

# Faces of Joblessness in Spain: Main Results and Policy Inventory

Rodrigo Fernández





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Project team:

James Browne, Rodrigo Fernández, Herwig Immervoll, Dirk Neumann, Daniele Pacifico, Céline Thévenot.

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## TABLE OF CONTENTS

1. INTRODUCTION AND MOTIVATION.....	9
2. FACES OF JOBLESSNESS IN SPAIN .....	11
3. ACTIVATION AND EMPLOYMENT-SUPPORT POLICIES IN SPAIN: OVERALL POLICY STANCE .....	23
4. OVERCOMING EMPLOYMENT BARRIERS: POLICY CHALLENGES AND PRIORITIES FOR SELECTED GROUPS .....	41
5. CONCLUSIONS .....	57
REFERENCES .....	60
ANNEX 1: LATENT CLASS RESULTS.....	63
ANNEX 2: DESCRIPTION OF EMPLOYMENT BARRIERS.....	66

### Tables

Table 1. Risk of poverty or social exclusion.....	13
Table 2. Employment barrier indicators .....	17
Table 3. Potential target groups of activation and employment support policies .....	19
Table 4. Regional distribution of individuals in the 13 groups.....	22
Table 5. Main earnings replacement benefits in Spain: entitlements, amounts and duration .....	25
Table 6. Contributory invalidity pensions in Spain, 2015 .....	30
Table A1.1. Latent class estimates.....	63
Table A1.2. Characterization of the latent groups .....	63

### Figures

Figure 1. Employment rates: slow recovery from the crisis.....	11
Figure 2. Long-term unemployed as % of active population .....	13
Figure 3. Population groups with potential labour market difficulties.....	15
Figure 4. Size and composition of the population with potential labour market difficulties .....	16
Figure 5. Employment barriers in Spain .....	18
Figure 6. Number of simultaneous barriers.....	19
Figure 7. Shares of individuals facing multiple employment barriers .....	21
Figure 8. Out-of-work benefits for working-age adults in Spain - Recipients .....	26
Figure 9. Out-of-work benefits for working-age adults in Spain - Expenditure .....	26
Figure 10. Work disincentives for out-of-work working-age adults.....	27
Figure 11. Accessibility of unemployment benefits.....	28
Figure 12. Income levels provided by cash minimum-income benefits.....	29
Figure 13. Spending on Active Labour Market Policies per ILO unemployed.....	31
Figure 14. Reliance on PES among recent job starters .....	32
Figure 15. Reliance on PES among current jobseekers.....	32
Figure 16. Active labour market expenditure in Spain and EU .....	33

Figure 17.	Participation in active labour market programmes .....	34
Figure 18.	Balance between different activation policy measures .....	35
Figure 19.	Average tax wedge: change 2014 - 2015 .....	39
Figure 20.	Trends in wages and labour costs .....	40
Figure 21.	Early school leave and its effects.....	43
Figure 22.	Incidence of low proficiency literacy or numeracy .....	43
Figure 23.	Mathematics and reading performance at age 15.....	44
Figure 24.	Graduation rates in Vocational Training and General Education .....	45
Figure 25.	Reliance on PES of long-term unemployed – Group A.....	46
Figure 26.	Skills supply and demand, Spanish regions .....	50
Figure 27.	Involuntary part-time employment .....	52
Figure 28.	Average hourly wages, by sex and type of contract .....	53
Figure 29.	Participation tax rates for a second earner who takes-up a part-time job, 2014 .....	53
Figure 30.	Reliance on PES among low-skilled women who start a job .....	54
Figure 31.	Evolution of the Minimum Wage .....	57
Figure 32.	Wage distribution for new contracts .....	57

## Boxes

Box 1.	Population groups with potential labour market difficulties (target population) .....	14
Box 2.	Income support and active labour market policies: institutional context .....	23
Box 3.	NGOs play an important role in social and labour market integration in Spain .....	36
Box 4.	The 2012 labour market reform.....	36
Box 5.	Group A: “Unemployed young and prime-age adults with low work experience” .....	42
Box 6.	Group B: “Low-skilled women in unstable jobs” .....	50

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## 1. INTRODUCTION AND MOTIVATION

1. Across EU and OECD countries, between 16% and 50% of working-age individuals are without employment, and a significant share of workers are in unstable jobs, or work intermittently or fewer hours than they would like. The factors contributing to joblessness or underemployment are varied and can relate to individual circumstances and characteristics, to specific policy choices, or to the broader economic context, such as a cyclical labour-market weakness. Good-quality information on the employment barriers that people are facing is crucial for formulating strategies to overcome them, and for assessing the effectiveness of existing policy measures aiming to strengthen labour-market outcomes.

2. The “Faces of Joblessness” project ([www.oecd.org/social/faces-of-joblessness.htm](http://www.oecd.org/social/faces-of-joblessness.htm)), undertaken jointly by the OECD, the European Commission and the World Bank, develops and applies a novel method for identifying groups of people with no or weak labour-market attachment, as well as their employment barriers. It covers selected EU and OECD countries and is organised broadly in three parts. A first part presents typologies of underutilised employment potential. To do this, the analysis employs survey data that allow considering individual work patterns over an entire year. Going beyond snapshots of people’s labour-market status facilitates a discussion of underemployment, e.g., in the form of intermittent or occasional work, which is attracting growing policy attention.

3. A second part assesses the incidence and severity of key barriers that may hinder stable or higher-intensity employment for those on the margins of the labour market. The examination of barriers relies on a series of quantitative indicators of concrete labour-market obstacles accounting for *individual* (eg skills, work experience, health), *household* (care responsibilities) and *labour market / institutional* (labour demand, work incentives) contexts, and providing a rich account of employment barriers and characteristics (“faces”) of different groups. In particular, the quantitative information on employment barriers is used to reveal groups who share similar combinations of barriers and who are therefore likely to provide a good basis for tailoring and targeting policy interventions.

4. A third part employs this empirical information to support a policy inventory for selected groups. Essentially, the results on employment barriers are used to examine whether existing activation and employment-support policies are well-adapted to the barriers and characteristics that are prevalent in the selected population groups. By discussing existing policy configurations from the perspective of the employment barriers that people are facing, this bottom-up approach is intended to provide concrete input into policy discussions on how to adapt employment-support measures to different groups and evolving labour-market realities. For instance, the results can inform assessments of whether specific groups are “on the radar” of existing activation and employment-support policies, whether existing policy configurations are suitably customised to the needs of specific labour-market groups, and whether employment support is accessible to those who are likely to benefit from it.

5. The Country Policy Paper for Spain presents results and selected policy implications, drawing on the latest wave of the EU-SILC data (2014) that was available for this project. Some 30% of working-age individuals in Spain were persistently out of work for at least 12 months, and a further 15% had low work intensity working less than half of the year, or reporting limited working hours or very low earnings. The potential employment barriers that were most common among these 45% of the working-age population were no recent work experience, limited overall work experience, low education and skill levels, and scarce job opportunities. Although financial disincentives, health limitations and care responsibilities were

less widespread overall, they represented important barriers for some groups. A remarkable finding is that large shares of those with no or weak labour-market attachment face multiple simultaneous employment barriers: 45% faced three or more significant barriers, highlighting the need for broad and coordinated policy approaches that focus on all relevant barriers in a holistic way.

6. Section 2 discusses the labour-market and social context in Spain in which the Faces of Joblessness analysis is undertaken, summarises empirical results on the incidence of employment barriers among working-age individuals with no or weak labour-market attachment, and presents a typology of distinct labour-market groups of shared sets of employment barriers and characteristics derived from a comprehensive statistical segmentation analysis. Section 3 provides an overview of Spain's policy stance on activation and employment-support policies drawing on a range of available data and policy indicators. Section 4 seeks to illustrate how bottom-up information on patterns of individual employment barriers can inform a discussion of policy priorities, effectiveness and gaps. This is done by undertaking a selective policy inventory for two of the groups identified in the empirical part: (a) Unemployed young and prime age adults with low work experience; and (b) Low-skilled women in unstable jobs. A concluding section summarises key policy implications.

## 2. FACES OF JOBLESSNESS IN SPAIN

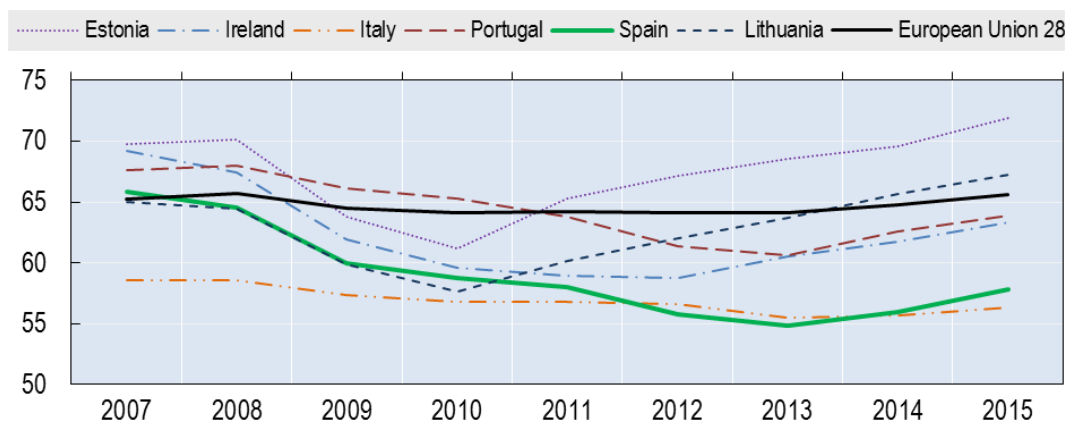
7. As background for the policy inventory in Sections 3 and 4, this part provides a summary of the incidence and patterns of employment barriers in Spain. The summary is based on an in-depth profile analysis of jobless individuals and those with weak labour-market attachment. Full details on the employment barriers and the specific population groups sharing similar types of barriers are available in the Profile Analysis Note (PAN) for Spain, through the project website (<http://www.oecd.org/social/faces-of-joblessness.htm>).

### 2.1. Labour-market and social context

8. The impact of the crisis in Spain was especially long-lasting, with employment rates continuously declining for six consecutive years and a recovery starting only in 2014 (**Figure 1**). Similar patterns (a notable deterioration between 2008 and 2013 followed by a still in progress recovery) can be observed for other key indicators like unemployment, long-term unemployment or poverty. As stated in the introduction, the analysis presented in this document is based on EU-SILC 2014. Some individuals with weak or no labour market attachment may have improved their situation since then, thanks to the improvement of labour market conditions from 2014 onwards. However, a substantial part of them, and in particular both groups analysed in Section 4, face multiple barriers linked to more structural and longer-term labour-market issues and policy challenges (low skills, labour market duality, lack of opportunities in some regions, etc.). The results are therefore expected to be relevant for Spain today, also in a recovery context.

9. During the crisis, the employment rate fell by 11ppts, from 66% in 2007 to less than 55% in 2013. Despite the clear improvement observed since 2014, the share of working-age people in employment remains 7ppts below EU average. The large fall in employment shares nevertheless provides only a partial picture of the extent of labour-market slack during and after the recession. Other factors to take into account are a declining working-age population and a rising share of involuntary part-time employment. The size of the working-age population fell by around one million over the 2007 to 2013 period, driven by historically low fertility rates and substantial drop in net immigration (OECD, 2015d). The share of involuntary part-time work rose from 3.9% of employees in 2007 to 10.3% in 2013, pointing to a substantial degree of underemployment; in 2015, the share of involuntary part-time was 10%, only slightly below 2013 levels.

Figure 1. **Employment rates: slow recovery from the crisis**  
in % of working-age population



Source: Eurostat Labour Force Statistics.

10. Trends in employment rates were mirrored by substantial movements in unemployment, which peaked at 26.1% in 2013. It has since fallen to 18.4% (end 2016) but remains much higher than the EU average (8.2%). Much of the adjustment to much lower labour demand during the crisis indeed took the form of lower employment rather than reduced wages. Widespread sectorial collective bargaining arrangements with comparatively rigid wage provisions, including automatic wage indexation, meant that the most common response for firms facing an adverse demand shock was to reduce employment, even before the crisis (OECD, 2014b). The labour market reforms undertaken in 2012 have sought to address this by, among other measures, increasing the priority of firm-level agreements over sectorial or regional ones.

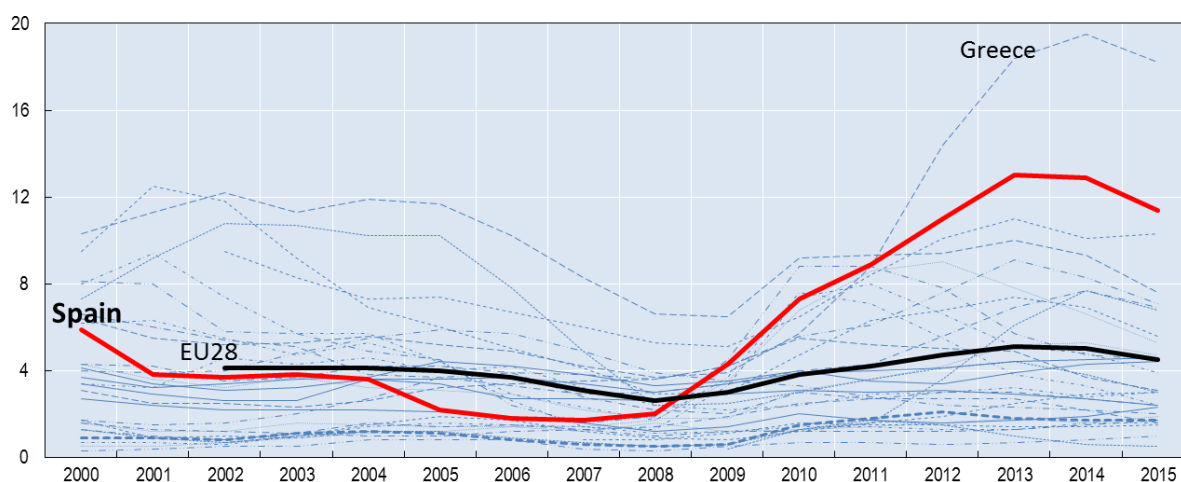
11. Recent estimates indicate a sharp increase in structural unemployment since 2007 (European Commission, 2016). Possible key reasons for this structural change, suggested by a shift in the Beveridge curve since 2008 (European Commission, 2016, Graph 2.4.10) include the following and are discussed in depth in Sections 3 and 4:

- **A greater mismatch between current labour supply and labour demand in terms of skills.** In 2014, about one third of those in employment were low-skilled against 42 % before the crisis, suggesting a shift of labour demand towards higher skills requirements and a continuing significant need for upskilling (OECD, 2013c).
- **Labour-market segmentation hindering an efficient job re-allocation process.** Despite recent reforms, the Spanish labour market remains strongly segmented by type of contract, with workers on permanent contracts enjoying a high degree of job protection, and those on temporary contracts facing volatile careers with poor chances of moving into more stable employment.
- **Weak or only partially accessible employment and job-search support provided by Public Employment Services.** Investments into active labour market policies in Spain remain limited. The participation rates in active labour market programmes (ALMPs) among active jobseekers was the 7<sup>th</sup> lowest in the EU in 2013, and despite the surge in unemployment, spending was below the EU average (OECD, 2015b).

12. Since 2014, the unemployment rate has been gradually falling thanks to stronger growth, but it remains very high, particularly among the young, with unemployment becoming entrenched for a large share of jobseekers.

- **Youth unemployment has historically been high in Spain,** and has strongly increased since 2007, reaching a peak of 55.4% in 2013. In 2014 and 2015, the rate started falling but at 43% (Q3 2016), it remains the second-highest in the EU after Greece.
- **Long-term unemployment rates also increased,** peaking at 13% of the economically active population, and accounting for more than half of the unemployed in 2013 (**Figure 2**). Although it has fallen to 9.5% of the active population in 2016, this is still more than twice the EU average for the same year (4%). Very-long-term unemployment (more than two years) only started to fall later, and more slowly. The very-long term unemployment rate was 7.6% in 2015, close to three times the EU average.

Figure 2. Long-term unemployed as % of active population in Spain and other European countries



Source: Eurostat Labour Force Statistics.

13. The crisis also impacted the income distribution in Spain, with a further increase in inequality from already-high levels (the Gini coefficient rose from 0.319 in 2007 to 0.347 in 2014). The economic crisis also halted a long-term gradual decline in poverty and exclusion: although it has fallen since then, the proportion of working-age individuals who are at risk of either income poverty or social exclusion (AROE) was 32% in 2014, significantly above the EU average of 25%. Children and youth were most strongly affected by rising poverty since the beginning of the crisis. In 2014, 28% of working-age individuals living in households with children were at risk of poverty or social exclusion. The rise in both unemployment and the number of individuals living in “low work intensity” households has been one of the main drivers of the upsurge in poverty after the crisis (**Table 1**). The high incidence of low work intensity at the household level implies that a large number of families are exposed to high risks of a complete loss of employment income as long as employment prospects of the main breadwinner remain precarious.

Table 1. Risk of poverty or social exclusion

in %, individuals aged 16-64 or as noted, 2014

	Spain	Estonia	Ireland	Italy	Lithuania	Portugal	EU28
<b>People at risk of poverty or social exclusion</b>	32	25	29	29	26	28	25
<b>People at risk of poverty</b>							
All	23	20	17	20	18	19	17
Not working	36	36	31	31	35	32	31
Working	13	12	6	11	8	11	10
full-time	10	11	3	10	7	9	8
part-time	23	20	11	17	24	31	16
Households without children	16	25	15	16	18	16	15
Households with children	28	18	16	24	20	23	19
<b>People living in households with severe material deprivation <sup>(1)</sup></b>							
All	8	6	9	12	12	10	9
Households without children	6	7	6	10	16	10	8
Households with children	9	5	10	13	12	11	10
<b>People living in households with very low work intensity <sup>(2)</sup></b>	18	8	21	13	9	13	12

Note: Poverty figures correspond to the reference income year (2013). Material deprivation figures correspond to the year of the interview (2014). (1) ages 18-64; (2) ages 18-59.

Source: Eurostat (EU-SILC 2014).

## 2.2. Target groups for activation and employment-support policies

14. Individuals with labour market difficulties frequently move between non-employment and different states of “precarious” employment. As a result, limiting attention to “snapshots” of non-employed (or underemployed) individuals, such as those based on labour force surveys, may not capture the true extent of labour-market difficulties or the need for policy intervention. To cover the potential scope of activation and employment-support policies (AESPs), this project focuses on a **target population** including working-age individuals who are “*persistently*” *out of work* as well as individuals whose *labour-market attachment is “weak”*, e.g. because they move in and out of employment.<sup>1</sup> **Box 1** defines the sub-groups in more detail and explains how they are identified in EU-SILC data.

### Box 1. Population groups with potential labour market difficulties (target population)

The target population in this note includes those who are persistently out-of-work, as well as those with weak labour-market attachment.

The **persistently out-of-work** population (*long-term unemployed or inactive*) includes individuals reporting no employment activity throughout the *reference period*. The reference period corresponds to 12 consecutive monthly observations in the *income reference year* (January-December of year T-1) plus one additional observation at the *moment of the interview* (in year T). This differs of the ‘official’ definition of long-term unemployment commonly used: being unemployed at the time of the interview and having been unemployed, without interruption, during the 12 months preceding the interview. For this reason, the number of *long-term unemployed* presented in Figure 3 does not exactly match long-term unemployment figures drawn from Labour Force Surveys.

The group with **weak labour market attachment** refers to individuals reporting employment activity during the *reference period* matching any of the following three situations:

**Unstable jobs:** individuals working only a limited number of months throughout the reference period. The threshold is equivalent to Eurostat’s low-work-intensity measure: Above zero but no more than 45% of potential working time in the income reference year. To reconcile information reported for the income reference period and at the moment of the interview the following individuals are also considered in this group: 1) Workers who report no work activity during the income reference period but who are working at the moment of the interview and, 2) workers with between 45% and 50% of work activity during the income reference period who do not report any work activity in either the last month of the income reference period or at the moment of the interview.

**Restricted hours:** workers who spent most or all of the reference period working *20 hours or less* a week. However, individuals working 20 hours or less who are not likely to have additional work capacity, e.g. due to ongoing education or training, are excluded.

**Near-zero earnings:** individuals reporting some work activity during the income reference period but negative, zero or *near-zero* monthly earnings (less than one third of the statutory minimum wage for 2013). In addition to possible classification error, situations included in this group could signal potential labour market difficulties, such as underpayment and/or informal activities.

1. The 20-hours threshold is approximately in-line with the 45% “part-year” threshold that identifies the group with unstable jobs. For a 40-hours working week in a full-time job, 45% of full-time would correspond to 18 hours a week. However, in SILC, the distribution of working hours in the main job shows a high degree of bunching at 10, 15, 20 and 25 hours a week. As the closest multiple of 5, a value of 20 hours was therefore chosen.

The near-zero earnings threshold is set in Spain at 111 €/month. This value corresponds broadly to the 1<sup>st</sup> percentile of the SILC earnings distribution.

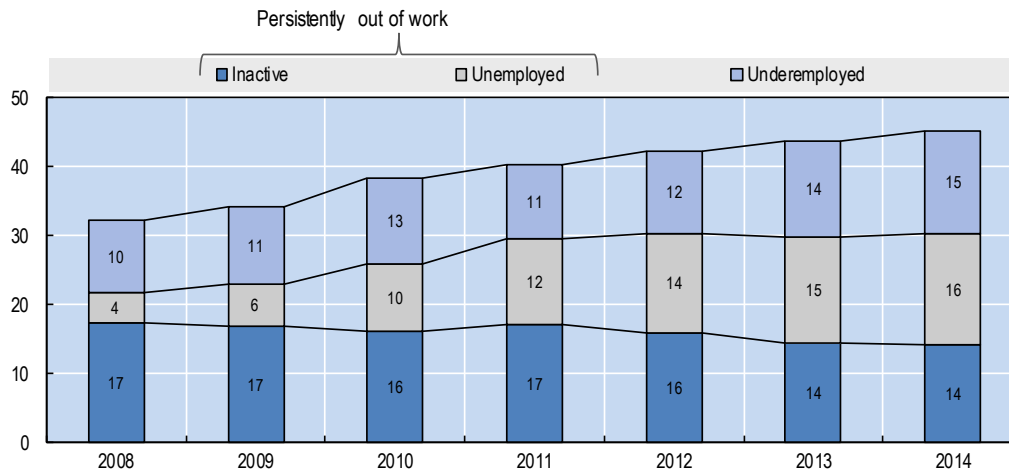
15. **Figure 3** shows the size of the target population in Spain, and its evolution between SILC survey years 2008 and 2014 (**SILC survey respondents report activity status and income for the previous**

1. See the Profile Analysis Note (PAN, <http://www.oecd.org/social/faces-of-joblessness.htm>) for Spain and Fernandez et al. (2016) for more details.

calendar year, so these data refer to 2007-2013)<sup>2</sup>. The proportion of working-age adults who were persistently out of work (throughout the calendar year) and economically inactive remained broadly constant during this six-year period. But the share of individuals who report being unemployed throughout the year (referred to as “long-term unemployed” in Box 1) soared from 4% of the working-age population in 2007 to 16% in 2013. Underemployment increased from 10% of the working-age population in 2007 to 15% in 2013. In view of the timing of Spain’s labour-market recovery, it is important to keep in mind that the cut-off period for all SILC-results reported in this note is 2013–14.

