It seems that until those structural problems are solved youth unemployment will remain difficult to be overcome.

From a partisan point of view, although the UPS system was built by a social democratic party and later their proposals have been different than those of the conservative governments, at least on paper, the fact is that from the 1990s both parties have prioritised the concern over the control of the public expenditure over other objectives of the system. There is a clear lack

of concrete objectives, of a clear strategy and especially of the political leadership necessary to carry out innovative and intersectoral reforms. 

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