Figure 3. **Population groups with potential labour market difficulties**

in % of working-age population, for different EU-SILC survey years



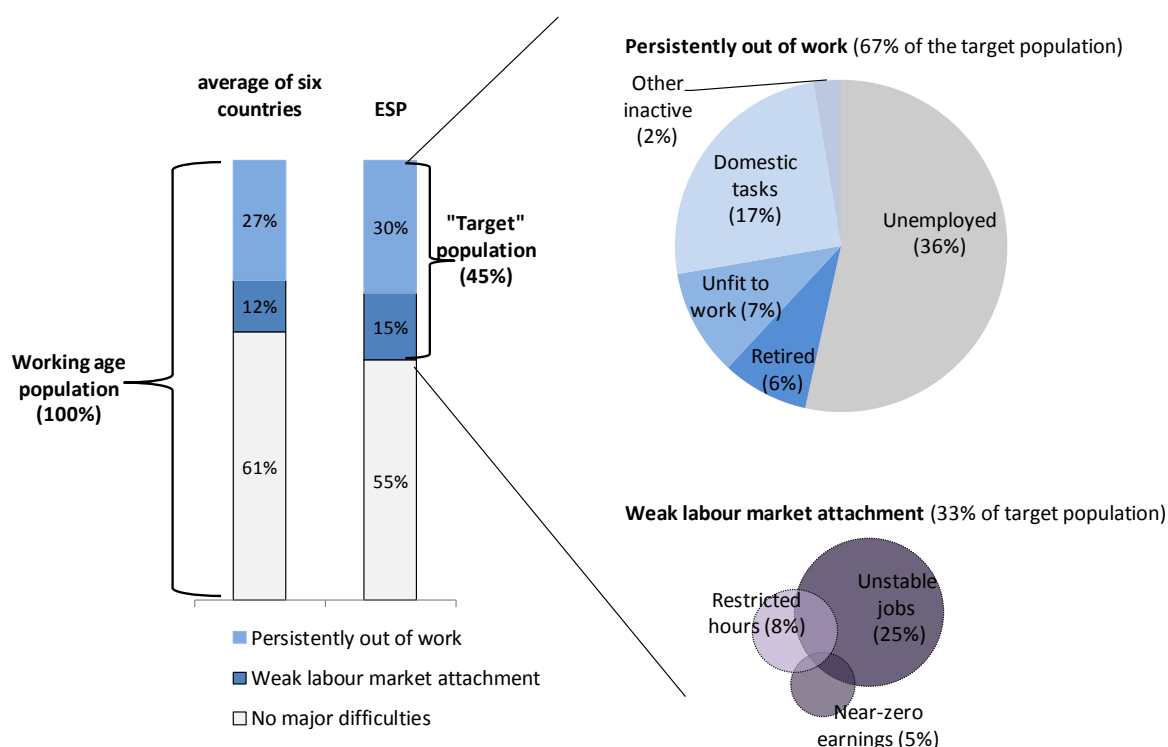
Notes: Working-age population is 16-64. See Box 1 for the definitions of the three groups with potential labour-market difficulties.

Source: Calculations based on EU-SILC 2008-2014.

16. Following the definitions in Box 1, in 2014 individuals with *no or weak labour market attachment* represented 45% of the working-age population, above the average of 39% for the six countries included in this study (Figure 4). Of those 45%, two thirds were *persistently out of work* throughout the reference period. The most common status among this group was unemployment (36%), 17% reported that they were engaged in domestic tasks and 7% that they were unfit to work. The majority of individuals with *weak labour market attachment* (underemployment) spent part of the year out of the labour force (unstable jobs, 25% of the target population), although there are also sizeable groups of individuals who worked part-time throughout the year (8%) or who report working throughout the year but have very little earnings (5%). The overall share of individuals weakly attached to the labour market (15% of the working-age population) is higher than the six-country average (12%).

2. Unless stated otherwise, charts and tables presenting figures derived from EU-SILC indicate the EU-SILC release year (N) and not the EU-SILC income reference year (N-1).

Figure 4. Size and composition of the population with potential labour market difficulties



Note: Working-age population is 16-64 The six-country average is unweighted.

Source: Calculations based on EU-SILC 2014. See Box 1 for the definitions of the three groups.

## 2.3. Employment barriers: Summary of empirical results

### *A typology of employment barriers*

17. Individuals with no or weak labour-market attachment often face a number of employment barriers that prevent them from fully engaging in the labour market. Although these barriers often cannot be measured directly, proxy indicators can be developed using the information provided in survey data like the EU-SILC. Following Immervoll and Scarpetta (2012), the Profile Analysis Note for Spain developed and measured a series of empirical indicators for the three main categories of employment barriers below (a more detailed description of each barrier can be found in Annex 2). The label of each barrier, e.g. “lack of skills” or “high non-labour income”, refers to a specific indicator and thresholds as described in the Profile Analysis Note and summarised in Annex 2.

1. **Insufficient work-related capabilities**, evaluated along five dimensions:
  - Item 1: *lack of work-related skills*, measured using the skill level of any previous job.
  - Item 4: *low recent work activity / experience*.
  - Item 5: *low overall work experience* relative to potential experience.
  - Item 2: *health limitations*, i.e. whether an individual reports longer-lasting (6 months or more) physical or mental limitations in daily activities.
  - Item 3: *care responsibilities*, i.e. whether an individual has a family member who requires care and they are the only person in the household who can provide it.
2. **Lack of financial work incentives**, two dimensions:
  - Item 1: *high non-labour income*, i.e. living in a household with high levels of income that are unrelated to own work effort



- Item 2: *high earnings-replacement benefits*, i.e. out-of-work benefits are high relative to the individual's potential earnings.
3. **Scarce job opportunities.** One item:
- The risk (in a statistical sense) of remaining without a job for 12 months or longer despite active job search and availability for work.

18. Employment barriers are significantly more common in the target population than among those with stronger labour market attachment, indicating that they are indeed reasonably well associated with employment outcomes. They also tend to be more common among those who have been persistently out of work than among individuals with weak labour-market attachment. This is shown in **Table 2**, which shows the shares of individuals in the target and the reference (working-age) populations facing each of the employment barriers.

19. Common barriers in Spain include low skills, low relative *total* work experience and, for the year of reference of the study, scarce job opportunities. These barriers are each faced by nearly half of the target population. The patterns are broadly consistent with the labour-market context discussed above (unemployment and long-term unemployment were high, low skill levels affect a significant part of the population, and there were barriers to job reallocation in a context of generally weak labour demand). A special case is the “no recent work experience” barrier, faced by two thirds of the target population, which not only acts as a potential employment obstacle but also is a direct result of the way the target population is defined: by definition, those who were persistently out of work did not work at all during the reference period. Consequently, 100% of this group are shown as facing “no recent work activity” as a potential barrier.

20. Other employment barriers, in particular “care responsibilities” and “health limitations”, were somewhat less prevalent overall, but may still be very important for some sub-groups. For instance, 12% of the target population received earnings replacement benefits at levels that were “high” relative to their potential earnings, and a similar percentage has never worked (no work experience at all). The “health limitations” barrier is more common among the out-of-work group, perhaps because limitations are in many cases severe enough that individuals are unable to undertake any paid work, because benefit entitlement conditions do not encourage employment for this group, or because employers remain reluctant to offer and adapt jobs to people with work incapacities.

Table 2. **Employment-barrier indicators**

	Working age population	% of population facing different types of barrier		
		All	"Target" population Persistently out of work	Weak labour market attachment
<b>Insufficient work-related capabilities</b>				
"low" education or professional skills	37	52	57	43
No professional skills (no past work experience)	6	12	18	0
Positive but low relative work experience	27	44	44	42
No recent work activity	30	67	100	0
"Some" but "low" recent work activity	13	29	0	89
Health limitations	17	25	30	14
Care responsibilities	7	14	15	12
<b>Lack of financial work incentives</b>				
"High" non-labour income	32	30	31	28
"High" earnings replacements	7	12	13	10
<b>Scarce job opportunities</b>				
Scarce job opportunities	21	46	46	46

Note: See text for definitions. Working-age population: all working-age adults (18 to 64) excluding full-time students and those in compulsory military service. Target population includes members of the working-age population who are out of work throughout the income reference period (those who are “persistently out of work”) and those who work for less than 45% of the reference period, or

less than 20 hours per week for more of the reference period, as well as those who work full time for most of the reference period but earn less than a third of the statutory minimum wage (these are collectively referred to as individuals with “weak labour market attachment”). For more details see Box 1.

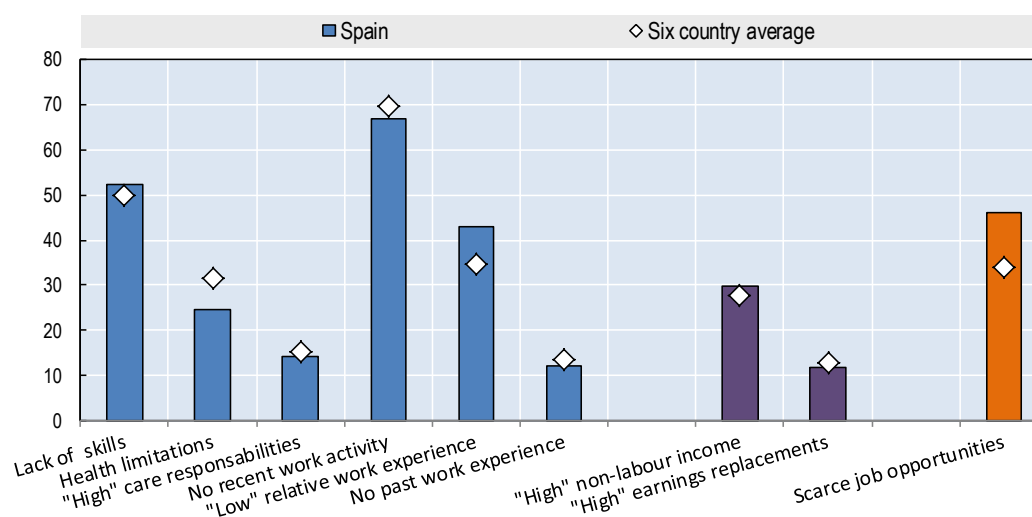
Source: Calculations based on EU-SILC 2014.

21. **Figure 5** compares the incidence of employment barriers in Spain with the average among the six countries.<sup>3</sup> The share of individuals facing different employment barriers is broadly in line with the country average for most of the indicators, but some results stand out for Spain. The share of individuals facing health limitations is significantly lower in Spain (25% versus 32% for the six countries on average) and, in line with the substantial labour-market slack in Spain in 2013, “scarce job opportunities” are much more common in Spain (46% of the target population, versus 34% for the country average).

22. At the individual level, employment barriers often overlap. Only 17% of individuals in the target population face a single employment barrier; 33% face two simultaneous barriers; and 45% face three barriers or more (**Figure 6**). This is a slightly higher incidence of multiple barriers than for the six countries on average. A small group (4%) face no major employment barrier. For them, the value of some employment-barrier indicators could be slightly below the respective thresholds used in this note, or they are not working or underemployed for reasons unrelated to the barriers discussed here.

Figure 5. **Employment barriers in Spain**

% of target population

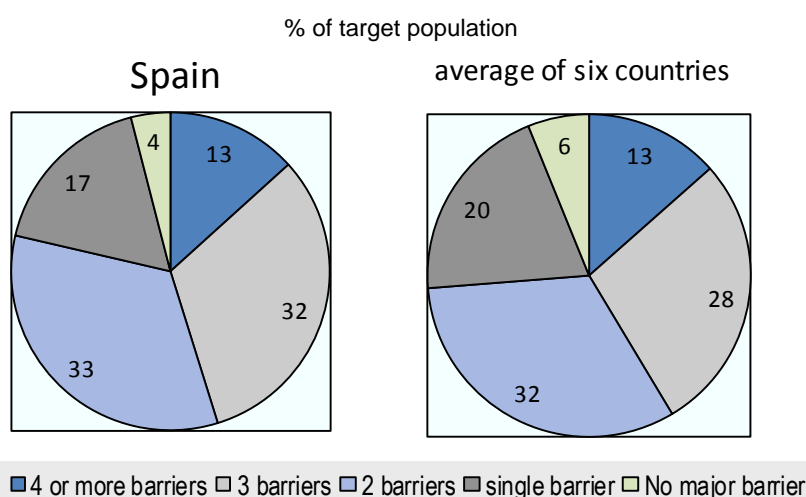


Note: The six-country average is unweighted.

Source: Calculations based on EU-SILC 2014.

3. The Profiling Analysis Notes of the six countries tend to use always the same set of indicators. In some cases, closer examination of the data shows that deviations from the baseline specification for some indicators can improve model fit and thus the interpretation of the profiling results. However, in Figure 5 the six-country average is computed using a coherent specification of the indicators corresponding to the indicators used in the Spain's.

Figure 6. **Number of simultaneous barriers**



Note: The six-country average is unweighted.

Source: Calculations based on EU-SILC 2014.

### Identifying distinct groups for policy intervention

23. The statistical profiling analysis reported in the Profile Analysis Note (<http://www.oecd.org/social/faces-of-joblessness.htm>) suggests that the population with no or weak labour market attachment in Spain is highly heterogeneous and can be separated into *thirteen distinct groups*. Within each group, individuals share similar profiles of employment barriers. Tables A1 and A2 in Annex 1 report full details of employment barriers for each group, along with a range of demographic and socio-economic characteristics and circumstances such as gender, age and poverty risks. This information helps to attach the following labels or “faces” to the members of the thirteen groups. The labels are useful for presentational reasons and seek to compress the rich information in Tables A1 and A2 into something more manageable. This necessarily involves a loss of information and is, to some extent, arbitrary. For this reason, they should be read in conjunction with the fuller information presented below and in the annex. The suggested labels for each of the groups, along with their sizes, are reported in **Table 3**.

Table 3. **Potential target groups of activation and employment support policies**

Group labels based on the main employment barriers characterising each group

Group number	Group label	% of the target population
1	Labour-market inactive women with low education and weak financial incentives	14
2	Unemployed young and prime-age adults with low work experience	13
3	Experienced but low-skilled unemployed men	11
4	Well-educated prime age adults with weak labour market attachment	11
5	Early retirees with weak financial incentives	9
6	Unemployed women with low work experience	7
7	Low-skilled women in unstable jobs	6
8	Labour-market inactive mothers with limited work experience	6
9	Low-skilled individuals with health problems and high levels of earnings-replacement benefits	5
10	Educated parents in short-term unemployment or part-time jobs	5
11	Unemployed youth without any past work experience facing scarce job opportunities	5
12	Unemployed mothers actively looking for work but facing scarce job opportunities	4
13	Short-term unemployed men with high earnings-replacement benefits facing scarce job opportunities	4

Source: Calculations based on EU-SILC 2014.

Note: Group labels are based on the employment barriers with a “high” probability of occurrence within the group. See tables A1 and A2 reports the complete list of individual and household characteristics.

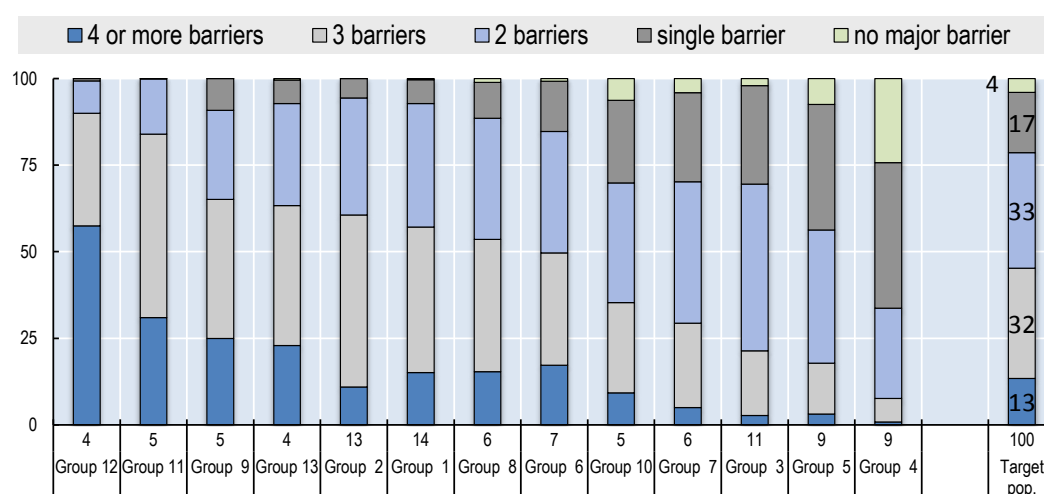
24. One notable inference from the descriptive statistics in Annex Tables A1 and A2 is that proxy groupings, which are commonly referred to in the policy debate, such as “youth”, “women”, “unemployed”, are far from homogeneous. In some cases, these proxy labels may distract attention from the specific employment obstacles that policies seek to address as they can comprise groups with very different combinations of employment barriers. To successfully address those barriers, suitable policy responses and priorities may be quite different for each of them. For example, the results point to:

- **Three different groups mainly composed of prime-age adults without care barriers** (summing to 27% of the target population) who are likely to respond to policies in different ways. The “*Well-educated prime age adults with weak labour market attachment*” (Group 4) include individuals with a recent employment record (96%), however, 57% only worked during (part of) the reference period, and 33% worked less than 20 hours a week for most of the reference period. relatively old women with low skills and economically inactive. The “*Unemployed women with low work experience*” (Group 6), mostly formed by prime working-age women with some work experience but where only about 50% of them is actively looking for a job (suggesting they had become discouraged). Finally, the “*Low-skilled women in unstable jobs*” (Group 7), where women have a recent employment record (93%) but weak labour market attachment: 67% worked for only part of the reference period and 35% worked less than 20 hours a week for most of the reference period.
- **Two distinct groups who were hard-hit by the crisis** (24%). The first group, “*Unemployed young and prime age adults with low work experience*” (Group 2), is made up of youth and prime age unemployed and long-term unemployed individuals actively looking for a job. The majority of individuals in the second group, “*Experienced but low-skilled unemployed men*” (Group 3), are prime-age men with significant past work experience but often low skills.
- **Three separate groups who may face a structural lack of job opportunities** (13%): *Unemployed youth with any past experience* (Group 11), *Unemployed mothers actively looking for a job* (Group 12) and “*Short-term unemployed men with high earnings replacement benefits*” (Group 13), 80% of them receiving unemployment benefits). Clearly, these three groups face very different issues that require different interventions. For example, individuals in Group 11 might need training and access to internship interventions in order to have a first experience in the labour market; mothers of Group 12 probably need, in priority, access to childcare facilities or some kind of financial support to take care of children; finally, short-term unemployed men of Group 13 are more likely to find a job and need access to income replacement benefits and to job offers.
- **Two distinct groups of caregivers** (11%): Members of the first group are “*Educated parents in short-term unemployment or part-time jobs*” (Group 10). Child care is a barrier for this group. However, many of these individuals (58%) did some work during the reference period. Some members of this group have significant incomes from sources that are not related to their own work effort, and this may reduce their incentives to look for or accept a job. The situation looks different for “*Labour market inactive mothers with limited work experience*” (Group 8). These women also live with a partner who is in paid work. However, they are less educated and less attached to the labour market than Group 10 (71% of them have never worked). They do not work at all and, at the time of the interview, only 9% of them were actively looking for a job.
- Finally, **two groups with weak financial incentives to work** (23%): “*Labour-market inactive women with low education and weak financial incentives*” (Group 1) and “*Early retirees with weak financial incentives*” (Group 5). Individuals in these sizeable groups may be less likely to look for a job and to stably enter (or re-enter) into the labour market. Group 1 members are

women engaged in domestic tasks and living in household with medium- high disposable income. Since they are low skilled and have little or no work experience, prospective wage levels are low and financial work incentives are typically extremely weak. Individuals in Group 5 are already receiving a pension and are close to retirement age, many of them might have decided to quit the labour market and turn to other activities.

25. In most groups a majority face multiple simultaneous employment barriers (**Figure 7**). As a result, addressing only one barrier in isolation might not be enough to boost employment levels significantly. For example, individuals belonging to the Group 8 are “*Labour market inactive mothers with limited work experience*”; they may need to be supported with training or work-experience measures, but they would also need access to childcare.

Figure 7. **Share of individuals facing multiple employment barriers in each group**  
in descending order of shares facing at least 3 simultaneous barriers



Note: Group sizes are reported on the horizontal axis. See Table 3 for details.

Source: Calculations based on EU-SILC 2014.

26. It is important to stress that the **groups identified by the segmentation exercise<sup>4</sup> are unequally distributed across regions**. Table 4 shows the share of individuals living in different regions of Spain at the moment of the interview (NUTS-1 level). 56% of the target population lives in *East* and *South* regions, regarding groups 2 and 7 (the ones analysed in section 4), almost 60% of individuals belonging to them live in *East* or *South* regions. The sizes of groups differ across regions. For example: Group 2 is overrepresented in the *South* and in the *Canary Islands* (respectively 3 and 4 points above the share of these regions across all groups) whereas it is underrepresented in the *Northeast*, *Northwest* and *Madrid* (respectively 2, 3, and 3 points below the share of these regions across all groups); Group 7 is underrepresented in the *Northeast* and in the *Canary Islands* and overrepresented in the *South*.

4. For a number of reasons, including sample size and potential mobility of workers across regions, groups were identified at national level. However, the “lack of opportunities” indicator does account for differences in labour-market slack across regions.

Table 4. **Regional (NUTS-1) distribution of individuals in the 13 groups**

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	All groups
<i>Northeast</i>	11	8	7	9	12	10	6	11	13	7	9	7	8	9
<i>Northwest</i>	10	6	8	10	10	5	7	9	6	8	6	3	8	8
<i>Madrid</i>	12	9	12	14	14	9	10	13	9	16	10	9	15	12
<i>Central</i>	13	12	13	12	11	14	13	14	12	10	14	12	13	12
<i>East</i>	25	26	30	26	29	26	27	22	22	28	25	29	25	26
<i>South</i>	24	32	26	24	20	27	34	26	30	26	32	30	28	27
<i>Canary Islands</i>	6	8	5	5	4	9	4	5	8	4	5	9	3	6
<i>Group Size (%)</i>	14	13	11	9	9	7	6	6	5	5	5	4	4	

Source: Calculations based in EU-SILC.

27. The next section summarises the main aspects of income support and activation programmes in Spain. Section 4 then focus on two Groups that were of particular interest in the current policy debate in Spain: “*Unemployed young and prime age adults with low work experience*”, mostly men and long-term unemployed; and the “*Low-skilled women in unstable jobs*”, mostly prime-age women working in short-term contracts or part-time. For each group, we examine the main employment barriers and the specific income support, activation and other programmes available to them.

### 3. ACTIVATION AND EMPLOYMENT-SUPPORT POLICIES IN SPAIN: OVERALL POLICY STANCE

28. As a general background to the policy inventory for selected groups, this section provides an overview of the main income-support policies and a discussion of key indicators describing the Public Employment Services (PESs) and Active Labour Market Programmes (ALMPs), which are relevant for several or most of the groups identified above.

29. The provision and coordination of these policies takes place in a rather complex institutional context which has consequences for the implementation and effectiveness of ALMPs. Box 2 briefly describes this institutional framework.

#### Box 2. Income support and active labour market policies: institutional context

Labour market policies in Spain are delivered in a highly decentralised institutional context. The division of the main competences and responsibilities is as follows:

- The central government designs the legislative framework for unemployment benefits and establishes general objectives of ALMPs at national level.
- The unemployment benefit system is administrated and funded by the Spanish public employment service (SEPE), under the authority of the central government.
- Autonomous Communities (AC) implement and develop ALMPs through local public employment offices.
- Finally, minimum income benefits and social inclusion policies are also under the responsibility of AC and their implementation on the ground is competence of local authorities (*Ayuntamientos*).

Since monitoring active job search and participation in training activities are under the responsibility of local PES, SEPE cannot directly verify whether recipients of unemployment benefits comply with eligibility conditions. More generally, the decentralised system creates challenges for information sharing between different policy levels administrated by different institutions (the central government, governments of Autonomous Communities and local authorities). An integrated database comprising individuals' records on work, contributions, social benefits, participation in ALMPs is currently under construction but does not yet exist. In particular, SEPE is collecting and organising records of ALMP actions taken by individuals, which can be linked with unemployment benefits records and with payment of social contributions. This will allow the SEPE and other institutions to link active policies to work history at individual level. Separately, ACs are also working on linking region-level data on ALMP participation to individual and household information collected by social services in order to facilitate determining eligibility to minimum-income and other social inclusion programmes. Murcia, Navarra and Madrid are good examples for data integration.

Independent of the degree of decentralisation, and as discussed below and shown in Figure 13, resources available for activation and employment-support policies appear low relative to the unemployment challenge in Spain.

*Sources:* OECD 2015b and personal communications between the authors, SEPE and the Autonomous Community of Madrid during a country dialogue mission.

#### 3.1. Income support: Out-of-work benefits

30. Like other OECD and EU countries, Spain operates a range of different income-support measures for working-age adults who have lost their job or have very low incomes. Some of these measures can be considered as earnings replacements for individuals with no (or weak) labour market attachment (e.g., unemployment insurance, maternity leave payments or disability benefits). Others operate mostly as

income top-ups and may be available irrespective of work status (child allowances, housing allowances). **Earnings-replacement** benefits can be categorized into one of the following categories: unemployment, social assistance (guaranteed minimum income benefits, GMI), family support, disability and early retirement.<sup>5</sup> **Figures 8** and **9** summarise recipient numbers and spending levels for each of the main categories, while **Table 5** provides more detailed information on amounts, benefit durations and the main entitlement criteria. The latest reference year in these figures and tables is 2014, to match the data and results presented in Section 2.

31. **Unemployment benefits** are the largest category of earnings replacement benefits in Spain, especially after the beginning of the crisis in 2008. The number of recipients grew from 1.2 to 2.7 million between 2007 and 2012 before falling to 2.3 million in 2014, still about twice the pre-crisis level. The large increase in recipient numbers is reflected in expenditure figures: spending in the Unemployment branch summed to 1.7% of GDP in 2007 and about 3.1% in 2014, after a peak of 3.4% in 2011 (Figure 9). The number of recipients of the contributory unemployment benefit rose sharply in 2009 and 2010 and has remained stable since 2011. Recipient numbers of the non-contributory benefits (*Subsidio de desempleo* and *Renta activa de inserción*) rose until 2013 before starting a slight decline in 2014.

32. **Disability benefits** are the second largest category in terms of expenditure and number of recipients, but both were rather stable over the recent period. The number of **early retired** people<sup>6</sup> has increased slowly but continuously since 2007. As a result, expenditures grew significantly, from 0.6% to 0.9% of GDP between 2007 and 2014. Less than 300 thousand households benefited from the **subsistence benefit** (*Renta minima de inserción*) in 2014. This corresponds to a very low degree of benefit coverage considering that the number of poor working-age households in Spain was about 2.8 million. Indeed, social assistance benefits accounts for only 0.1% of GDP, less than the (also modest) average of the six countries included in this project (0.16%) and well below the EU average (0.28).

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5. This study is focused on working-age individuals. Therefore, earning replacement benefits like old-age pensions or survivor pensions, who are mostly targeted on retirement and under 18 individuals are not considered. Other earnings replacement benefits like sick leave schemes or work accident insurance payments are not included for (a) methodological reasons and (b) because they are less linked to the labour market situation.

6. Here, we are considering recipients of old-age pensions of the Regimen General who are under 65 years-old. This definition is different from the one provided in Table 5. In addition, no administrative information is available about early retired under different “civil servant” schemes. Nevertheless, the trends shown in Figure 8 shed light about the number of long-term unemployed with a long contributions record quitting the labour market prior to de legal retirement age.



Table 5. Main out-of-work benefits in Spain: entitlement rules, amounts and duration

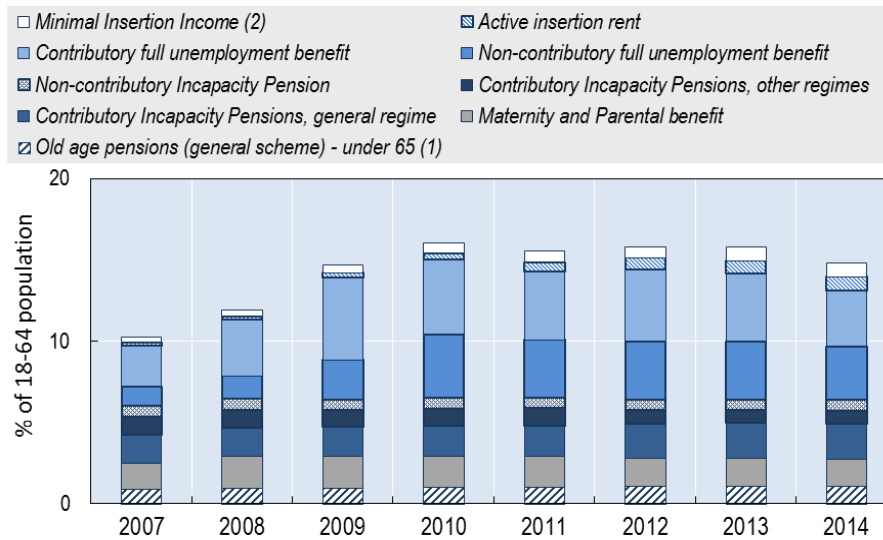
2014

Social protection branch	Programme name (Spanish name)	Entitlement criteria	Amount	Duration
Unemployment	Contributory unemployment benefit ( <i>Servicio Público de Empleo: Contributivo</i> )	Awarded to registered unemployed aged 16-65. Entitlement for unemployment benefits is based mostly on contribution history. Unemployment insurance requires at least 360 days of contributions in the past 6 years preceding unemployment.	70% of the reference earnings the first 6 months, 50% from month 7 on.	The maximum duration is 24 months
	Non-contributory unemployment benefit ( <i>Servicio Público de Empleo: Subsidio</i> )	Available for individuals who have exhausted unemployment insurance and have family responsibilities or are over 45 years old, as well as for unemployed workers who do not meet contribution requirements for insurance benefits in the first place.	The monthly amount is 80% of the IPREM <sup>(1)</sup> in force at the moment of the payment. In 2013 this corresponds to 426€/month.	Normally 6 months, possible extension in 6 months periods, up to a total of 18 months
	Active insertion rent ( <i>Renta activa de inserción</i> )	Registered unemployed aged 45-65 years old, without right to unemployment insurance or assistance may be eligible for the Renta Activa de Inserción. This is a means-tested benefit subject to registration at the employment office for at least 12 months.	The monthly amount is 80% of the IPREM <sup>(1)</sup> in force at the moment of the payment. In 2013 this corresponds to 426€/month.	The maximal duration is 11 months.
Minimum income schemes	Minimal insertion income ( <i>Renta mínima de inserción</i> )	Based on income conditions. There is no specific national regulations and each autonomous region has its specific law regulating this benefit. In general, the minimum age is 25, but can be less if the claimant has dependants, and the maximum age is 64.	Different rules depending on the region and family situation. Generally indexed by the IPREM.	Between 6 and 12 months depending on the region.
	Incapacity to work	Contributory Incapacity Pensions, general regime ( <i>Pensiones contributivas de invalidez - regimen general</i> )	Based on the degree of incapacity. Contribution requirements for contributory incapacity pensions vary depending on the degree of disability; if the disability is the result of an accident (occupational or not) or of an occupational disease, there are no required contributions.	Depends on the degree of invalidity (there are 4 degrees). For permanent incapacity to work ( <i>Incapacidad Permanente</i> ), the amount is 50% of the regulatory basis BR <sup>(2)</sup> .
Contributory Incapacity Pensions, other regimes ( <i>Pensiones contributivas de invalidez - otros regimenes</i> )		Based on the degree of incapacity. Contribution requirements for contributory incapacity pensions vary depending on the degree of disability; if the disability is the result of an accident (occupational or not) or of an occupational disease, there are no required contributions.	Depends on the degree of invalidity (there are 4 degrees). For permanent incapacity to work ( <i>Incapacidad Permanente</i> ), the amount is 50% of the regulatory basis BR <sup>(2)</sup> .	Unlimited. Converted into an old-age pension once the recipient reaches retirement age.
Non-contributory Incapacity Pension ( <i>Pensiones no contributivas de invalidez</i> )		Means-tested benefit awarded to individuals between 18 and 65 years old, totally or partially unable to work and not entitled to the contributive incapacity pension.	Depends on the household income and on the number of dependent persons.	Unlimited. Converted to non-contributory old-age pension once the recipient reaches the retirement age.
Early retirement	Old-age pension - general scheme (early retirement) ( <i>Pensiones contributivas del Regimen General (retiro anticipado)</i> )	60 years for certain persons insured according to the system abolished in 1967, depending on the situation, from 2 to 4 years prior to the legal retirement age. The legal age of retirement can be anticipated for certain groups whose professional activity is arduous, toxic, dangerous or unhealthy.	The amount is determined by contributions, which in turn depend on the earnings, and by the number of contribution years.	Unlimited
Family	Maternity benefit (SSS Prestacion de Maternidad)	Being insured by the <i>Regimen General</i> . I. If less than 21, no contribution requirements; between 21 and 26, 90 days of contributions over the last 7 years; over 26, 180 days of contributions over the last 7 years.	Full wage replacement.	16 weeks without interruption (2 extra weeks in case of multiple birth)
	Paternity benefit (SSS Prestacion de Paternidad)	Being insured by the <i>Regimen General</i> . I. 180 days of contributions over the last 7 years or 360 days of contributions at any time before the birth.	Full wage replacement.	4 interrupted weeks (2 extra days in case of multiple birth)

Notes: (1) The Public Indicator of Multiple Effect Income (IPREM) is an index used as a reference for determining entitlements for social benefits like unemployment assistance, housing benefits or grants. Each year, the Budget Law establishes the value of it for the whole year. (2) The calculation of the regulatory basis (*Base Reguladora*) is complex. A detailed explanation is available at ([http://www.seq-social.es/Internet\\_1/Trabajadores/PrestacionesPension10935/index.htm](http://www.seq-social.es/Internet_1/Trabajadores/PrestacionesPension10935/index.htm)).

Sources: Employment and Social Security Ministry ([www.empleo.gob.es/en/](http://www.empleo.gob.es/en/)) MISSOC database, ESSPROS Qualitative database, and OECD databases on social protection: tax-benefit ([www.oecd.org/els/benefits-and-wages.htm](http://www.oecd.org/els/benefits-and-wages.htm)), social expenditure ([www.oecd.org/social/expenditure.htm](http://www.oecd.org/social/expenditure.htm)) and benefit recipients ([www.oecd.org/social/recipients.htm](http://www.oecd.org/social/recipients.htm)).

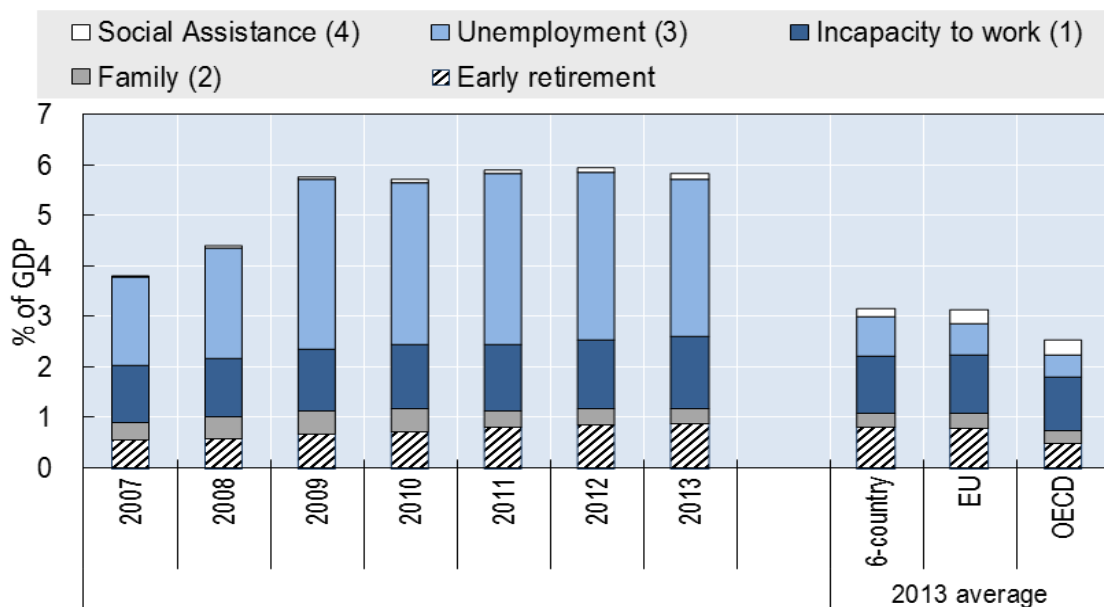
Figure 8. **Out-of-work benefits for working-age adults in Spain - Recipients**  
 Recipients of earnings replacement benefits, percentage of population aged 18-64



Notes: The categorisation of social benefits (branches) mostly follows Eurostat ESSPROS definitions ([http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Social\\_protection\\_benefits](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Social_protection_benefits)). Information on the programmes in each category is shown in Table 5. (1) Since in Spain there is no specific separate regime for early retirement pensions, the number of recipients of early retirement pensions is estimated taken pensioners from de General Scheme (*Regimen General*) under 65 years old. The stock of early retired from Civil Servant schemes is missing; (2) number of recipient families. (3) Recipients of partial and agricultural unemployment schemes are not included.

Source: OECD SOCR database.

Figure 9. **Out-of-work benefits for working-age adults in Spain - Expenditure**  
 Social spending by social policy branch, percentage of GDP



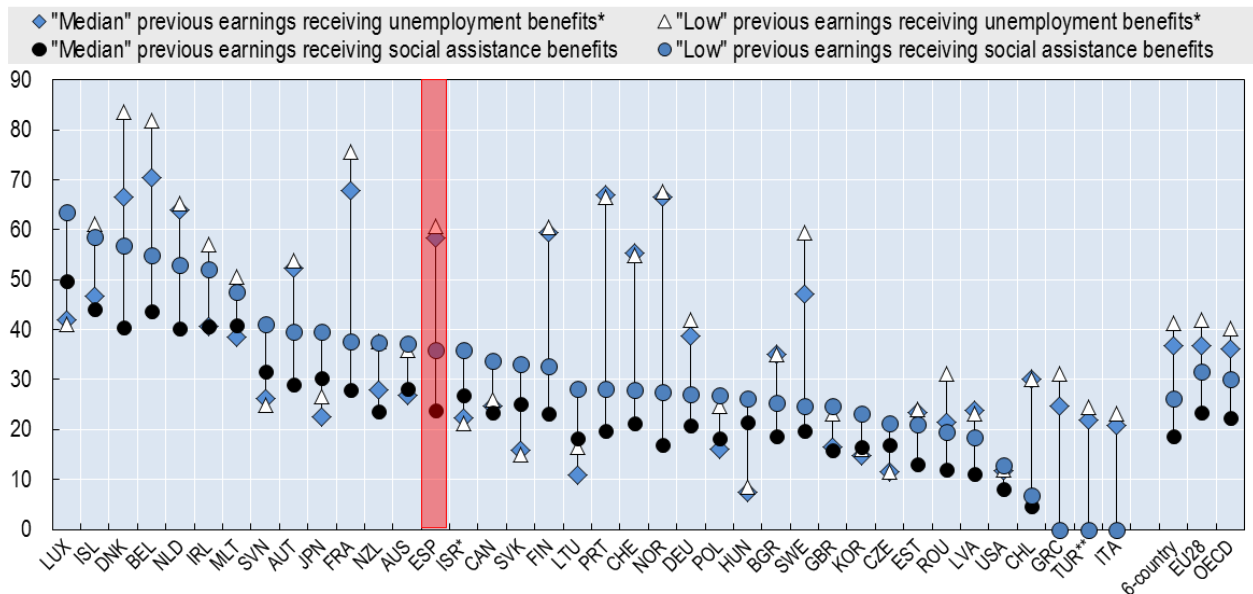
Notes: The benefits considered in each branch are: (1) disability pensions; (2) maternity and parental benefits; (3) unemployment insurance/assistance; (4) subsistence benefit. Programme names in national language, entitlement criteria and benefit durations are provided in Table 5. Country averages are unweighted.

Source: OECD SOCX database.

33. Comparing expenditures and the number of recipients of different benefits, it clearly appears that benefit amounts are highest for early retirement pensions and unemployment insurance. Indeed, many individuals who retire under 65 years have a long contributory record, enough to draw the full pension (in 2013 the requirement for a full pension was 35 years and 3 months of contributions, and most early retirees fulfil this requirement, OECD (2015f)). Regarding work disincentives, replacement rates provided by unemployment benefits are relatively high, at 60% of previous earnings during the initial phase of unemployment for a low earner (Figure 10).

Figure 10. Work disincentives for out-of-work working-age adults

Net replacement rates for unemployment benefit and social assistance recipients, 2014. Single adult without children.



Notes: Net replacement rates (NRRs) show the proportion of net income in work that is maintained after a job loss. \* Social assistance benefits are assumed to be available subject to relevant income conditions. For individuals receiving unemployment benefits the NRRs are averages over a 24-month unemployment spell. All figures are calculated for a prime-age worker (aged 40) with a "long" and uninterrupted employment record. Results are shown for two levels of previous earnings: the 2<sup>nd</sup> and the 5<sup>th</sup> decile of the full-time earnings distribution. Where receipt of benefits is subject to activity tests (such as active job-search or being "available").

Source: OECD tax-benefit models.

34. **Unemployment benefit** recipient numbers have been relatively responsive to the initial economic downturn in Spain. During the first phase of the crisis, between 2008 and 2010, a substantial part of new jobseekers were entitled to the unemployment insurance benefit, as a result, the "pseudo-coverage rate" remained stable at around 60% of unemployed. However, after 2010, the number of ILO unemployed massively increased up to a maximum of more than 6 million in 2013 and the share of them covered by unemployment benefits declined to less than 45% in 2014 (Figure 11, Panel A). Pseudo-coverage rates declined despite the two layers of unemployment support, and the long durations of insurance and assistance benefits for those with enough contribution records (24 months of unemployment insurance plus between 6 and 18 extra months of unemployment assistance in some cases).

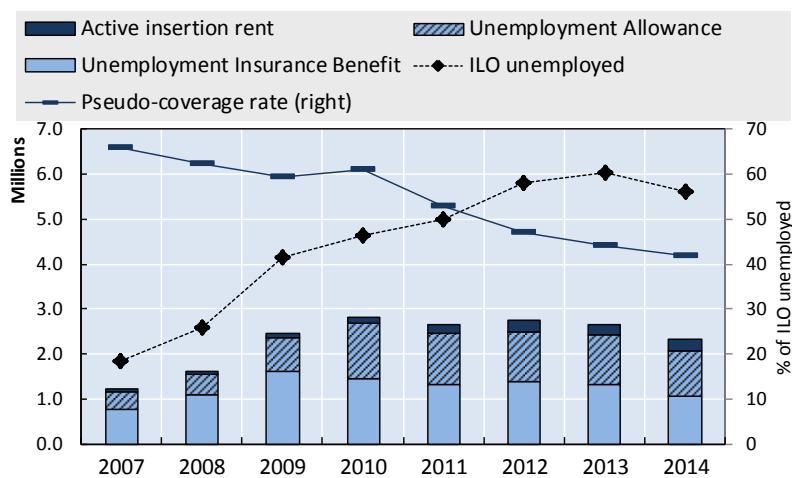
35. **Eligibility conditions**, i.e., behavioural requirements for those with a unemployment benefit entitlement, include an activation commitment (*compromiso de actividad*) as well as participation in a personalised back-to-work path (*itinerario individual personalizado*). Overall, they are not particularly strict: the law distinguishes between minor, serious and very serious infractions. Minor infractions, such as not attending appointments at the employment office, may be sanctioned with suspension of the benefit during one month. Very serious infractions, such as pursuing work while drawing unemployment benefit, may result in loss of the benefit. (Figure 11, Panel B). The fall in pseudo-coverage rates is, in part, explained by the significant number of unemployed youth (new entries without contribution records and

not entitled to unemployment benefits) and, in part, because a significant part of jobs created during the crisis were short fixed-term (i.e., temporary) contracts (Conde-Ruiz 2016).

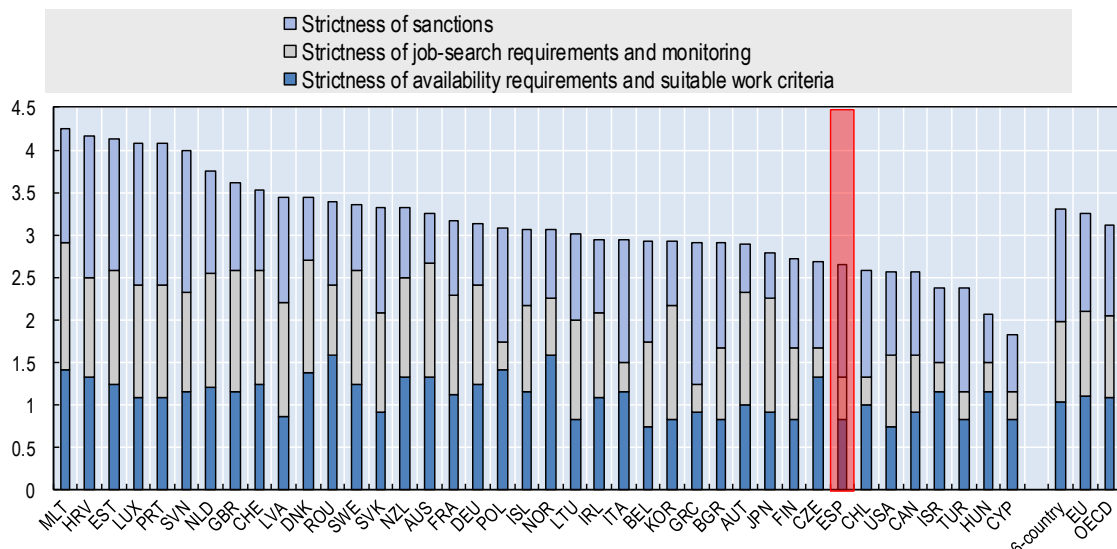
36. The low share of expenditure devoted to **social assistance** is due to the low coverage mentioned above, rather than particularly low benefit amounts relative to other countries. **Figure 12** shows that the *Renta mínima de inserción*<sup>7</sup> (RMI) provides an income level close 30% of the median income in the country, which is relatively high compared to other OECD countries. The RMI is provided and managed at regional level. Autonomous Communities can define entitlement conditions, amount, duration and eligibility rules (such as job-search and other behavioural requirements) for those who are already benefiting from it. Low coverage is likely a result of regional funding constraints, and by administrative difficulties that local authorities may face in reaching potential (eligible) families.

Figure 11. **Accessibility of unemployment benefits**

Panel A: Pseudo-coverage rates



Panel B: Strictness of benefit eligibility criteria



Notes: The “strictness” sub-categories cover the following items. “Strictness of sanctions”: sanctions for voluntary unemployment, for refusing job offers (first/repeated) and for failure to participate in counselling or ALMPs (first/repeated); “Strictness of Job-search

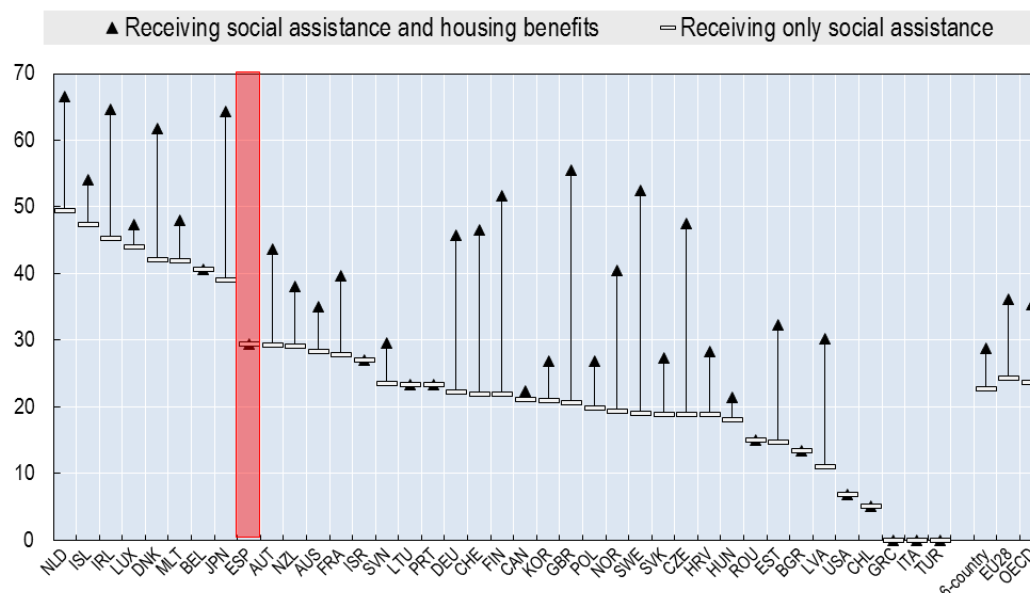
7. In the Autonomous Community of Madrid.

requirements and monitoring”: frequency of job-search monitoring and required documentation of job-search; “Strictness of availability requirements and suitable work criteria”: availability during ALMP participation, demands on occupational and geographical mobility, other valid reasons for refusing job offers.

Sources: Panel A: OECD SOCR database. Panel B: Calculations using Langenbucher (2015).

Figure 12. **Income levels provided by cash minimum-income benefits**

Net income value in % of median household incomes, 2014. Single adults without children.



Source: OECD tax-benefit models.

37. The duration of **disability pensions** in Spain is unlimited. Once the incapacity to work, total or partial, has been assessed, a review is possible at any time up to the minimum retirement age when the benefit is converted into an old-age pension. In addition to health assessments, access to contributory disability pensions for regularly insured persons require: a minimum period of contributions of a quarter of time between 20 years and the date of onset of incapacity, a minimum of 5 years of contributions and that one fifth of the contribution period falls within 10 years prior to the onset of incapacity. Less strict contribution requirement exist for youth and non-regularly insured people. No minimum contribution period is required if disability is caused by a work accident or an occupational disease. Four levels of incapacity exist: (a) partial permanent incapacity for the usual occupation, (b) total permanent incapacity for the usual occupation, (c) absolute permanent incapacity and (d) severe incapacity. The amount of these pensions depends on the degree of incapacity, the contributions record and the age of claimants. Overall, payments are generous: in 2015, the average amount of contributory disability pensions was 932€/month, most recipients are over 55 years old and about 40% of them receive the *absolute permanent* benefit (**Table 6**). The number of recipients (about 20/1000 habitants) as well as average amounts (in real terms) and the characteristics of recipients have remained stable since 1998.<sup>8</sup> In addition, a non-contributory disability pension (about 360 €/month) exists for those who are not entitled to the contributory benefit.

8. Annual statistics of the Labour and Social Security Ministry.

Table 6. **Contributory invalidity pensions in Spain**

Number and average amounts, 2015

	Nb of pensions	Nb of pensions (%)	Average monthly amount (€)
Men	606,067	65	986.81
Women	325,588	35	805.03
Severe ( <i>Gran invalidez</i> )	32,553	3	1,814.01
Absolute permanent	367,210	39	1,115.97
<i>Permanent, total and partial</i>	531,905	57	735.75
<b>Total</b>	<b>931,668</b>	<b>100</b>	<b>923.28</b>

Source: Statistical yearbook of the Ministry of Labour and Social Security.

38. Spending on **maternity and paternity leave benefits** is similar to the EU average (0.30% of GDP). Maternity benefits last for 16 weeks<sup>9</sup> and are paid at 100% of the previous wage. The duration is roughly in line with the average across OECD countries. But benefit levels are lower in most other countries. For instance, only eight EU countries maintain 100% of the previous wage during the leave period (OECD, 2016). The paternity benefit lasts for 4 weeks, also at 100% of the previous wage. In addition benefits for risk during pregnancy or breastfeeding (until the child reaches 9 months of age) exist. Both are paid at 100% of the reference wage. Finally, a means-tested non-contributory maternity allowance, paid at 100% of the IPREM can be awarded for a maximum of 42 days for those not entitled to contributory maternity benefits.

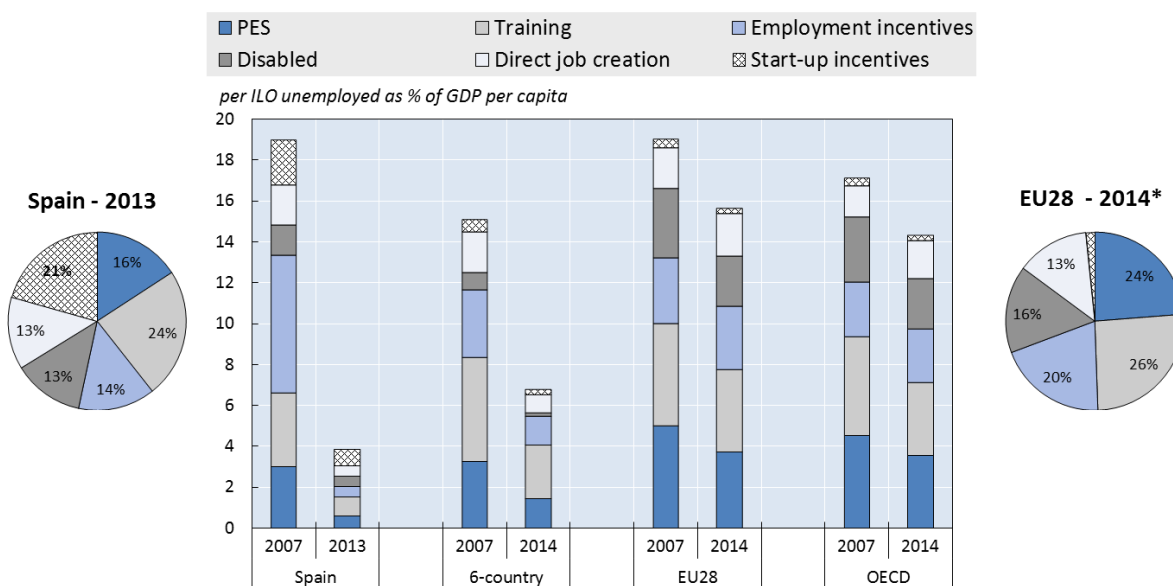
### 3.2. *Active labour market policies*

39. Effective active labour market policies are instrumental in integrating jobseekers and those with no or weak labour-market attachment into good-quality employment. In Spain, the provision of active labour market policies is the responsibility of Autonomous Communities. The process of decentralization started in 1991, with the transfer of competencies on occupational training from the central government to Catalonia, and was completed in 2011. Under this regulatory framework, responsibilities for regional PES include: labour market monitoring, management of subsidies to promote employment and vocational training, management vocational schools (*Escuelas Taller*) and job search through personalised itineraries for jobseekers, authorisation and supervision of employment agencies, and management of the European Job Mobility Portal (EURES Network). The central administration is (only) responsible for “passive” labour-market policies (unemployment benefits).

40. Spain spends considerably less on active labour market policies per unemployed person than other OECD countries. The spending effort, measured as spending per unemployed person as a ratio to GDP per capita, is among the lowest in the OECD (3.9% for Spain against the OECD average of 14.9% in 2013). In 2007, the balance of spending on labour market programmes was strongly skewed towards employment incentives. Although 2013 figures look more balanced, this is explained by the shrink in the ALMP expenditure in all categories rather than by an enhancement of training or PES provision. **Figure 13** shows a summary of resources devoted to different categories of active labour market policies in Spain and other countries.

9. The duration can be longer in case of multiple births.

Figure 13. **Spending on Active Labour Market Policies by policy area**  
per ILO unemployed as % of GDP per capita, composition in 2007 and 2014



Notes: Country averages are calculated for 2014 or last available year (2013 for Spain). The pie charts show the share of total spending as reported in the bars.

Source: Calculations based on the OECD LMP database.

### Public employment services

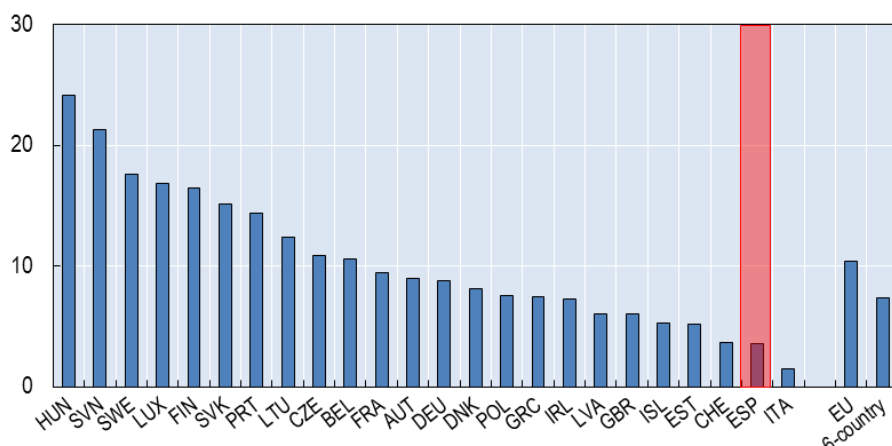
41. In 2013, PES spending per unemployed in Spain corresponded to just under 0.6% of GDP per capita, well below the 4% of GDP per capita on average in EU-28 and the 3.5% in OECD countries (Figure 13). Resources per unemployed fell significantly since 2007. This is explained by the rapid increase in unemployment in Spain following the economic crisis, but not only: even in absolute terms, PES expenditures fell from 1318 M€ in 2007 to 812 M€ in 2013. The number of jobseekers that each caseworker in the PES oversees is high, with one employee of public employment services in charge of more than 250 unemployed and the number of PES staff has fallen recently (OECD, 2015e, European Commission, 2014).

42. Coordination on job placement between the central and regional governments has been a persistent challenge. Regions are in charge of managing active policies, in particular placement services, and receive funding for that purpose from the central government. After the 2012 reform, funds are tied to effectiveness of job placement measures.

43. Partly as a result, the involvement of PES in finding a job is one of the lowest in Europe. According to survey responses of those who have recently found a job, PES were involved only in 3.5% of cases, the second-lowest among EU countries for which such data are available, and much lower than the EU and six-country averages (Figure 14). The PES in Spain is also not used widely by jobseekers as a source of finding and using information on job vacancies. In 2014, only 29% of jobseekers reported the PES as the main method for finding a job (Figure 15). This is, again, one of the lowest rates in the EU (together with Italy) indicating that a large share of the unemployed are not actively looking for a job, or that they do so without relying on PES services and support.

**Figure 14. Reliance on PES among recent job starters**

in % of employees aged 25-64 who started a job during the previous 12 months, 2014

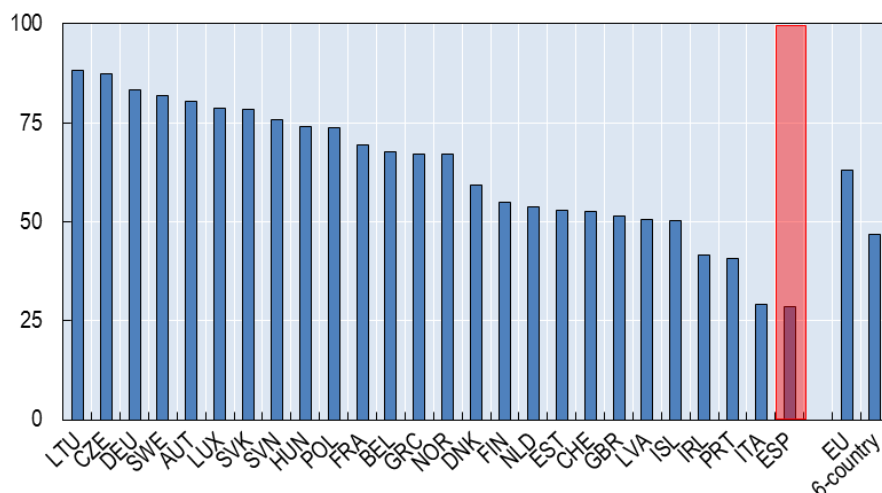


Note: Unweighted averages. Norway and the Netherlands are excluded due to high incidence of non-response in the data (more than 30%). Data refer to 2013 for Germany.

Source: Calculations based on EU-LFS 2014.

**Figure 15. Reliance on PES among current jobseekers**

in % of registered unemployed among the 25-64 population, 2014



Note: Unweighted averages. Norway and the Netherlands are excluded due to high incidence of non-response in the data (more than 30%). Data refer to 2013 for Germany.

Source: Calculations based on EU-LFS 2014.

### Active labour-market programmes

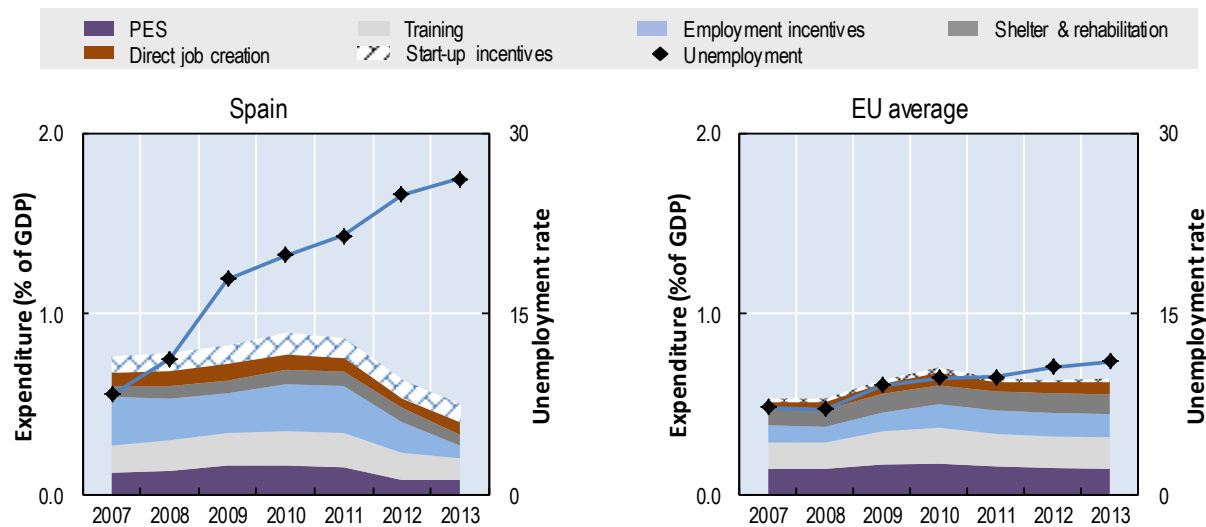
44. Notwithstanding the central role of the PES as “job broker” (i.e. placement and job-search assistance), a clear majority of total spending on active labour-market policies in EU and OECD countries goes towards active labour market programmes (ALMPs) that seek to address specific employability issues. This is also the case in Spain, where 84% of total spending is on programmes other than PES. The ratio between resources allocated to PES and ALMPs (about 1:6) has remained constant since 2007, despite the huge increase in the number of unemployed and the resulting additional demands on PES to provide job-search assistance and act as a crucial gateway to, and coordinator of, ALMPs (Figure 13). As percentage of GDP, total active labour market expenditure in Spain decreased from 0.8% in 2007 to 0.5% in 2013 while, during the same period, the unemployment rate soared from 8.3% to 26.2%. In the EU,



average expenditure levels are not higher than in Spain, but their evolution is better aligned with the evolution of unemployment (**Figure 16**).

45. Historically, ALMP spending in Spain has been skewed towards **employment incentives**, mostly hiring subsidies for unemployed. In the last years, the share of expenditure devoted to employment incentives has fallen significantly (from 35% of ALMP budget in 2007 to 14% in 2013), while the share of resources allocated to **training** and **start-up incentives** have increased to 24% and 21% in 2013 respectively (Figure 13).

Figure 16. **Active labour market expenditure in Spain and EU**  
expenditure as % of GDP, unemployment rate

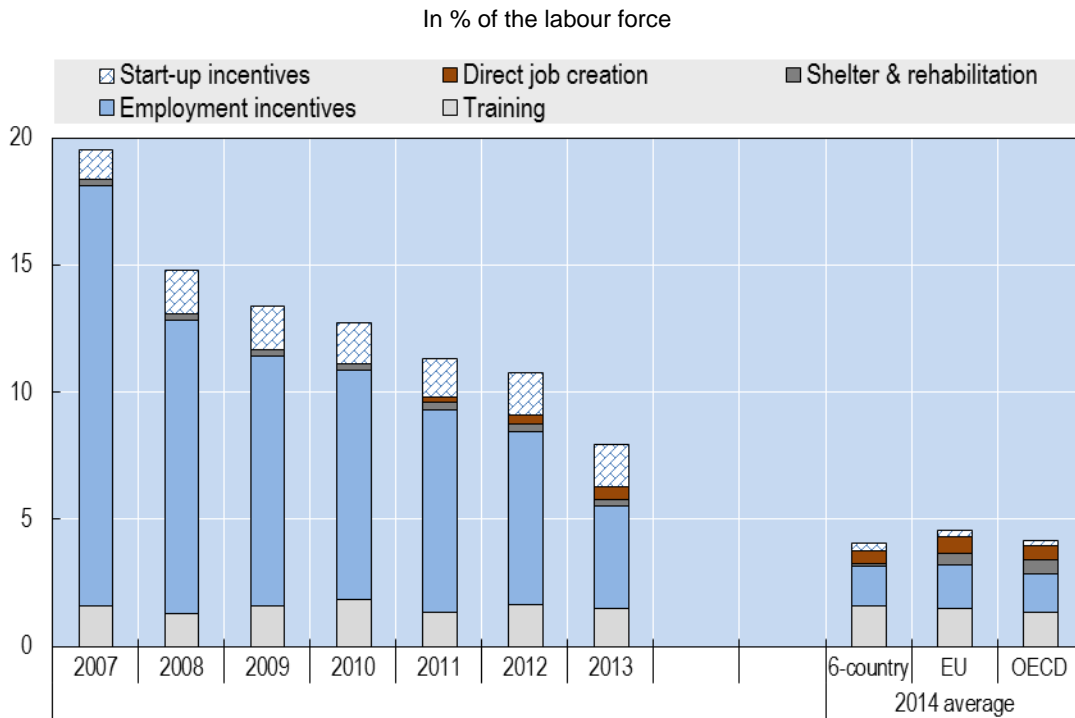


Source: OECD Labour Market Policy database

46. The number of programme participants follows broadly similar trends as expenditures (**Figure 17**). Employment incentive programmes accounted for 84% of all ALMP participants (17% of the labour force, about 370 000 individuals) in 2007, dropping steeply to 50% of participants (4% of the labour force or around 92 000) in 2013. The number of people in training programmes remained quite stable at 1.5% of the labour force (about 35 000 individuals). Jobseekers with a recent employment record are entitled to unemployment benefits and are hence obliged to register with the PES, this change in the distribution of spending away from employment incentives and towards training may improve the effectiveness of ALMP spending.<sup>10</sup> For instance, PES and training programmes tend to have better medium-to-long-term outcomes than job creation measures (Card et al., 2010, 2015). However, the effectiveness of ALMP programmes is hampered by spending levels that are very low relative to the unemployment challenge.

10. The 2014 average was 5.46 million.

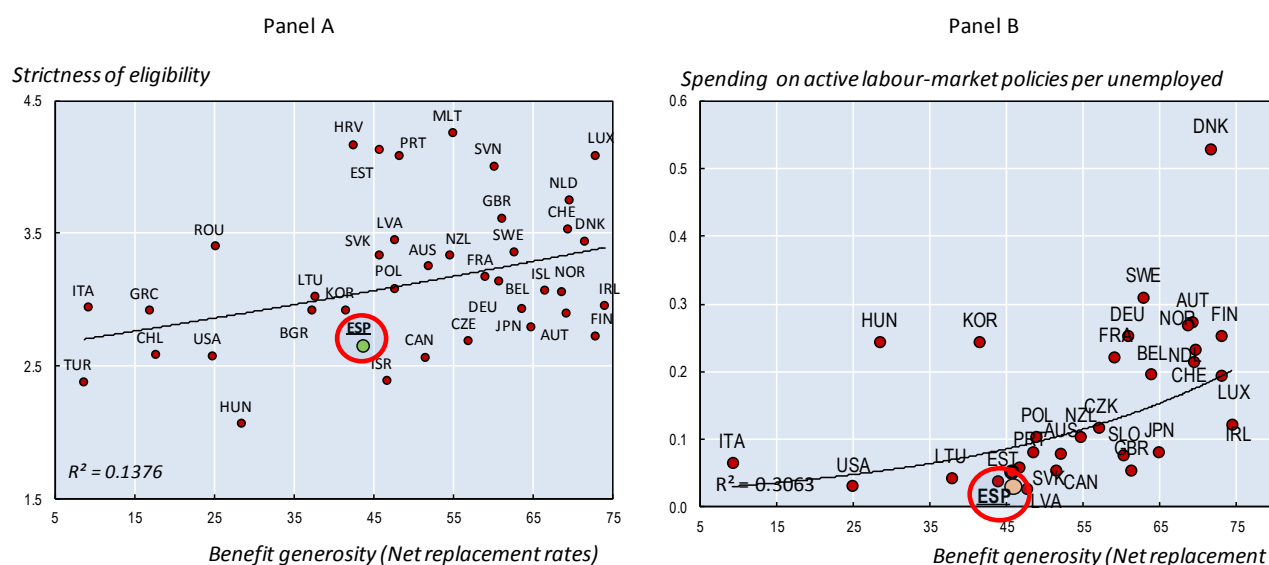
Figure 17. Participation in active labour market programmes in Spain and other countries



Source: OECD LMP database

47. ALMPs and services provided by the PES are best seen as a package of policy tools, including financial incentives, obligations of jobseekers, and programmes that address specific employment barriers on the supply and demand side. To characterise countries’ overall activation stance, it is useful to examine how they differ in terms of the balance of these different measures. **Figure 18** contains two scatter plots of the indicators presented earlier in this section. Panel B shows a positive (non-linear) relationship between “active” spending per unemployed and the generosity of out-of-work support as proxied by the net replacement rates for unemployment benefit recipients. Spain spends comparatively very little on active labour market policies: other countries with similar levels of generosity of out-of-work benefits spend more on average (e.g. Poland and Portugal), and some with lower benefit replacement rates spend much more (Hungary and Korea), suggesting scope for rebalancing expenditure towards ALMPs. Panel A shows a weak positive relationship between the legislative strictness of benefit eligibility and generosity of out-of-work support. In Spain, eligibility criteria are not very strict compared with countries that show comparable benefit generosity (e.g., Latvia, Poland, Slovak Republic). However, whether the relative strict eligibility criteria are effective at countering any unintended negative work incentives of benefit entitlements depends crucially on whether the PES is in a position to monitor and enforce them on the ground. As pointed out above, spending on PES is very low by international standards, and this can limit the ability of caseworkers to effectively enforce job-search and other eligibility requirements, or to target and tailor ALMPs to those who need them.

Figure 18. Balance between different activation policy measures, 2014



Notes: For the strictness of eligibility criteria see notes to Figure 10. Spending on active labour-market policies includes: PES, training, employment incentives, disabled, direct job creation, and start-up incentives. Spending is per ILO unemployed and defined in % of GDP per capita. Net replacement rates are for a prime-age worker (aged 40) with a “long” and uninterrupted employment record and are averages over 60 months, four different stylised family types (single and one-earner couples, with and without children) and two earnings levels (67% and 100% of average full-time wage). Households can receive social assistance and housing-related benefits depending on eligibility.

Sources: OECD tax-benefit models, OECD LMP database and Langenbucher (2015).

### 3.3. The role of the third sector

48. In some countries employment services for hard-to-place groups (e.g. very long-term unemployed or certain categories of migrants) are outsourced to specialised organisations. These can be NGOs, or private providers, often working in collaboration with local community groups who facilitate access to individuals who may be hard to reach for public institutions. Depending on the specialisation and capacity, non-governmental providers may have in-depth understanding of the needs and circumstances of certain client groups, and the employment opportunities that may be relevant and suitable for them.

49. Non-governmental organizations (NGOs) play an important role in labour market integration in Spain (Box 3), especially at local level and, along with non-profit associations, foundations and other entities, are part of the so-called ‘Third Sector of Social Action’ (*Tercer Sector de Acción Social y de Voluntariado*).<sup>11</sup> NGO activities may not simply duplicate or run in parallel of public service provision, but seek to coordinate with social and employment services provided by governments at local or regional level. The importance of the third sector is recognised and supported by the government, including through legislative measures. In October 2015 the Congress approved a law aiming to regulate the entities of the Third Sector of Social Action, to strengthen their capacity as interlocutors to the public administration regarding social and labour-market policies, and to define promotion measures that the public authorities can adopt to support NGO activities.

11. The European Social Fund (ESF) is a key source of funding of numerous local, regional and national employment-related programmes. Detailed information about specific programmes in Spain can be found at the European Social Fund webpage (<http://ec.europa.eu/esf/main.jsp?catId=576&langId=en&pay=ES>)

### Box 3. NGOs play an important role in social and labour market integration in Spain

According to the definitions stated in *Plataforma ONG 2015* (see the sources at the bottom of this box) the third sector in Spain was composed of almost 30 000 associations, foundations and other non-profit entities in 2015. Of those, about 69% were small or very small and more than 78% act only at regional, provincial or municipal level. In 2013, around 645 000 employees and more than 1.25 million volunteers worked in the third sector as a whole covering a wide range of fields; from human rights to protection of the environment and from health to international cooperation.

Activities of the third sector have evolved considerably following the crisis and the resulting surge in demand for NGO support: in 2009, about 18% of third-sector entities were mainly devoted to labour-market and social integration, increasing to more than 27% by 2015. Organisations with a major focus on labour market (re-)integration include the Red Cross (*Cruz Roja*), *Caritas* (*Cáritas Española*), Action Against Hunger (*Acción Contra el Hambre*), ONCE (*Organización Nacional de Ciegos Españoles*), *Fundación Integra*, *Fundación Tomillo*, *Fundación Síndrome de Down* and the *Secretariado Gitano*. Some of them work specifically with specific vulnerable groups, e.g., the blind (ONCE) or members of Roma communities (*Secretariado Gitano*), while others are open to a broader spectrum of individuals seeking support, such as the Red Cross or Caritas.

Although the third sector has neither the capacity nor the mission to support all jobseekers, and therefore cannot be a substitute for well-functioning PES and social welfare offices, NGO support covers several domains that also fall into the responsibility of public institutions, notably training and employment intermediation services to jobseekers at risk of social exclusion. Employment support offered by third-sector institutions typically aims for integrated and customised support package (rather than, e.g., a more focused “work first” strategy), including tailored pathways to employment or self-employment adapted to the specific family and social circumstances of support seekers. While tailored approaches are resource-intensive and require well-qualified staff and volunteers, there is some evidence that they can be successful. For example, *Caritas* figures for 2015 indicate that some 72,000 individuals participated in their employment programme and 15,348 of them found a job during that year, implying a placement rate of 21%. The number of ‘clients’ followed by a *Caritas* agent is between 75 and 100, which compares favourably with an average client-to-staff ratio of 240 for an average PES agent.

Sources: *Plataforma de ONG* and *Plataforma tercer sector* (2015), “*El tercer sector de acción social en 2015: impacto de la crisis*”, [http://www.plataformaong.org/ciudadaniaactiva/tercersector/estudio\\_completo\\_el\\_TSAS\\_en\\_2015\\_impacto\\_de\\_la\\_crisis.pdf](http://www.plataformaong.org/ciudadaniaactiva/tercersector/estudio_completo_el_TSAS_en_2015_impacto_de_la_crisis.pdf); and personal communications between the authors and representatives of the third sector during a country dialogue mission.

### 3.4. Policy priorities and recent or planned reforms

50. A number of recent reforms, which have implications for the employment prospects or barriers of the groups identified in this report, are discussed below.

51. **In February 2012, the Spanish government approved a labour market reform** (*Real Decreto Ley 3/2012*) and was subsequently complemented by a series of legal provisions to implement it. The reform, summarised below in Box 4, impacted on employment barriers and ALMP priorities during and after the period analysed in this document. A preliminary assessment was undertaken by OECD (2014b).

### Box 4. The 2012 labour market reform

After Spain entered into recession in 2011 for the second time since the start of the crisis, the overarching aim of the 2012 reform was to “*construct a new model of labour relations that will end job destruction, lay the foundations for the creation of stable quality employment and foster competitiveness*” (MEYSS, 2013, page 3). The reform set out to achieve this objective through a number of policy levers:

- Reduce labour costs and facilitate internal flexibility in companies (as an alternative to layoffs).
- Improve the flexibility of collective bargaining and promote dialogue within companies.
- Redefine conditions for dismissal and simplify applicable administrative rules.

- Strengthen employability of workers through training more strongly tailored to labour-market needs, and through more effective labour-market mediation.
- Combat unjustified absence from work and limit opportunities for social-security fraud or misuse of applicable employment and social support provisions.

These strategic directions were translated into concrete measures under broad main headings:

### **1. Collective bargaining**

- Priority to collective bargaining agreements at firm level over those at sector or regional level.
- Collective agreements can be prolonged for at most one year (to promote rapid renegotiation if economic conditions change).
- Firms can opt out from collective agreements more easily and pursue internal flexibility measures; notably unilateral changes in working conditions including wages, working hours, work schedules; when this is done for objective economic, technical, production-related or organisational reasons.

### **2. Employment protection legislation**

- Following the reform, dismissals are justified if the employer faces a persistent decline (over three consecutive quarters) in revenues or ordinary income.
- Reduced compensation for unfair dismissals.
- Collective dismissals no longer require ex-ante administrative approval.
- A new short-duration (6 months) contract for firms hiring unemployed youth.
- A new full-time permanent contract for small firms (under 50 employees, *Contrato de Apoyo a Emprendedores*) was created featuring a longer probation period (one year), lower social security contributions and added tax deductions for the employer.

### **3. Unemployment benefits and active labour market policies**

- Unemployment insurance benefit replacement rates are reduced after the 6<sup>th</sup> month and entitlement conditions for unemployment assistance benefits are tightened.
- A public-private partnership by which PES will work with job placement agencies.
- Funding for ALMPs implemented under regional authority is tied to performance measures (in the context of an overall decline in resources, see Figure 16).
- New subsidies for hiring young workers (under 30) in part-time jobs.
- A higher upper-age limit (from 25 to 30 years) for the “Contract for Training and Learning” aimed at professional qualification of employees. The contract combines paid work activity and vocational training.

Although it is still too early to provide a comprehensive evaluation, a preliminary assessment in 2013/4 suggests that the reform had a number of positive effects from an employment perspective (OECD, 2014b). For instance, it was found to have contributed to further wage moderation, the drop in employment during the 2011-2013 recession was milder than expected (Doménech et al, 2016), and the share of new hires in open-ended (permanent) contracts increased, especially in small firms. There are also indications that the reform contributed to the shortening of unemployment spells. However, as shown in Section 2, employment spells also have remained short for many of those taking up a job.

52. In August 2013, **further legislative changes were made to reduce uncertainty on the employer side regarding collective dismissal procedures.** The law also states that court intervention should be limited to verifying facts asserted by the employer. The number of cases classified by courts as fair dismissal, with respect to the total number of dismissals, has risen in the years after the reform. However, there is evidence that the law still leaves discretion for labour courts to interpret the definition of fair dismissals (Durán, 2015; Jimeno et al., 2015).

53. A number of strategic objectives were set for the period 2014 – 2016<sup>12</sup>, as part of the **Strategy for Employment Activation**, which the central government sets every three years:<sup>13</sup>

- Improve the employability of young people and meet the provisions of the Youth Guarantee.
- Promote employability of other target groups particularly affected by unemployment (long-term unemployed, over-55s and PREPARA beneficiaries).
- Improve the quality of vocational training for employment.
- Reinforce links between the active and passive employment policies.
- Promote entrepreneurship.

54. In addition, measures aimed at improving the coordination between active and passive policies, which potentially concern the totality of job seekers and individuals weakly linked to the labour market, have been taken:

- The programme for coordinated support to long-term unemployed (*programa de acción conjunta para desempleados de larga duración*), started in 2016. This programme is focused on long-term unemployed aged from 30 to 54. Its main goal is to assign jobseekers to a personal advisor (*tutor*) who will establish an employability profile and propose a personalised re-insertion path. A maximum of 120 persons per advisor was set. The provision of this programme is of EUR 515 million for the period 2016 and 2018.
- In 2013, a single jobs portal (*Portal único de empleo y autoempleo*) was created and launched by the SEPE.<sup>14</sup> The portal provides jobseekers with a unique access point to all available job positions, including professional services offered by autonomous workers. The main goal is to facilitate the offer/supply intermediation and to improve the information available for jobseekers. In addition, the SEPE can use the portal as source of job offer and hiring statistics and as a support to make them available.
- In 2015, the SEPE started expanding the integrated database that records work activity (contributions paid), benefits received (at least those administrated by the SEPE) and to include training/activation actions taken by individuals.
- The Spanish Constitution prevents the central government to intervene in areas under the competence of Autonomous Communities. ALMP are one of these areas. In this context, the

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12. End 2016, the government indicated that the Strategy for Employment and Activation 2017 – 2020 will be in line with the objectives of the previous one.

13. Source: State Public Employment Service web page:  
([https://www.sepe.es/contenidos/que\\_es\\_el\\_sepe/publicaciones/pdf/pdf\\_sobre\\_el\\_sepe/sepe\\_conocenos\\_ing.pdf](https://www.sepe.es/contenidos/que_es_el_sepe/publicaciones/pdf/pdf_sobre_el_sepe/sepe_conocenos_ing.pdf))

14. [www.empleate.gob.es](http://www.empleate.gob.es)

central administration regularly meets representatives of Autonomous Communities and organises fruitful exchanges of experience. In this way, regions share successful practices which can be adopted or adapted by other regions on a voluntary basis.

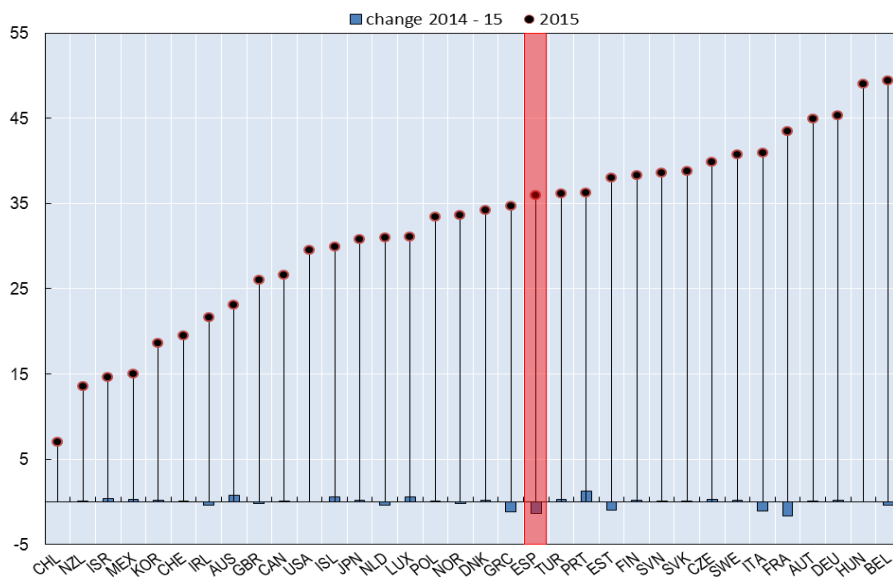
55. Section 4 provides details about implementation of these measures that are of direct relevance for specific groups.

56. Next to the far-reaching changes in labour law and benefit provisions outlined above, a number of reforms in other policy areas also have direct or indirect consequences for the job opportunities, the employability or the activity status of one or more population groups identified in this report. The pension reforms enacted in 2011 and 2013 were especially relevant for older workers. As a consequence of these reforms, statutory **retirement ages are being raised** from age 65 to 67 over the period 2013 – 2027. At the same time, pension replacement rates are reduced and the amount of pension benefits will be linked to life expectancy in the future (OECD, 2015f).

57. **Tax reform measures** between 2014 and 2016 aimed at making the tax system more conducive to growth (OECD, 2016c) and included a reduction in the tax wedge through higher tax-free allowances, lower personal income tax rates, and new refundable tax credits (**Figure 19**). In addition, social security contributions (SSCs) for employers were temporarily lowered for all new permanent contracts started between February 2015 and August 2016. The reduction in non-wage labour costs was accompanied by modest wage developments, in strong contrast with the fast-paced rise in wages and labour costs observed in the 2000s, before the start of the crisis (**Figure 20**).<sup>15, 16</sup>

Figure 19. Average tax wedge: Levels and change 2014 - 2015

Single person at 67% of the average wage, no children

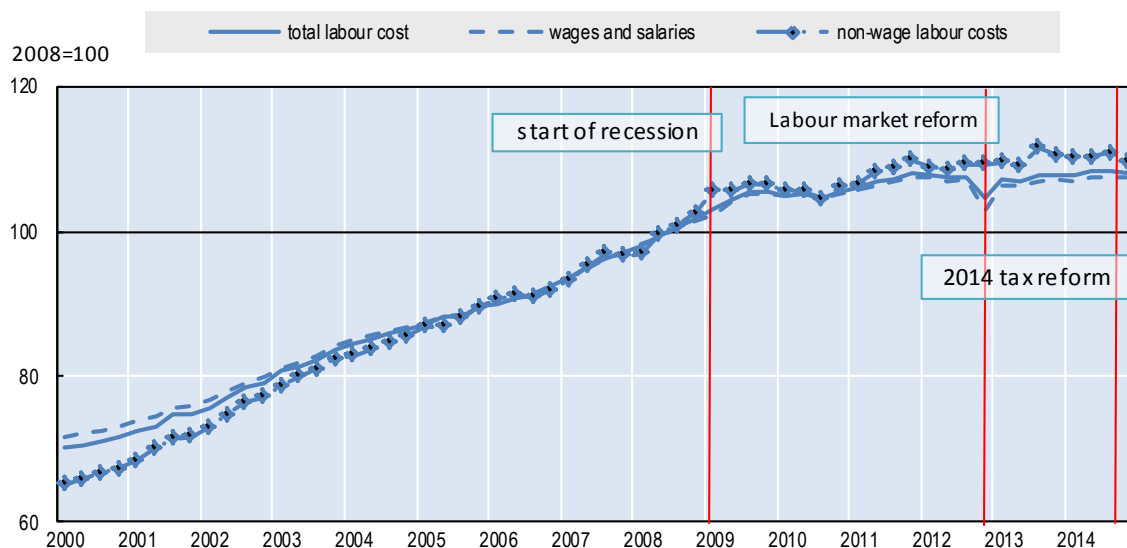


Sources: OECD Taxing wages database.

15. Annual growth rate, seasonally adjusted, in nominal terms.

16. Ministry of Labour and Social Security, personal communication.

Figure 20. Trends in wages and labour costs  
2000-2014, base 2008 = 100, in nominal terms and seasonally adjusted



Sources: INE, historical series, with latest data referring to 2014 at the time of writing.

58. The 2013 Law for the Improvement of the Quality of Education (LOMCE), aimed at **reducing early school drop-outs and improving educational outcomes** and was gradually implemented starting with the school year 2014/15. The reform provides for new external student assessments, grants greater autonomy to schools, and modernises and further develops the new dual VET system introduced in 2012. Since 2012, VET is built around two different qualification systems developed by the Ministry of Labour and Social Security and the Ministry of Education which share the same consultation body (the General Council of Vocational Training), but differ in their governance and objectives.



#### 4. OVERCOMING EMPLOYMENT BARRIERS: POLICY CHALLENGES AND PRIORITIES FOR SELECTED GROUPS

59. The remainder of this paper focuses on the policy settings relevant for two of the thirteen groups identified by the statistical clustering analysis and examines whether current policies appear well suited to enabling members of the group to overcome the employment barriers they face. As an illustration of the “Faces of Joblessness” results as an input into policy discussions, this section focuses on one group of younger jobseekers and on a group of women who are relatively close to the labour market but are without stable employment. These two groups together represent around one fifth of the population with no or weak labour-market attachment:

- **Group A: “Unemployed young and prime-age adults with low work experience”** (13% of the target population, listed as Group number 2 in the overview Table 3 of Section 2).
- **Group B: “Low-skilled women in unstable jobs”** (6% of the target population, Group number 7 in Table 3).

60. The first group includes mostly long-term unemployed who report active job search. They are relatively young (32% are aged under 29, and all group members are under 55), have some work experience and are at risk of poverty or material deprivation. The second group consists largely of prime-age women who have worked in the past and are at the moment of the interview either working in unstable jobs or actively looking for work.

61. The two sub-sections first describe the selected groups, highlighting policy challenges linked to their employment-barrier profiles (a box shows incidence and overlap of the main employment barriers and summarises other selected individual and household characteristics occurring frequently among group members<sup>17</sup>). An attempt is then made to situate key policy challenges and reforms relative to the most prevalent employment barriers. This is done by means of an inventory of policy measures that appear particularly relevant for the individuals of each group, including basic information on programme design, context and history. An overarching aim is to point to possible mismatches between policies and the individual barriers they are seeking to address, including situations where policies may not be accessible to group members, or may not have the intended effect.

##### **4.1. Group A: “Unemployed young and prime-age adults with low work experience”**

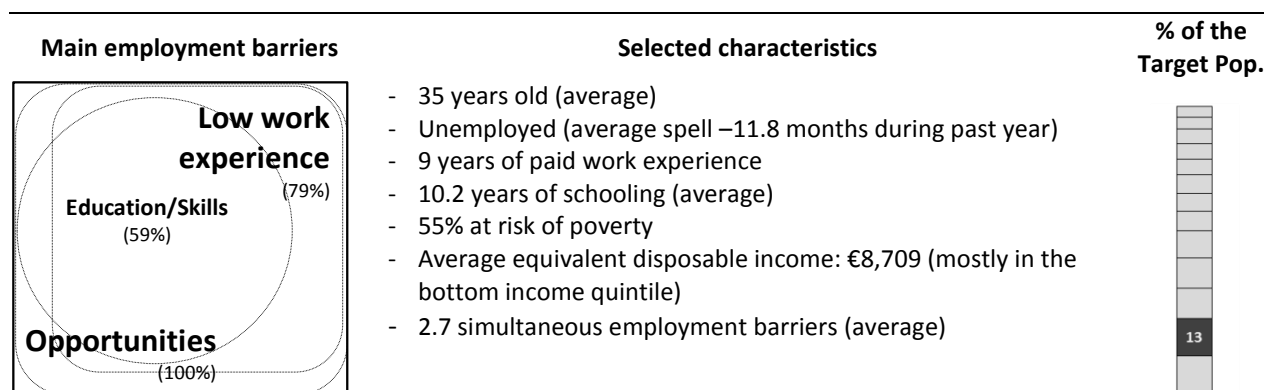
62. This group is relatively young (average age 35) and almost all of them are unemployed (99% during the reference period, and 83% at the time of interview). The majority are actively looking for work (80% at the time of the interview<sup>18</sup>) but all of them face high risks of remaining long-term unemployed due to demand-side barriers in their region or labour-market segment. More than a half of the group (55%) live in a household at risk of poverty.

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17. These characteristics are reported in detail in Annex Table A1.2.

18. The EU-SILC self-declared labour status does not always coincide with the ILO definition of “unemployed”, so some individuals who self-declare as “unemployed” may nonetheless say that they are not actively looking for work.

Box 5. Group A: “Unemployed young and prime-age adults with low work experience”



Notes: (1) Surface areas of shapes in the diagram are proportional to the number of group members facing the related barrier (“Proportional Venn Diagrams”). The outer square represents the group size (100%). The diagram shows the three most prevalent barriers in the group and is based on the indicators discussed in Section 3. An exception is the recent work experience indicator, which is prevalent but would add little information as, due to the strong two-way causal link with the other barriers, would typically dominate all other barriers in the graphical representation.

(2) The “Selected characteristics” section shows those characteristics that help to distinguish individuals in this group from individuals in other groups and that may be important from a policy perspective. For example the average age or average number of years of work experience.

(3) Incomes are annual and income quintiles are calculated for the entire national population.

Source: Calculations based on EU-SILC 2014, see Annex Tables A1.1 and A1.2 for full results.

63. The totality of Group A face the ‘opportunity’ barrier and two thirds have no *recent* work experience. A majority of the group (59%) have low education or professional skills and, although everyone has some past employment record, for 79% of them, work experience is low relative to their age and graduation year. From a policy perspective, the prevalent employment barriers are linked to the following areas: mismatch between skills demand and supply; access to income support and employment support for those who have exhausted unemployment benefit entitlements; and, to maintain or strengthen employability and prevent long-term unemployment in case of job loss, access to lifelong learning. This section focuses on these policy areas. Particular attention is paid to programmes targeted on youth who represent a large share of this group.

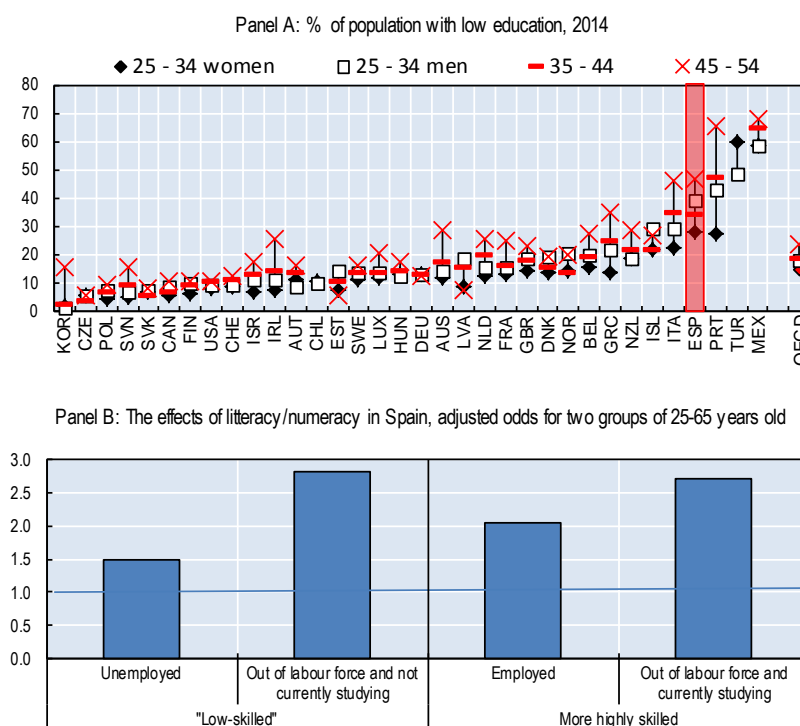
#### Education and skills

64. Poor work-related skills are common in this group, with 90% having previously worked as clerks, sales people, or in jobs with lower skills content. Low education levels are also common: 66% do not have an upper secondary education. Figures 21 to 24 provide additional perspectives on skills gaps in Spain and related challenges for vocational training and lifelong learning policies.

65. Both the number of people with low educational attainment and the share of early school leavers are higher in Spain than in most EU countries. Progress in Spain during past decades led to younger generations being much more likely to complete upper-secondary education than older cohorts: in 2014, 35% of 35-44 years-olds did not complete upper secondary education, against 47% of 45-54 years-olds. However, for the 25-34 cohort, shares with less than upper secondary education remained almost unchanged, at 34% (OECD 2016d, Figure 21 panel A). Individuals with poor numeracy/literacy skills are almost 50% more likely to be unemployed and more than 2.5 times more likely to be inactive than individuals with med-high level (level 2 or more) proficiency (Figure 21 panel B). Considering proficiency scores on the Survey of Adult Skills (PIAAC), 37% of adults in Spain have less than level 2 compared to an OECD average of 23% (Figure 22). Roughly two thirds of these low-skilled adults will still be in the labour force ten years from now and over one third will retire in twenty or more years. Literacy and numeracy will remain the building blocks of successful life-long learning, and low proficiency levels in

these foundational skills will reduce the adaptability and resilience of the current and future labour force when faced with changes in the workplace or society.

Figure 21. Early school leave and effects of low education attainment

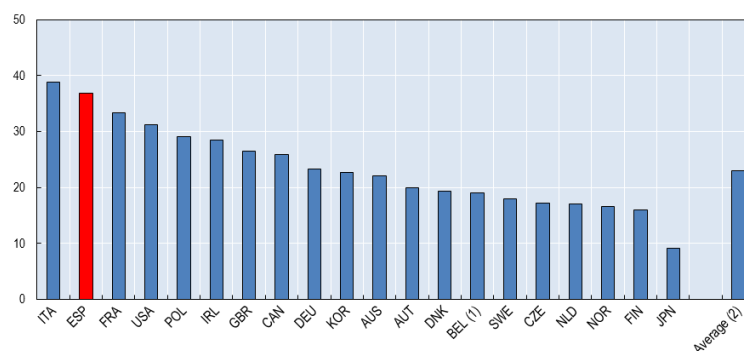


Notes: Panel A - "Low education" corresponds to "Below upper-secondary education", i.e. a level no higher than Level 3C short of the ISCED standard. Panel B - "Low-skilled" corresponds to less than level 2 proficiency in literacy or numeracy; "More highly skilled" corresponds to level 2 or greater proficiency.

Reading note Panel B: Low skilled (those with literacy or numeracy proficiency below level 2) are 1.47 times more likely to be unemployed than those with skill level 2 or above; High skilled are 2.04 times more likely to be employed than low skilled.

Sources: OECD calculations based on EU-LFS and the Survey of Adult Skills (PIAAC 2012).

Figure 22. Incidence of low proficiency in literacy or numeracy  
Selected OECD countries, in percentage of adults aged 25-64



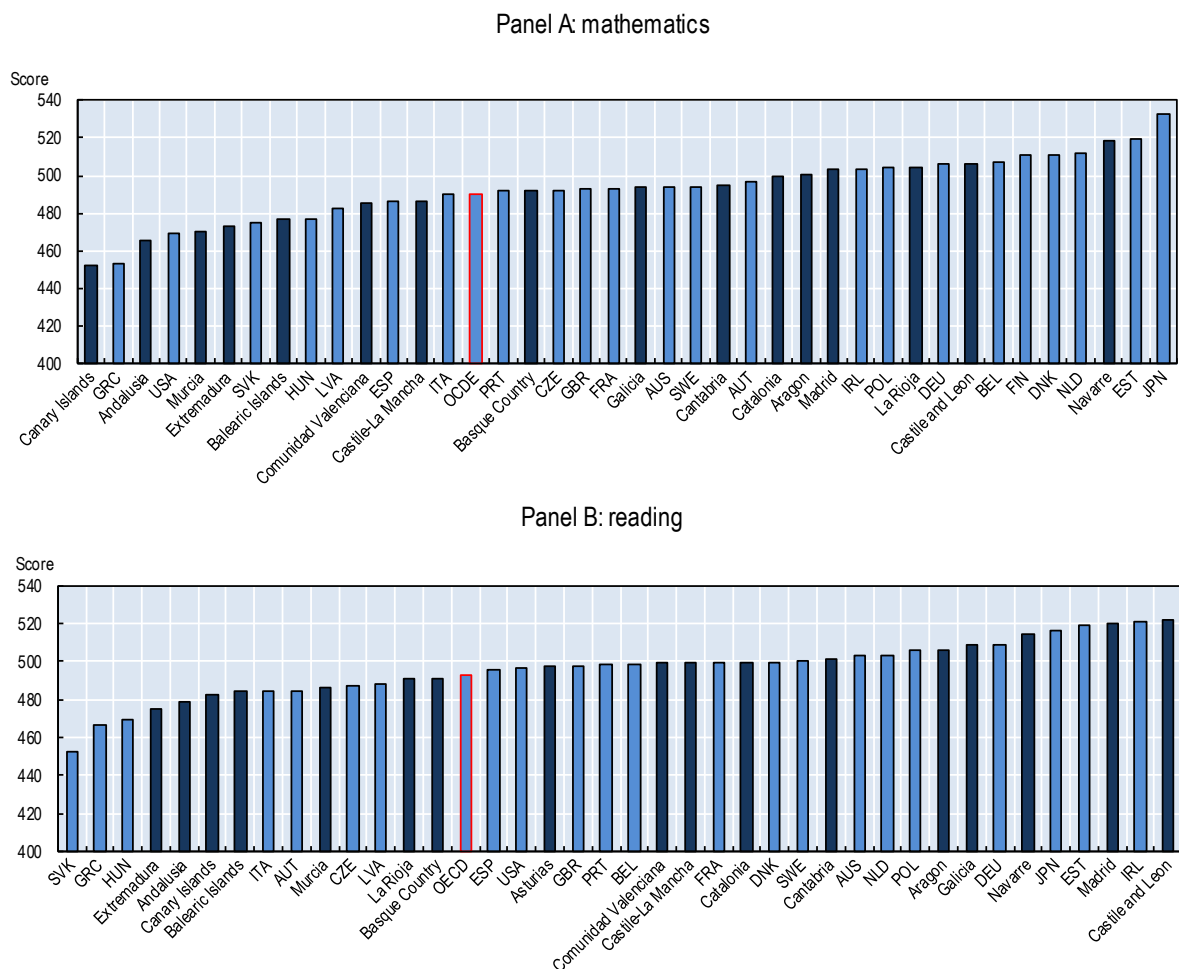
Notes: Individuals with low proficiency in literacy can read short texts and find simple information. Individuals with low proficiency in numeracy can complete tasks involving basic mathematical processes in common, concrete contexts where the mathematical content is explicit. (1) Flanders region. (2) The average is taken over the countries shown.

Sources: OECD calculations based on PIAAC 2012 database. OECD (2015e).

66. Large disparities in mathematics and reading performance exist between Spanish regions. Around 50 score points (the equivalent of a year-and-a-half of formal schooling) separate the highest- and lowest-

performers (Figure 23).<sup>19</sup> More than 85% of the performance differences across regions are accounted for by socio-economic disparities. The southern regions (Andalusia, Murcia), which are over-represented in the “Unemployed young and prime-age adults” Group A, together with the Canary and Balearic Islands and Extremadura, are among the regions with the poorest proficiency performance. On the other end of the range, Castilla Leon and Navarra are among the best performers in mathematics and Navarra, the Community of Madrid and Castilla Leon are among the very best performers in reading. Job opportunities for low-skilled workers are particularly low in some regions of Spain: in 2014, the share of long-term unemployed in these regions was about 61% and, in Andalusia, the share of very long-term unemployed (i.e. those who have been unemployed for 24 month or more) was 44%, compared to 12% in 2008. These figures underline that requalification and re-insertion policies, specifically targeted to low-skilled and long-term unemployed remain a key priority.

Figure 23. **Mathematics and reading performance at age 15**  
Spanish Autonomous Communities and selected OECD countries, 2015



Sources: OECD PISA 2015 database,

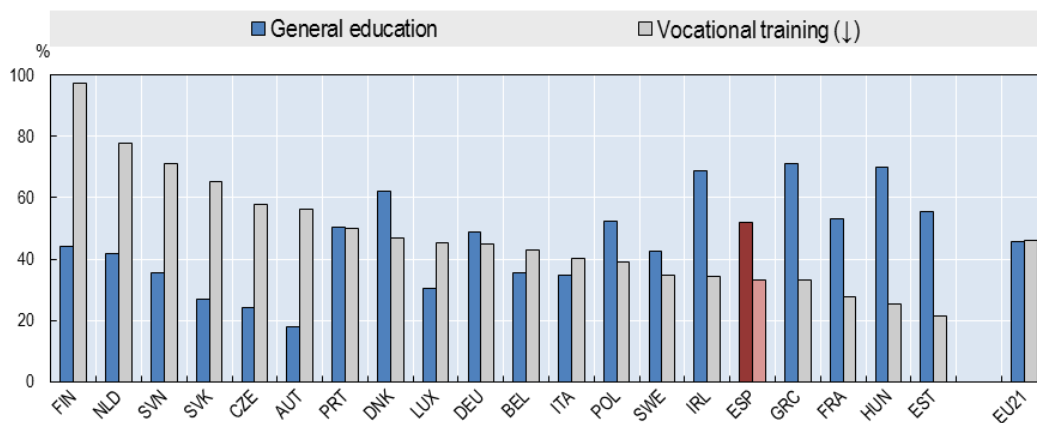
67. A recently introduced ‘basic’ VET and easier access to intermediate VET have made them more attractive to young and adult students. According to the Ministry of Education, between 2009/10 and

19. The chart shows performances in mathematics at age 15. Language performances at regional level are not available. However, on average, mathematics and language performances are highly correlated.

2013/14, the total number of students in VET programmes increased from 486 893 to 696 648.<sup>20</sup> In 2014/15 almost 40 000 students were enrolled in the new ‘basic’ training programme. Nevertheless, the share of upper secondary students graduating from vocational programmes is still relatively low, at about 33%, compared with 45% in Germany or 57% in Austria (Figure 24).

Figure 24. Graduation rates in Vocational Training and General Education

2014/2015 school year



Notes: Graduates in ISCED 3A, 3B and “long” 3C programmes are considered (both “long” and “short” 3C are included in Greece and Hungary). Those with certificates in both vocational training and the general education system (baccalaureate) are included in both categories.

Sources: OECD (2015e).

#### Income support for long-term unemployed

68. Although practically all members of Group A self-declare as unemployed during the reference period and many of them are at risk of poverty, less than half (45%) of them receive unemployment benefits (45%) and only 10% receive social assistance. The average unemployment-benefit amount among recipients is about 3600€ per year. This relatively low amount may be explained by the drop of the replacement rate from 70% to 50% after 6 months of receiving unemployment insurance (the average duration of unemployment spells in Group A is 11.8 months<sup>21</sup>). Those who have exhausted the insurance benefit may be eligible to unemployment assistance (*subsídio de desempleo no contributivo*) or the Active Insertion Allowance (*Renta activa de inserción*, RAI) (see Table 5). Despite a low average disposable income of 8709€, only 10% of individuals in this group live in households receiving the social assistance (*Renta mínima de inserción*, RMI). This is, in part, explained by the absence of children in a majority of households of this group, and by the fact that recipients of unemployment benefits are not entitled to the RMI. While no special age-related entitlement rules exist that would formally reduce access to unemployment benefits for youth, contribution requirements and means testing make that, as in other countries, coverage rates for the insurance benefit are lower for young unemployed. In addition, unemployed youth who live with their parents may not qualify for means-tested support either.

69. In the context of the Spanish Strategy for Employment and Activation, the *Servicio Público de Empleo Estatal* (SEPE) runs the **PREPARA** programme which includes both employment-support and income support elements and partly aims to fill coverage gaps left by the main income support programmes.

20 . <http://www.mecd.gob.es/servicios-al-ciudadano-mecd/estadisticas/educacion/no-universitaria/alumnado/Formacion-profesional.html>

21 . Actually longer since, in our calculations, unemployment duration is top-coded at 12 months.

PREPARA was introduced in 2011 as a crisis-response measure, and is targeted on people who have exhausted their unemployment benefits and are long-term unemployed or have family responsibilities. The programme provides job placement guidance services and retraining and income support subject to certain conditions (household income below 75% of the statutory minimum wage, not being recipient of temporary income support programmes (PRODI) and active job search). Income support is capped at 75% of the IPREM (about 400 €/month in 2016). The maximum duration of the benefit is 6 months (not renewable until 2016, renewed automatically if the unemployment rate is above 18% since 2016).

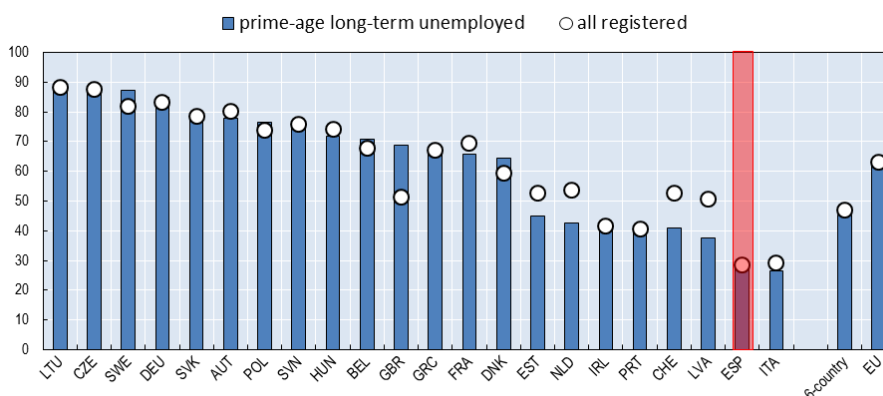
70. Also delivered by the SEPE, the temporary *Programa de Activación para el Empleo (PAE)*, agreed between the government and the social partners in December 2014, also aims at improving employability and income of long-term unemployed. Beneficiaries must have exhausted their rights to other income support benefits (unemployment benefits, RAI, PREPARA), be registered with the PES, actively look for a job, and pass a strict means test. Income support for participants amounts to 80% of the IPREM (426 €/month) and is limited to six months even though participation in activation programmes can last longer.

71. Both PREPARA and PAE are aimed at providing income support and activation measures to people who has been out of the labour market for more long time. Links between active and passive measures is a key element of the success of such programmes and good coordination of service delivery between the involved institutions (SEPE and local PES). The next section addresses this issue.

#### *Public employment service and active labour market programmes*

72. Although registration with the PES is mandatory for all recipients of unemployment benefits, activation measures play only a limited role in practice. According to labour force survey (LFS) data, in 2013, about 27% of individuals with characteristics similar to those in Group A (prime-age, long-term unemployed with low education) reported contact with the PES to find work. This is close to the PES reliance rate for the whole unemployed population but, together with Italy, the rate is the lowest in the EU and less than half of the EU average (Figure 25). A key challenge is therefore to strengthen systematic links between jobseekers and the PES.

Figure 25. **Reliance on PES of prime-age low-educated long-term unemployed**  
as % of proxy population, 2014



Sources: Calculations based on EU-LFS.

73. As explained in Box 2, the central government, through the SEPE, administrates and finances unemployment benefits. Job search intermediation, ALMP and social services are under the competence of Autonomous Communities and are provided at local level. To receive unemployment benefits, jobseekers must register in a PES, prove they are actively looking for a job, sign the activation commitment and

participate in proposed activation actions. Although SEPE has access to individual ‘activation’ records of jobseekers through local PESs, it does not directly meet them and cannot know whether they are really looking for a job and to which extent their participation in activation actions is taken as a real opportunity of re-insertion (as it should be in theory). This situation is more frequent at early stages of unemployment (i.e. when the re-insertion of unemployed is in general easier and cheaper), when the jobseeker is entitled to the unemployment insurance and ‘activation conditions’ are less tight.

74. Social assistance benefits (RMI) are under the entire responsibility of Autonomous Communities. They are financed by regional budgets and in regions facing high unemployment levels, both social services and PES struggle to respond to high demand. Because of the fiscal burden on regional budgets arising from RMI entitlements, constrained activation resources may be allocated in line with fiscal incentives rather than according to effectiveness. For instance, activation and employment-support measures might only be intensified once jobseekers are close to exhausting entitlements to central-government financed unemployment benefits entitlement and becoming potentially eligible to social assistance, even if earlier intervention would be a more promising strategy for avoiding long-term unemployment and the individual and social costs associated with it.

75. Measures aimed at improving the coordination between active and passive policies, described in Section 3, should help to cope with these issues. Particularly relevant for Group A are the programme for coordinated support to long-term unemployed and the single jobs portal.

#### *Measures targeted on youth*

76. The Youth Guarantee (YG) is meant to promote vocational guidance, labour information and assistance in job seeking, and hiring. So far, Youth Guarantee outcomes have been lagging behind expectations voiced at EU level. Although Spain has received the highest share of total funding from the EU to implement the guarantee, the programme had a slow start and was initially not reaching as many youth “not in education, employment or training” (NEET) as originally anticipated by the EC. In December 2015, more than one year after the YG started, the number of participants was below 200 000 despite almost 1.4 million NEET in Spain at that time. Spanish authorities took measures to increase YG coverage by improving the information about programmes and, importantly, by complementing EU funds with national funds. The number of participants subsequently rose to around 400 000 as of November 2016. Further measures were taken at the end of 2016: the government is working with the regional and national PES to provide additional focus on young jobseekers, and YG registration was simplified (young jobseekers registered with the PES will automatically be registered with the youth guarantee system). Recent months saw a significant inflow into the programme, resulting in 550 000 registered participants by April 2017. However, reaching unregistered NEET youth is still a challenge, especially those who are farthest away from the labour market (.).

77. Spain is currently implementing the 2013-16 **Youth Employment and Entrepreneurship Strategy**. Programmes are offered in the context of the YG and are organised around four main objectives: promote youth entrepreneurship, provide incentives for hiring, improve employability and improve mediation between jobseekers and employers. This includes second-chance education programmes, enrolment in apprenticeship or pre-apprenticeship programmes, vocational counselling, work experience programmes or further education. Up until December 2014, almost 365 000 young people had benefited from these measures, the most common of which were employment subsidies (OECD, 2015e). The main financial incentives to hire youth are.<sup>22</sup>

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22. A common requirement for all the programmes listed is that the beneficiary must be registered in Youth Guarantee.

- **Incentives for part-time employment with training.** Reduction of up to 100% of the employer's Social Security contribution for common contingencies for a maximum of 12 months. Companies with more than 250 workers will receive a 75% reduction, and the rest will receive 100%.
- **Incentives for micro-enterprises and self-employed.** Reduction of 100% of employers' social security contributions during the first year of contract of the first young hired.
- **"First job programme".** Companies who employ young people with less than three months of work experience on a regular contract pay lower social security contributions during three years (by 500€ per year for men, 700€ per year for women) if the contract is converted to an open-ended one.
- **"Generations contract".** Young self-employed who take on an unemployed person aged over 45 on an open-ended contract do not pay social security contributions during the first year of the contract.
- **Incentives for work placement contracts.** The employer is entitled to a 50% reduction of social security contributions for common contingencies if the work placement contract is for a young under 30.
- **Targeted subsidised employment (*Tarifa joven*).** Employers' social security contributions are reduced of 300€/month for a period of six months provided a permanent contract is offered to the youth. In the case of a part-time contract, the reduction will range from 150€ to 225€/month. The employer is required to maintain or increase the company's employment level while receiving the bonus to avoid replacement effects. This is compatible with other hiring incentives as long as the company's social security contributions are not negative.

78. Also closely related to the objectives of the YG, the Spanish Chamber of Commerce operates an integrated programme of qualification and employment (*Programa Integral de Cualificación y Empleo, PICE*). PICE is co-funded by the European Social Fund, the SEPE and the Ministry of Labour and Social Security. General coordination and governance is done by the Spanish Chamber of Commerce and specific programmes are implemented by regional chambers of commerce. Individuals under 25 (under 30 in case of disability) registered in the YG programme are provided with career guidance and an individualised training plan with the ultimate goal of getting them employed or becoming self-employed. Employers are provided with targeted intermediation services and hiring incentives (a lump-sum of 1 500€ per contract with a minimum duration of six months and of 1 800€ for those who launch their own start-up). The programme also includes incentives to mobility and youth may apply to receive financial support to follow dual VET in other European countries. As of end the first year of PICE (end-2015), 19 657 have benefited from PICE and more than 1 100 enterprises participate in it. In 2016, the Chamber of Commerce decided to outfit the programme with EUR 25 million over three years. PICE training was also selected by the EU as an example of good practices.

79. Training and learning contracts (*Contrato de formación y aprendizaje*) were reformed in 2012. Its main objective is to favour the professional qualification of young workers in the context of a dual working-training within the company. Workers between 16 and 25 years old who do not qualify for an internship contract (*Contrato en practicas*) can benefit of a contract under special conditions: reduction of 100% of employee's social contributions, access to full social protection and unemployment insurance, obtainment of a professional qualification at the end of the contract. Employers also benefit from some advantages; reduction of social contributions (75% or 100% for companies with less than 250 employees), funding for worker's training (1.5€/hour and per student, 2€/hour and per student for companies with less than five employees), a lump-sum of 1500€ (1800€ for women) for each conversion to an open-ended



contact. In 2016, these advantages were conditioned to the enrolment of the claimant to Youth Guarantee. The minimum duration of these contracts is one year and the maximum duration is three years.

80. A common characteristic of the programmes listed above, is to offer to young people a possibility of getting closer to the labour market (in some cases, having a first work experience). These measures address two of the main barriers faced by Group A: they improve the level of professional skills and they allow people to have a (recent) work experience. Nevertheless, the use of hiring subsidies, if not linked to work tenure conditions, can lead employers to optimise the use of them by hiring a large number of new workers and keeping them for a short time, either using fixed-term contracts or extended probing periods; which would be an inefficient use of resources.

#### *Recent or planned reforms*

81. The Section 3.4 presented a list of reforms undertaken in recent years and that have been important for the whole Spanish labour market. This section complements the section 3.2 by presenting a number of recent reforms having particular relevance for individuals in Group A.

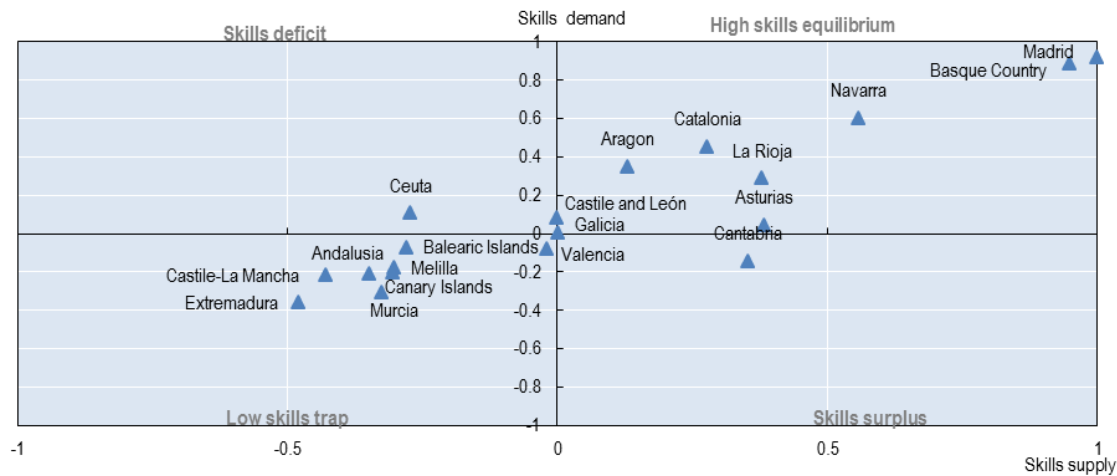
82. **Activation and income support:** the temporary PAE activation and income-support programme was recently extended to April 2017, and the target group of potential beneficiaries has been broadened (to long-term jobseekers who were already registered with a PES by April 2016; previously it was accessible only to those registered by December 2014). To further incentivise the re-insertion in the labour market, a novel aspect of the programme allows beneficiaries to cumulate, for a maximum of six months, income support and dependent work (the amount of income support is deduced from the wage). Between March 2015 and March 2016, 93 562 people benefited from PAE, of those 16% cumulated income support and work and 88% of them have kept their jobs after the extinction of their rights to income support.

83. **VET, training and lifelong learning** are regulated by the framework for training provision (*subsistema de formación para el empleo*). Following the general orientations of the labour market reform of 2012, this regulatory framework was reformed in 2015 (law 30/2015). The new governance model gives a more prominent role to the SEPE in several aspects: strategic mid-term orientations; the definition of programme contents; funding accreditation and regulation of training providers, implementation, in coordination with Autonomous Communities, of an integrated catalogue of training offer and regular evaluation of programmes. The role of unions and employers associations will be focused in the detection of future skill needs to guide professional training contents in the medium and long term. Other changes introduced by the reform aim at boosting lifelong learning programmes for employees, including an entitlement to 20 hours of training leave per year or workers with one or more years of seniority, as well as individual training accounts (*cheque formación*) for jobseekers who qualify to benefit from requalification programmes.

84. In spite of recent reforms seeking to improve educational outcomes, such as the 2013 **Law for the Improvement of the Quality of Education** mentioned above, tackling skills mismatch remains an important challenge in Spain. The level of skills supply (the percentage of people with post-secondary education) and demand (the percentage of medium- and high-skilled occupations) can provide further insights into the quality of local job creation and the potential for future growth. Figure 26 shows that in 2015, eight out of 19 regions and autonomous cities were in “high-skills equilibrium”, with both a relatively high supply of and demand for skills. However, eight regions and the autonomous city of Melilla showed low supply and demand and, as a result, some of these regions may find it hard to move to higher-skilled, higher value-added production and services (OECD, 2016e). Employment subsidies and lower labour costs tend to increase the number of hired workers. Therefore they can palliate, in part, the lack of opportunities faced by unemployed, especially in less dynamic regions. However, they will neither create new economic activity nor increase the skills level of labour demand.

Figure 26. Skills supply and demand, Spanish regions and autonomous cities

2015



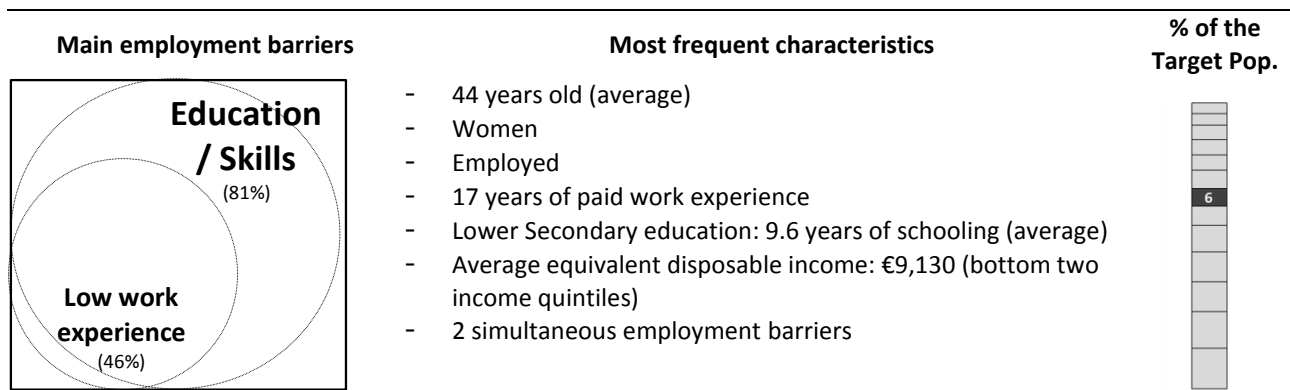
Note: The “Skills supply” (horizontal axis) corresponds to the percentage of people with post-secondary education. The “Skills demand” (vertical axis) corresponds to a composite index which uses the percentage of medium- and high- skilled occupations and the gross value added per worker. Both axes are normalised using the inter decile range method.

Sources: OECD calculations based on data from the Labour Force Survey and Regional Accounts, Spanish National Institute of Statistics. (OECD 2016e).

#### 4.2. Group B: “Low-skilled women in unstable jobs”

85. The group is essentially constituted by women of prime working age (average age 44) with a recent employment record. Half of them live in a household where someone else is working and 30% of them are migrants. Many in this group (46%) have low levels of work experience relative to their potential. Even if they work or have worked in the past, labour market attachment if this group’s members is weak: 67% worked for only part of the reference period and 35% worked less than 20 hours a week for most of it; suggesting that they are subject to marginal employment and are unable to secure jobs with a permanent contract.

Box 6. Group B “Low-skilled women in unstable jobs”



86. The most common barrier to employment of Group B is skill related, indicated by a combination of low levels of education (9.6 years of education on average, which is the 3<sup>rd</sup> lowest among the 13 groups) and low professional skills (83% previously worked at the craft and machine operator skill level or lower). Group B members are expected to have two simultaneous employment obstacles, with low work experience relative to potential experience (46%) frequently overlapping with low skills (81%). Even if Group B is composed of a different population than Group A, policy issues are, in part, similar for both groups (low education and skills, prevention of poverty and social exclusion). However, unlike Group A,

Group B is significantly affected by job instability, in part due to lack of professional skills and in part due to Spain's dual labour market. In line with key group characteristics, this section will therefore focus on labour market segmentation, on access to income support for individuals in unstable jobs and on activation policies for people over 45.

### *Women in the Spanish labour market*

87. The historical context of labour market participation in Spain helps to understand the large share of women in unstable jobs. In the last 30 years, the active labour force in Spain increased by 8.9 million people, of which over 70% were women. Between 2002 and 2016, the female activity rate in Spain rose from 54% to 69%, i.e. 15 ppt: twice as much as in the EU28 over the same period. The number of women working or actively looking for a job has increased by a factor of 2.5 since 1985, leading to a female participation rate of 69% in 2014, slightly above the EU-15 average (68%). Both the activity rate of women and female shares in employment correlate positively with the growth of the tertiary sector. In 1995, services accounted for 61% of total employment while in 2014 it accounted for 76%. Out of the over 8 million new jobs in the service sector that were created during the expansive period between 1993 and 2008, 56% were taken by women. The number of women employed in the service sector increased by 112%, against a 44% increase for men (Conde-Ruiz, 2016).

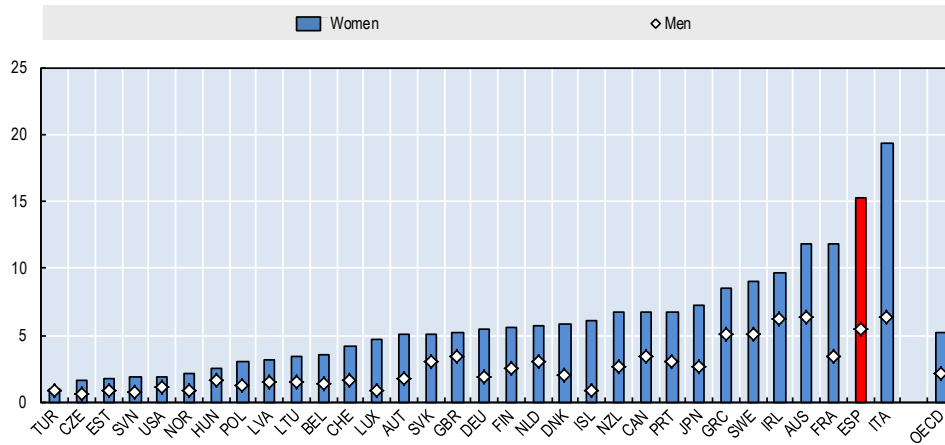
88. Spanish women are less likely to work part-time than their European counterparts. In 2014, the female part-time employment rate in Spain was about 25%, much lower than in the Netherlands (77%) and Germany (47%), but also lower than in Italy (32%) or France (30%).<sup>23</sup> A completely different picture emerges when focussing on **involuntary part-time** work: more than 8% of employed women, about 60% of female part-timers, would prefer to move to a full-time contract. After Italy, this is the highest share of female involuntary part-time in Europe (Figure 27, Panel A). Figure 27, Panel B shows the evolution of involuntary part-time in the last 15 years. The share of female involuntary part-time employment was stable around 4% between 2000 and 2004, rose to more than 7.5% in 2005, remained stable until the Great Recession and soared again after 2008, reaching 16% in 2013.

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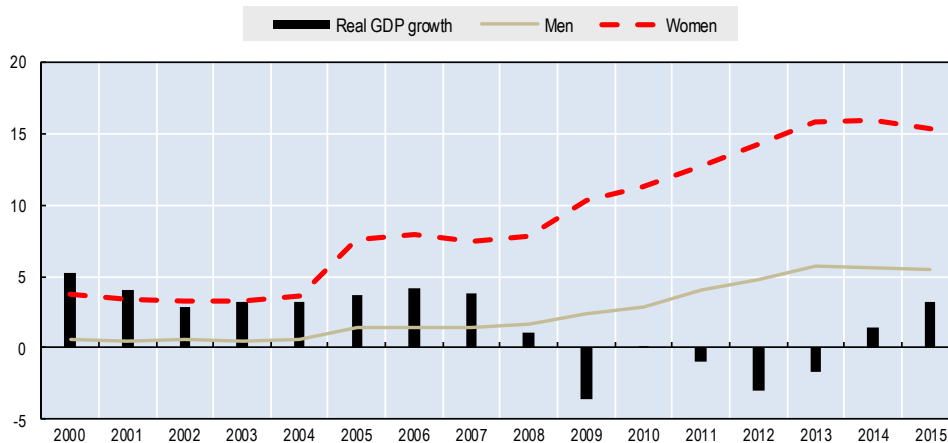
23 . Figures are from the EU-LFS.

Figure 27. **Involuntary part-time employment**  
by sex, in % of total employment

Panel A: Involuntary part-time, 2015



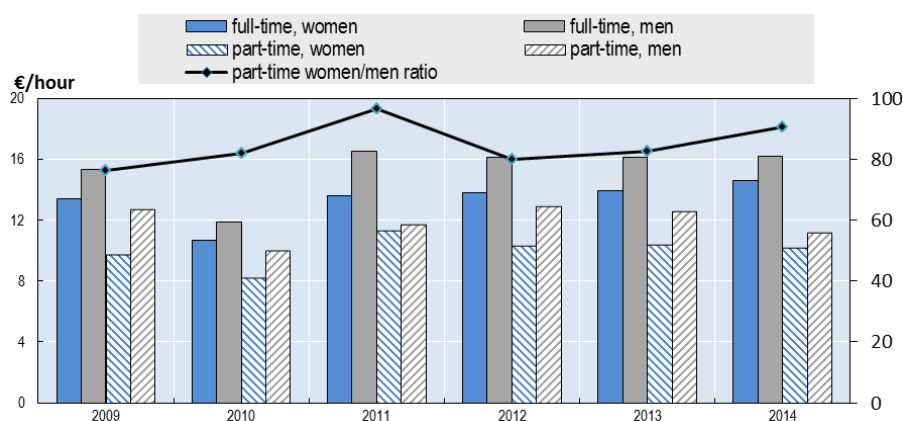
Panel B: Involuntary part-time in Spain, 1990 - 2015



Sources: OECD Gender data portal. GDP from OECD.Stat country profiles.

89. Women are also more likely to earn low wages (Figure 28). In 2014, the average hourly wage of women working full-time was 14.6€, against only 10.2€ for women working part-time. In 2013, the reference year used in this report, women's hourly wage represented only 80% of men's hourly wage. The participation tax rate for a second earner not receiving unemployment benefits is relatively low (17%), even for a low-wage half-time work (Figure 29). This may explain why, despite these jobs being precarious, many women accept them, even at very low earnings levels. Low wages for part-time employed women are in line with the low average disposable income of Group B (9 130€/year) and the high incidence of poverty or social exclusion.

Figure 28. Average hourly wages, by sex and type of contract

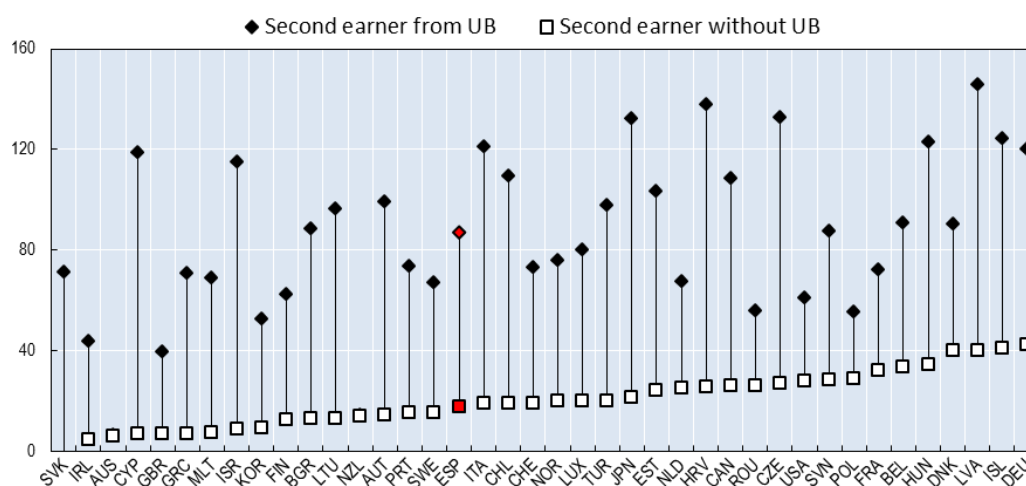


Notes: Average wages are not adjusted for individual characteristics.

Source: Encuesta Anual de Estructura Salarial. INE.

Figure 29. Participation tax rates for a second earner who takes-up a part-time job, 2014

No children, the first earner works full time at 67% of AW and the second earner starts working half time at 67% of AW



Sources: Calculations based on OECD Tax & Benefits models.

90. The incidence of fixed-term contracts has been historically high in Spain. In 2007, 28% of employed women and 23% of employed men had a temporary contract (highest levels in Europe). The 2008 crisis led to very large job losses among temporary workers, including women. Despite structural reforms introduced in 2012, the labour market remains characterised by strong labour-market segmentation and duality between permanent and temporary workers. Between 2013 (when the recovery of employment, started) and 2015, over 90% of job creation has taken the form of temporary contracts. Transitions from temporary to permanent status are still limited and have significantly slowed since 2007 (Eurostat, 2016). Low conversion rates imply that fixed-term workers tend to get trapped in successive temporary contracts and claim unemployment benefits during the out-of-work periods between them.

### Income support

91. Although 44% of individuals in Group B were unemployed during most of the reference year, and 64% of them were employed at the time of the interview, more than 90% worked some parts of the year. During the same period, 43% of them received at least one month of income support from

unemployment benefits (contributory, non-contributory or RAI, see Table 5). This indicates that many unemployed who worked recently do not have access to unemployment benefits. Among recipients, average amounts of income support were low (EUR 3 222/year), in line with lower rights derived from a part-time work.

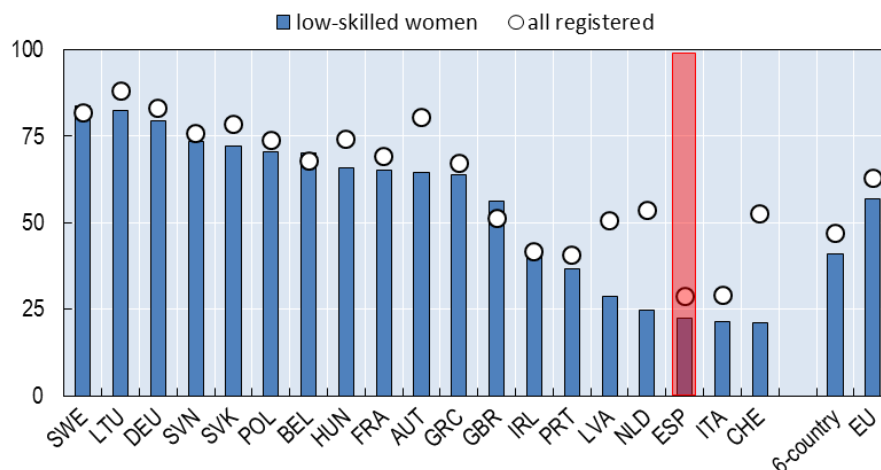
92. The high incidence of poverty risks (49%) is striking in a group mainly composed by people who are working or have worked recently. Despite the poverty risks, only 4% of the group receive support from the main social-assistance poverty-relief programme (RMI) according to SILC data.

93. The possibility of combining work and income support can be of great aid for individuals with very low earnings or working few hours. In-work benefits are commonly used in other EU countries (Anglo-Saxon countries, France and many others); in Spain, income support for individuals in work is much less common. Contributory unemployment benefits cannot be cumulated with dependent or independent work. PREAPRA and RAI can be cumulated with work income<sup>24</sup>, but they are targeted on long-term unemployed and are difficult to access for individuals of Group B, working in unstable job. Finally, in Navarra and the Basque Country it is possible to combine work and minimum income support (RMI).

*Public employment service and active labour market programmes*

94. Even though most individuals in Group B have some employment, about half of them were mostly unemployed during the reference period. Figure 29 shows that the reliance on PES of individuals with similar characteristics as Group B (prime-age, low-skilled women) is very low, as only 22% of jobseekers belonging to this category contacted the PES to find a work.

**Figure 30. Reliance on PES among low-skilled women who start a job as % of proxy population, 2014**



Sources: Calculations based on EU-LFS.

95. As individuals belonging to Group B are quite close to the labour market, ALMPs for this group should arguably focus on providing opportunities to improve professional skills and to combine work training and income support. Access to technical and financial support for micro-enterprises can also be relevant for the smaller part of individuals in Group B that are self-employed (5%).

24. Not higher than 75% of the statutory minimum wage.

96. The evolution of ALMP expenditures between 2007 and 2014 shows that the share of funds per unemployed allocated to direct job creation and start-up incentives rose from 21% to 33% and fund allocated to training rose from 19% to 24% (Figure 13). However, expenditures fell in real terms, for a much a higher number of unemployed; for example the funds per unemployed allocated to training decreased from 3.6% to 0.9% of GDP per capita.

97. Law 11/2013 includes provisions to foster access to training for youth on part-time contracts (*Contratos a tiempo parcial con vinculación formativa*). For temporary contracts, a number of special measures are also mainly targeted to youth (and described in Section 4.1). In open-ended part-time contracts, measures facilitating life-long learning are left to collective agreements between employers and employees.

#### *Other targeted measures*

98. As part of the 2012 labour-market reforms, hiring subsidies targeted on disadvantaged groups were introduced (*Incentivos a la contratación de colectivos desfavorecidos*). Specific disadvantaged group include young jobseekers under 30, unemployed over 45, long-term unemployed, women victims of gender-based violence, and many other categories.<sup>25</sup>

99. Another measure to incentivise stable contracts is the “entrepreneur support contract” (*Contrato indefinido de apoyo a emprendedores*), introduced in 2012. It consists in a permanent contract with a one-year trial period (the maximum duration of the trial period for regular contracts is two months and six months for high skilled jobs). If the workers don’t pass the trial period and the employer decide to let them go, he does not have to pay any severance compensation. Companies have thus a stronger incentive of offering this kind of permanent contracts instead of temporary contracts. However, according to trade unions<sup>26</sup>, after more than four years of its introduction, less than 50% of the contracts ‘survive’ the 12<sup>th</sup> month, which is less than the average of standard non-subsidised open ended contracts (62%).

100. The Social Services provide income support and services to vulnerable groups. Often, these programmes coordinate their action with PES, at local level and with large regional differences, or with other institutions such as NGOs (See Box 3) so as beneficiaries of social programmes have also access to training and job offers. “Working poor” women is one of these vulnerable groups. The Institute of Women for Equal Opportunities (*Instituto de la Mujer y para la Igualdad de Oportunidades*<sup>27</sup>), attached to the Ministry of Health, Social Services and Equality, provides a number of social and labour-market integration programmes organised around three major areas:

- **Co-operation with companies.** To promote awareness on gender-based violence and social and labor integration of women victims and, when needed, to facilitate their geographical mobility.
- **Co-operation with local institutions.** Composed of two programmes, each one addressing issues specific to the territories in which they are developed. The CLARA programme is targeted to women with serious social integration issues (different groups of ‘discouraged’ women) and is aimed at motivating them and facilitating their personal development. The AURORA programme targets women living in rural areas; its main objective is to promote their full integration into the labour market with a special emphasis on female entrepreneurship and the economic development of rural areas.

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25 . For an exhaustive list of hiring incentives, see <http://www.empleo.gob.es/es/informacion/contratos/>

26 . [www.ugt.es/Publicaciones/Cuatro\\_anos\\_de\\_reforma\\_laboral\\_UGT\\_2016.pdf](http://www.ugt.es/Publicaciones/Cuatro_anos_de_reforma_laboral_UGT_2016.pdf)

27 . [www.inmujer.gob.es/areasTematicas/multiDiscriminacion/home.htm](http://www.inmujer.gob.es/areasTematicas/multiDiscriminacion/home.htm)

- **Sectorial programmes** (co-funded by the European Social Fund). In collaboration with NGOs and non-profit institutions, social and labour-market integration programmes are provided to three broad groups of women: migrants, ethnical minorities (for example Roma populations) and women aged 45 or older.

101. Finally, the Ministry of Education, Culture and Sports, has a wide educational offer, open to the whole population, including vocational training and second chance courses to complete school degrees and to obtain technical and general degrees, and to take the necessary examinations to obtain a diploma. Although there are no specific programmes for working low-skilled women; updating skills of over 50 (in particular IT skills) are one of the priorities of the Ministry. Complete information about available legislation, links between training offer and the labour market, orientation and learning modalities is available from a unique national portal called “*inFórmate*”.<sup>28</sup>

#### *Policy priorities and recent or planned reforms*

102. Recent reforms have sought to bring the costs of terminating fixed-term and permanent contracts closer in line, and appear to have been successful in increasing the number of new hires on permanent contracts (OECD, 2014b, 2016b). However, an OECD report examining the impact of these reforms suggested that more could be done in this area. For example, the report recommended reducing the costs of severance payments for large employers to levels closer to the EU average (OECD, 2014b).

103. The Spanish government adopted the "Strategic plan for equal opportunities" (*Plan estratégico de igualdad de oportunidades*) for the period 2014 - 2016, aimed at promoting effective equality of opportunities between men and women. In many aspects, the situation has improved for Spanish women in the labour market: young women have education levels similar or higher than young men, female participation rates have increased and the gender wage gap is relatively low. Access of women to managerial positions and possibility of making decisions play a key role in accelerating and enhancing equal opportunities; to this regard, there is still room for further improvement. For example, in 2012, only 3.3% of women who worked had a director of manager position (against 6.4% for men) and only 27% of people working in research and development in high-tech sectors were women and 32% of senior officials in the public administration were women (INE 2014); in 2016, 39% of members of the National Congress were women, which positively compares with the situation in Spain in the 1990s (about 25%) and with other major EU countries (France, Italy, the United Kingdom or Germany) but is still an unbalanced situation.

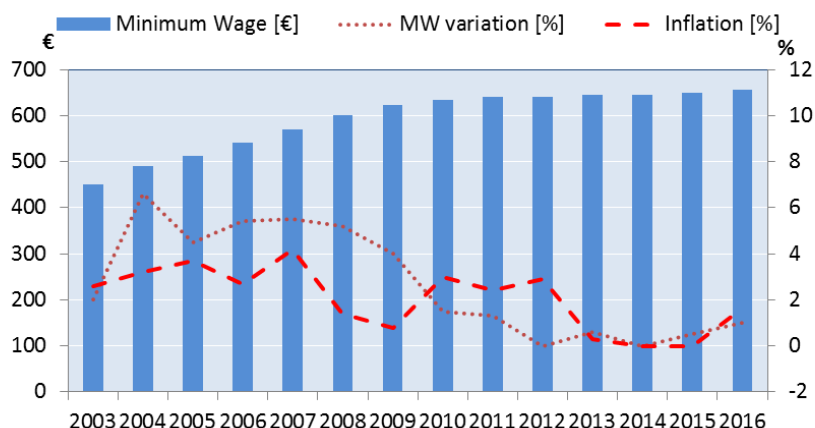
104. In 2016, the statutory minimum wage (*salario mínimo interprofesional*, MW) was set at €655/month, paid 14 times per year. Since the beginning of the crisis, the MW grew at a slower pace than the prices, actually decreasing in real terms between 2008 2016 (Figure 31). Congress has recently enacted an 8% increase and is currently discussing further increases to EUR 950/month by 2020. An increase of this scale can be expected to have significant employment effects, notably for long-term unemployed and other lower-productivity workers. Recent evidence shows that only 2% of new *full-time* contracts in 2012 were ‘bound’ by the MW, suggesting that the vast majority of new hires are paid wages above the MW (Figure 32, Panel A). However, the picture changes when considering all contracts. The number of new contracts with a wage below the MW rises to 31%, compared to only 19% in 2007 (Panel B). Most of them are part-time contracts, but the gap between overtime hours paid and overtime hours actually worked (50% in 2016) suggests that a significant number of these new contracts may actually pay wages below the MW (Arellano, 2014).

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28 . [www.mecd.gob.es/alv/informate.html](http://www.mecd.gob.es/alv/informate.html)



Figure 31. **Evolution of the Minimum wage**  
annual variations as % of the previous year, 2003 - 2016

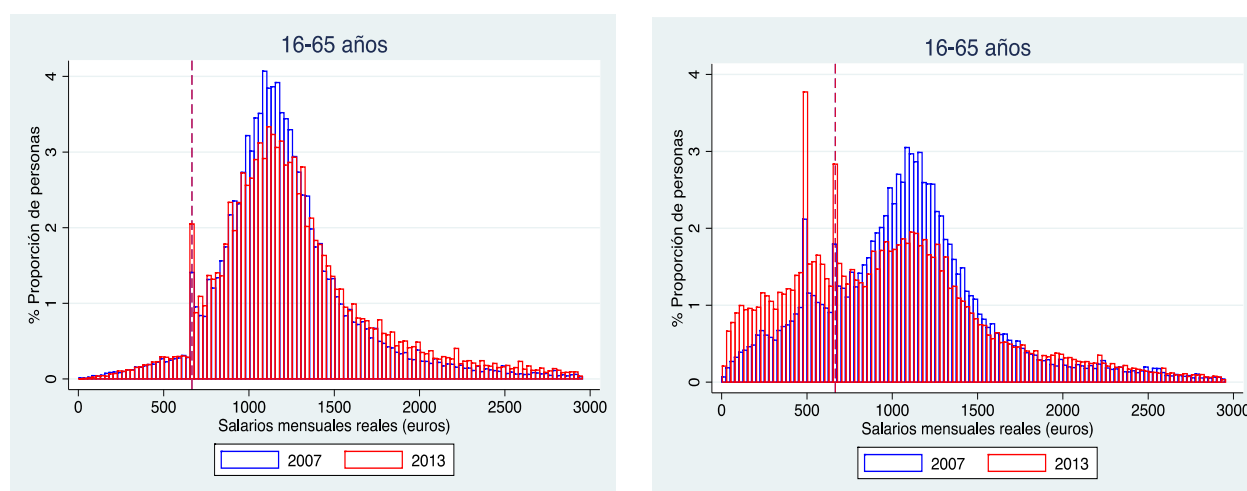


Sources: <http://www.salariominimo.es/>

Figure 32. **Wage distribution for new contracts**  
minimum wage is indicated as a vertical bar, 2007 and 2013

Panel A: new full-time contracts

Panel B: (all) new contracts



Sources: Arellano 2014.

## 5. CONCLUSIONS

105. This report has used a novel method for identifying, analysing and visualising the most common employment barrier profiles characterising the Spanish population with potential labour market difficulties. The underlying premise is that out-of-work individuals, either unemployed or labour-market inactive, and workers with weak labour market attachment face a number of possible employment obstacles, and each of them may call for different policy responses. The success of activation and employment-support policies, and of social protection measures more generally, is expected to hinge on effective strategies to target and tailor policy interventions to these barriers and to individual circumstances.

106. The segmentation method used in this report has identified thirteen different combinations (“groups”) of employment barriers that characterise the Spanish population of “joblessness”. Results show that “short-hand” groupings that are often referred to in the policy debate, such as “youth”, “women”, “unemployed”, are far from homogeneous, and may distract attention from the specific employment obstacles that policies seek to address.

107. Focussing on two selected groups, the results are used for an inventory of policies that is centred around the most pressing employment barriers, including contextual information on the main overarching active and passive policy strategies and institutions.

108. The policy inventory is carried out for the following groups.

- **Group A**, includes long-term unemployed younger or prime-age adults who are actively looking for a job, have some work experience but have low educational/work skills. This group faces a complex employment-barrier profile combining scarce job opportunities and low work-related capabilities. The significant overlap between capability and opportunity barriers suggests that employment problems relate not only to cyclical or structural labour-demand issues but also to poor educational outcomes and a concentration of previous work experience in low-skill jobs.
- **Group B** includes prime-age and older women with a recent employment record who are either actively looking for a job or employed part-time or part-year (often of less than 20 hours per week). Most have low work-related skills. The patterns of employment barriers and circumstances of this group suggest that they are frequently unable to secure stable jobs.

109. Poverty risks are high for both groups; however women in Group B can frequently draw on other household income sources, typically from a working partner. An assessment of current policy configurations relative to the employment barriers faced by these groups suggests a number of policy implications. Although a number of structural reforms have been taken by the Spanish government since 2012, and the labour market situation has improved since 2014, important structural problems persist, including (i) a mismatch between skills demand and supply, (ii) poor accessibility of income support and employment support for jobseekers; (iii) coordination between active and passive policies to maintain or strengthen employability and prevent long-term unemployment in case of job loss, and (iv) employment instability, related notably to labour market segmentation and a high incidence of temporary / short-term employment in Spain.

110. **Low demand for low-skilled workers** is a key barrier for individuals in both groups but especially in Group A. Life-long learning and training programmes were developed by the Ministry of Education (e.g., the *inFórmate* portal aiming to address qualification mismatches and facilitate upskilling for low-skilled workers). A key objective was to meet strategic needs of the Spanish labour. However, for the time being, labour demand and supply in many Autonomous Communities (Andalusia, Murcia, Castilla-La Mancha, Extremadura and Canary Islands) appear to still remain in a low-skills equilibrium.

111. **Contributory and non-contributory unemployment benefits** delivered by SEPE are accessible to unemployed and long-term unemployed and provide essential income support to them and their families. However, the provision of income-support and activation programmes occur in a complex institutional context. While unemployment benefits are funded and delivered by central authorities (SEPE), responsibilities for **ALMPs are highly decentralised** and mechanisms for coordinating between institutions or levels of government are weak. Eligibility conditions related to job-search and participation in training activities are decided by Autonomous Communities and implemented by local PES and SEPE can only verify indirectly whether benefit recipients actually comply with activation conditions. During the initial phase of unemployment PES may lack the capacity for a rigorous implementation of activation policies, creating risks that intensive activation starts too late if at all. Efforts are being made for a better coordination between passive and active policies. For instance, the **Strategy for Employment Activation**

clarifies the division of competences between the central government and Autonomous Communities, and includes several elements aimed at making activation and employment support more effective (sharing of good practices, implementation of a unique employment portal). The strategy also defines objectives and tools to monitor and evaluate programme outcomes (e.g., IT solutions to facilitate systematic monitoring of activation measures), and links ALMP funding to Autonomous Communities to the degree of compliance with these objectives. Nevertheless, so far these efforts have remained hampered by both legal and capacity constraints.

112. The 2012 labour market reform introduced several **measures to favour internal flexibility in companies and strengthened incentives for employers to hire on open-ended contracts**. However, since the start of recovery, **over 90% of job creation took the form of temporary contracts**. Transitions from temporary to permanent status have been very limited and have in fact slowed after 2007. Many temporary workers do not work all year long, and the share of low work intensity households in Spain is high (according to Eurostat, the number of individuals living in low work-intensity households rose from 6.8% in 2007 to 17.1 in 2014). This suggests that many workers move from one temporary contract to another, interspersed by unemployment spells. Temporary workers not only earn lower hourly wages, but their low work intensity significantly further reduces their annual earnings.

113. The **Youth Guarantee** is being implemented through a broad series of programmes. After a slow start more than half million of youth have benefited from the guarantee as of March 2017. Despite this improvement overall participation is still small relative to the number of NEET youth (about 1.2 million) and there is still room for increasing coverage. A significant share of YG funds are allocated to **hiring subsidies**. The use of these subsidies, if not linked to work tenure conditions, can lead to displacement and “revolving door” effects, with employers maximising subsidy entitlements by keeping newly hired workers for relatively short periods of time, either using fixed-term contracts or extended probing periods.

114. **Social Services**, designed by Autonomous Communities and implemented at local level, provide income support and services to vulnerable groups. In principle, these programmes coordinate support measures with PES or with NGOs. However, due to capacity constraints, tailored support that addresses complex needs and multiple employment barriers is often not feasible in practice, especially in regions with the highest incidence of joblessness, poverty and or exclusion.

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## ANNEX 1: LATENT CLASS RESULTS

115. Using the 2014 SILC data for Spain, the segmentation algorithm outlined in Annex 2 leads to a model with **13 groups**. Table A1.1 shows the estimated parameters, i.e. the *share* of individuals facing the employment barriers in each latent group and the related *group size* in the target population (first row). Groups are ordered by size; colour shadings are used to highlight barriers with higher (dark blue) and lower (light blue) frequencies in each group.

Table A1.1. **Latent class estimates**  
Percentage of individuals with selected characteristics, by group

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Target Pop
<b>Group Size (Target population=100)</b>	<b>14</b>	<b>13</b>	<b>11</b>	<b>9</b>	<b>9</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>100</b>
<i>Core indicators</i>														
Low education or professional skills	72	59	61	11	41	44	81	42	60	21	64	63	52	52
No past work experience	34	0	0	2	0	4	7	19	15	0	71	17	0	12
Positive but low relative work experience	59	79	6	37	4	87	46	63	41	12	29	56	20	44
No recent work activity	92	67	80	4	89	98	7	74	100	42	81	83	31	67
Health limitations	30	7	18	17	39	38	12	17	99	8	21	9	16	25
Care responsibilities	6	3	3	0	3	7	1	79	2	58	4	90	1	14
High non-labour income	57	19	10	33	40	18	16	36	19	35	30	24	36	30
High earnings replacements	5	0	5	4	41	1	3	1	45	17	4	1	67	12
Scarce job opportunities	3	100	90	12	1	55	35	1	1	59	100	100	92	46

Notes: Section 3 describes the indicators and applicable thresholds. Group sizes refer to the target population as defined in Section 1. Colour shadings identify categories with high (dark blue) and lower (light blue) frequencies. Complementary categories (e.g. "high" skills) are omitted. Additional information on model selection and model specification is provided in Annex 2.

Source: Authors' calculations based on EU-SILC 2014

Table A1.2. **Characterization of the latent groups**  
Percentage of individuals with selected characteristics, by group

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Target Pop
Number of individuals (%)	14	13	11	9	9	7	6	6	5	5	5	4	4	100
Number of individuals (frequency, in thousands)	1739	1609	1289	1150	1126	819	786	766	668	660	645	494	452	12204
Unstable jobs	5	34	18	57	6	2	67	17	0	44	22	17	66	25
Restricted working hours	5	0	1	33	2	0	35	16	0	15	0	0	2	8
Zero or near-zero earnings	2	1	2	24	4	0	14	4	0	6	0	1	3	5
Women*	100	44	24	53	27	67	80	100	41	62	51	85	33	59
Age groups*														
Youth (18-29)	0	32	0	40	0	8	6	8	1	4	86	28	18	16
Prime age (30-54)	44	68	79	59	10	63	84	88	67	96	14	71	74	60
Old-age (55-64)	56	1	21	1	90	29	10	5	32	1	0	1	9	24
Age (average)	56	35	47	33	61	49	44	40	52	39	24	35	41	45
Main activity during the reference period														
Employed FT	0	0	0	6	0	0	3	0	0	2	0	0	0	1
Employed PT	5	0	1	40	2	0	41	16	0	17	0	0	2	10
Self-employed FT	1	0	1	14	4	0	4	0	0	2	0	0	1	2
Self-employed PT	0	0	0	2	0	0	1	1	0	1	0	0	0	0
Unemployed	14	99	94	31	20	70	44	19	17	69	82	82	94	54
Retired	3	0	1	0	48	2	0	0	10	0	0	0	1	6
Unfit to work/disable	7	0	1	1	17	8	1	1	57	1	7	0	2	7
Housework	67	0	1	2	5	17	5	58	11	6	4	17	0	17
Other inactive	3	0	0	5	3	3	1	4	6	3	6	1	0	3
Activity at the time of the interview														
Employed	7	15	8	81	8	1	64	23	0	37	9	7	28	22
Unemployed	12	83	86	15	15	68	29	16	16	53	71	74	68	45
Inactive	81	2	6	4	77	31	7	62	84	10	20	20	4	33
Length of unemployment spell†	12.7	11.8	12.3	10.8	12.6	12.9	10.3	12.7	12.9	11.2	12.0	12.3	10.6	11.9
Actively seeking a job at the time of the interview	7	94	89	64	3	56	68	12	6	75	71	80	85	50
Level of education (ISCED)														
Primary	42	19	23	7	32	28	24	16	36	6	17	21	14	24
Lower secondary	35	46	39	24	27	38	42	34	38	27	44	41	39	37
Upper secondary	14	18	19	23	16	19	24	25	13	23	15	26	22	19
Tertiary	8	17	18	46	25	14	9	26	13	43	23	12	25	21
Years of education	8.6	10.2	10.2	13.0	10.4	9.7	9.6	11.1	8.9	12.8	10.7	10.1	11.1	10.4

Table A1.2. Characterization of the latent groups (continued)

Percentage of individuals with selected characteristics, by group

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Target Pop
<i>Number of individuals (%)</i>	14	13	11	9	9	7	6	6	5	5	5	4	4	100
<i>No work-related skills</i>	34	0	0	2	0	4	7	19	15	0	71	17	0	12
<i>Elementar occupations</i>	28	34	24	11	10	25	61	23	20	12	6	28	21	24
<i>Work-related skills (ISCO)</i>														
<i>Craft and machine operators</i>	13	28	42	6	36	19	15	6	28	16	4	19	35	21
<i>Clerk and sales</i>	19	28	21	55	31	41	12	41	26	45	14	29	31	30
<i>Technicians et al.</i>	3	6	6	11	10	7	2	5	5	13	3	5	7	6
<i>Professionals</i>	2	4	4	11	10	3	3	4	4	12	2	2	4	5
<i>Managers</i>	1	1	2	3	4	1	1	1	1	2	0	0	1	1
<i>Years of paid work experience †</i>	14	9	25	12	37	12	17	10	22	17	3	10	19	17
<i>Severe health limitations</i>	7	1	2	1	9	8	1	2	37	1	8	1	1	6
<i>Migrant</i>	7	22	17	17	6	13	29	22	8	14	16	38	10	16
<i>Equivalent disposable income (€/year - average)</i>	15022	8709	8630	11483	18477	8927	9130	10673	13399	12844	9957	9114	15792	11753
<i>Bottom quintile</i>	18	52	50	34	15	50	44	33	24	25	45	45	20	35
<i>Second quintile</i>	21	23	26	21	15	26	30	30	23	23	23	27	23	23
<i>Third quintile</i>	23	13	13	19	19	13	14	20	22	24	15	16	17	17
<i>Fourth quintile</i>	23	7	6	15	21	7	9	11	18	16	9	9	18	13
<i>Top quintile</i>	16	5	4	11	30	4	4	6	12	12	8	2	21	11
<i>AROPE (eurostat methodology)</i>	20	55	55	37	17	54	49	35	27	28	48	47	24	38
<i>Material deprivation</i>														
<i>No material deprivation</i>	83	57	58	81	85	62	65	75	69	78	62	63	77	71
<i>Deprived</i>	10	22	23	11	9	20	20	13	18	14	22	21	15	16
<i>Severe</i>	7	21	19	8	6	18	15	12	14	8	16	16	8	13
<i>Sickness and disability recipients (%), they receive, in average †</i>	16	2	3	6	31	12	3	6	69	5	8	3	12	13
<i>Unemployment benefits recipients (%), they receive, in average †</i>	8379	..	..	5519	15594	7231	..	..	14022	..	..	..	..	11153
<i>Unemployment benefits recipients (%), they receive, in average †</i>	13	45	69	34	26	35	43	16	12	59	16	41	81	36
<i>Social Assistance recipients (%), they receive, in average †</i>	4125	3604	5300	4092	8678	3896	3222	2935	4407	6526	2996	3827	11306	5223
<i>Housing Benefits recipients (%), they receive, in average †</i>	5	10	8	3	4	7	4	4	9	5	7	4	3	6
<i>Housing Benefits recipients (%), they receive, in average †</i>	4100	3918	4272	..	..	..	..	..	4144	..	..	..	..	4097
<i>Family-related benefits recipients (%), they receive, in average †</i>	0	2	3	1	1	3	1	1	0	2	1	1	1	1
<i>Family-related benefits recipients (%), they receive, in average †</i>	..	..	..	..	..	..	..	..	..	..	..	..	..	1,562
<i>Old-age Benefits recipients (%), they receive, in average †</i>	2	3	3	2	1	3	4	8	3	11	4	6	3	4
<i>Old-age Benefits recipients (%), they receive, in average †</i>	..	..	..	..	..	..	..	..	..	2327	..	..	..	2724
<i>Old-age Benefits recipients (%), they receive, in average †</i>	3	0	1	0	37	1	0	1	3	0	0	0	1	4
<i>Old-age Benefits recipients (%), they receive, in average †</i>	..	..	..	..	21934	..	..	..	..	..	..	..	..	19679
<i>Household type</i>														
<i>Single</i>	6	7	15	11	16	13	9	0	12	0	1	0	15	9
<i>Couple without children</i>	35	21	27	28	40	31	23	0	32	2	13	0	29	24
<i>Couple with children</i>	12	25	23	17	7	12	28	79	17	78	13	77	22	27
<i>2+ adults without children</i>	35	24	21	29	31	29	19	0	24	2	40	0	24	24
<i>2+ adults with children</i>	11	21	13	14	5	13	17	18	14	11	31	16	9	15
<i>Lone parents</i>	1	1	1	1	1	2	5	2	2	6	2	7	1	2
<i>Have children under 6*</i>	1	19	10	6	2	1	14	54	10	55	11	64	11	16
<i>Have children under 12*</i>	2	32	19	11	3	1	28	99	19	95	20	100	18	28
<i>Number of children †</i>	..	1.5	1.4	1.4	..	..	1.4	1.5	1.2	1.5	1.5	1.5	1.5	1.5
<i>Age of the youngest child †</i>	..	5	6	5	..	..	6	5	5	5	5	4	5	5
<i>Live in rural area*</i>	27	30	27	26	23	27	34	32	30	24	28	30	36	28
<i>Northeast</i>	11	8	7	9	12	10	6	11	13	7	9	7	8	8
<i>Northwest</i>	10	6	8	10	10	5	7	9	6	8	6	3	8	6
<i>Madrid</i>	12	9	12	14	14	9	10	13	9	16	10	9	15	11
<i>Central</i>	13	12	13	12	11	14	13	14	12	10	14	12	13	13
<i>Est</i>	25	26	30	26	29	26	27	22	22	28	25	29	25	27
<i>South</i>	24	32	26	24	20	27	34	26	30	26	32	30	28	29
<i>Canary Islands</i>	6	8	5	5	4	9	4	5	8	4	5	9	3	6
<i>Household with other working household members</i>	56	44	35	58	38	39	49	80	37	74	59	77	48	51
<i>Number of simultaneous barriers</i>	2.7	2.7	1.9	1.2	1.7	2.5	2.0	2.6	2.8	2.1	3.2	3.6	2.8	2.3

Notes: Colour shadings identify categories with high (darker) frequencies. The average number of simultaneous barriers per individual is computed for the core indicators in table A1.1 with the exception of recent work experience. Income quintiles refer to the entire population. Poverty risks and material deprivation are calculated with the Eurostat methodology. "Length of unemployment spell" only covers reference period: unemployment spells that started before the start of the reference period are left-censored at the start of the reference period. Unemployment duration is calculated as an average of durations top-coded at 12 months

\* The variable enters as an additional indicator in the latent class model. See Annex 2 for details.

† average across observations with strictly positive values.

Source: Authors' calculations based on EU-SILC 2014.



Table A1.2. **Characterization of the latent groups (continued)**  
Coefficients of variation (sd/mean) for continuous variables included above

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Target Pop
Age	0.1	0.3	0.2	0.3	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.3
Length of unemployment spell	0.1	0.2	0.1	0.2	0.1	0.1	0.2	0.1	0.0	0.2	0.2	0.1	0.2	0.2
Years of education	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.3	0.3	0.4
Years of paid work experience	0.7	0.8	0.4	0.8	0.2	0.7	0.6	0.7	0.5	0.4	1.0	0.6	0.6	0.7
Equivalent disposable income	0.7	0.8	0.8	0.8	0.7	0.8	0.7	0.6	0.7	0.6	0.8	0.6	0.8	0.8
Sickness and disability	0.5	0.8	0.8	0.9	0.6	0.5	0.7	0.8	0.7	0.9	0.7	1.0	0.7	0.8
Unemployment benefits	0.9	0.6	0.9	1.7	1.2	0.7	1.1	0.7	0.8	1.1	1.0	0.6	1.3	1.3
Social Assistance	0.6	0.7	0.6	0.8	0.6	0.6	0.8	0.7	0.6	0.7	0.5	0.7	0.8	0.7
Housing Benefits	1.3	0.8	1.1	0.6	0.9	1.1	1.0	0.5	0.8	0.8	0.5	1.0	0.8	1.0
Family-related benefits	0.5	1.1	0.9	1.2	0.4	0.7	1.1	1.5	0.6	1.5	0.6	1.0	1.3	1.0
Old-age Benefits	0.7	0.3	0.9	0.4	0.5	0.7	0.6	0.5	0.7	0.5	0.6	0.4	0.6	0.6
Number of children (12 years or less)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5
Age of the youngest child	0.5	0.8	0.7	0.7	0.6	0.7	0.7	0.8	0.7	0.8	0.8	0.8	0.8	0.8
Number of simultaneous barriers	0.3	0.3	0.4	0.8	0.5	0.4	0.5	0.4	0.3	0.5	0.2	0.2	0.3	0.4

## ANNEX 2: EMPLOYMENT-BARRIER INDICATORS

116. The Profile Analysis Note for Spain examines a series of employment barriers that may be faced by those with no or weak labour market attachment. Following Immervoll and Scarpetta (2012), these are categorised into three domains, namely:

- **Insufficient work-related capabilities**, e.g. a lack of skills, work experience, care responsibilities and health-related limitations;
- **Lack of financial work incentive to look for a ‘good’ job**, e.g., because of low potential pay, relatively generous out-of-work benefits, or access to high levels of income independent of their own work effort;
- **Scarce job opportunities**, e.g., a shortage of vacancies in the relevant labour-market segment, frictions in the labour market due to information asymmetries, or discrimination in the workplace.

117. These employment barriers cannot all be measured directly. To operationalise the concepts, the Profile Analysis Note implements a set of workable indicators under each of the three main categories. Fernandez et al. (2016) provides a fuller discussion of the indicators and their rationale, including descriptive statistics for selected countries. The indicators used are as follows:

- **Capability, item 1. “Low” skills:** if an individual has low professional skills (their most recent job was in the lowest two categories of the ISCO-08 classification system).<sup>29</sup> Those who demonstrate high skills by having a tertiary degree are assumed not to face this employment barrier even if their most recent job was low-skilled. If an individual has no work experience *at all*, they are also included in the “low skills” group.
- **Capability, item 2.** Two measures of work experience:
  - **No recent work experience:** if an individual did not work at all during the reference period (i.e., without any employment for at least 12 months).
  - **“Low” relative total work experience:** the indicator takes one of three values: 1 for those who have *no past work experience at all*, 2 for those who have *some* work experience but have worked *less than 60%* of the time since they left full-time education, and 3 otherwise (i.e., if their total work experience is not “low”).
- **Capability, item 3. Health limitations:** If an individual reports some or severe long-standing physical or mental limitations in daily activities.

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29. This indicator is different from that in Fernandez et al. (2016), which classifies individuals who have achieved less than upper secondary education as facing an employment barrier. The reason is that many individuals in the Irish labour force have an upper-secondary degree which is often combined with occupations at “low” skills content.

- **Capability, item 4. Care responsibilities:** if an individual has a family member who requires care<sup>30</sup> and if he or she is either *the only* potential care giver in the household, or the only person in the household who is labour-market inactive or working part time *because of care responsibilities*.
- **Incentives, item 1. “High” non-labour income:** if the household’s income excluding that relating to the work efforts of the individual in question,<sup>31</sup> adjusted for household size, is more than 1.6 times the median value in the reference population.
- **Incentives, item 2. “High” earnings replacement benefits:** if earnings-replacement benefits are more than 60% of an individual’s estimated potential earnings in work.<sup>32</sup>
- **Opportunity, one item only:** if an individual has a “high” risk of not finding a job despite active job-search and willingness to take up employment during most of the income reference period (*at least 7 months*) and until the moment of the SILC interview (inclusive). The risk is estimated with a regression model including region, age group, gender and education as independent variables (see Fernandez *et al.*, 2016 for more details). Individuals with an estimated risk of more than 1.6 times the median value in the working-age population are considered to face “scarce” job opportunities. Scarce job opportunities do not only indicate a barrier to employment in the short term, but if jobseekers become discouraged and stop active job search, it could lead to further problems in the longer run.

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30 . Family members assumed to require care are children under the age of 12 receiving less than 30 hours of non-parental childcare a week and adults reporting severe limitations in daily activities due to their health and being economically inactive throughout the reference period (and in the case of those of working age, that permanent disability is the reason for their inactivity).

31 . This includes both earnings, individual-level earnings replacement benefits and the individual’s share of household-level earnings replacement benefits.

32 . Potential earnings are estimated in SILC with a regression model corrected for sample selection. See Fernandez *et al.* (2016) for details.