Scars that never heal: dualization and youth employment policies in Spain from the Great Recession to the Corona crisis

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Oscar Molina

Alejandro Godino

Centre d'Estudis Sociològics sobre la Vida Quotidiana i el Treball

Universitat Autònoma de Barcelona

Abstract

This article analyses the evolution of the dual labour market in Spain in the post-crisis period at the light of policies implemented for young workers, and provides a first assessment of the labour market impact of the Covid-19 crisis and the policies targeting them. With the only exception of reducing the distance between the regulation of temporary and permanent contracts, the reforms introduced during the great recession and the post-crisis period have not only failed to reduce inequalities in the labour market, but have amplified some of them in interaction with austerity policies. Policies targeting young workers have delivered limited success in improving the position of the most disadvantaged, and more generally, to reduce dualization as temporary employment remains very high whilst employment conditions of younger groups have deteriorated and become more widespread among those with higher educational attainment. As the Covid-19 crisis threatens to create an unprecedented increase in unemployment especially for younger workers less than a decade after the great recession, it calls for new policy approaches aimed at reducing the long-term impact on their careers.

Introduction

One of the most important social impacts of the 2008 financial crisis was the increase in youth unemployment rate in the majority of EU-28, though with significant variation across countries (Choudhry et al. 2012, Eichorst et al. 2013, Bruno et al. 2014). The number of young persons unemployed and not in education reached a highest peak in 2013, decreasing considerably in the following years and reaching its lowest point in 2019. However, in Greece and Spain, the two countries registering the highest levels these years, the decline has been less pronounced, and a structurally high youth unemployment rate has become a feature of their labour markets (Dolado et al. 2013; Eichorst and Neder 2014). Moreover, employment conditions for younger groups in the labour market have also experienced a deterioration, including lower wages, job instability, etc. In order to alleviate the negative impact, several countries developed labour market programs tackling youth unemployment and facilitating labour market (re-) entry, especially for those with lowest educational levels. Born to avoid a lost generation, the EU Youth Guarantee became the flagship response to youth labour market problems in the EU, as it combined income support with targeted training to the most disadvantaged. However, some assessments showed its implementation faced important challenges and deficiencies, hence explaining its uneven impact (Escudero and Mourelo 2015, Tosun et al. 2019)

A decade after, the economic and labour market impact of the Covid-19 pandemic threatens to create a new lost generation whilst re-opening the scars produced by the financial and sovereign debt crises on young workers (Tamesberger and Bacher 2020). Again, the position of young workers in the labour market has placed them in a particularly vulnerable position as they're overrepresented in sectors and jobs that are more vulnerable to social distancing (i.e Retail and accommodation and food services) and have accordingly been more affected by the restrictions imposed to travel, mobility and social interaction. For the new entrants to the labour market, the Covid-19 crisis has reduced the opportunities to find a first job in those sectors that traditionally acted as a gateway to the labour market for them; hospitality and retail. A return to education has occurred in many cases given the bleak prospects they face. For those young workers who entered the labour market during the 2008-2013 crisis and are in their 30s, the Covid-19 pandemic will put a halt to their progress in the labour market, with negative consequences for their future career and mobility. Even though the labour market impact of the pandemic has been temporarily cushioned by the extension of short-time working schemes or temporary layoffs, the long-term impact on the economy and labour market remains uncertain. However, existing indicators suggest that labour market based inequalities will increase even more and young workers will be hardly hit again.

This article analyses the evolution of the dual labour market in Spain in the post-crisis period at the light of policies implemented for young workers, and provides a first assessment of the labour market impact of the Covid-19 crisis and the policies targeting them. With the only exception of reducing the distance between the regulation of temporary and permanent contracts, the reforms introduced during the great recession and the post-crisis period have not only failed to reduce inequalities in the labour market, but have amplified them in interaction with austerity policies and internal devaluation. Policies targeting young workers have delivered limited success in improving the position of the most disadvantaged, and more generally, to reduce dualization as temporary employment remains very high whilst employment conditions of younger groups have deteriorated and become more widespread among those with higher educational attainment. As the Covid-19 crisis threatens to create an unprecedented increase in

unemployment especially for younger workers less than a decade after the great recession, it calls for new policy approaches aimed at reducing the long-term impact on their careers.

The article is structured in three sections. Section I discusses the idea of dualization as a dynamic and multi-dimensional phenomenon with a significant effect on young workers and their careers. Section II provides an overview of dualization in the Spanish labour market, the position of youth and how has evolved during the post-crisis period, with a final discussion on the impact of the Corona crisis. Section III discusses the characteristics and evolution of policies aimed at tackling dualization in the Spanish labour market and discusses those implemented in the context of the Covid-19 crisis.

Section I

Labour market dualization: a dynamic and multi-dimensional phenomenon

The idea of a dual or segmented labour market emerged in the 1970s, being developed by different authors, mainly Doeringer and Piore (1986). They argue that the labour market is divided into two segments: the primary sector (characterised by well-paid stable jobs, opportunities for advancement, and good working conditions) and the secondary sector (characterised by low-paid, precarious jobs, little chance of advancement, and poor working conditions). Piore (1972) later proposed that the primary sector can be divided into an upper and a lower tier, thus creating three labour market segments, corresponding to the middle class, working class and lower class subcultures.

The increase in inequalities experienced by all EU countries following the 2008 financial crisis, put again labour market segmentation high on the agenda. This phenomenon has been recognised in various EU strategic documents (Eurofound 2019). For example, the guidelines of the European Employment Strategy[1] (EES) underscore the importance of better functioning labour markets, with a specific focus on reducing labour market segmentation. These guidelines contribute to the inclusive growth priority enshrined in the Europe 2020 Strategy and its headline target to reduce the number of EU citizens at the risk of poverty or social exclusion by 20mn by 2020.

The segmented character of the labour market has various implications, two of them being particularly important. First, it is a major source of social inequalities and all the pressures on state to mitigate the negative effects they come with. Studies have shown that institutional and structural factors can be as or even more important than personal attributes in determining whether an individual will be at risk of poverty (Tomlinson and Walker, 2012). Second, labour market segmentation has an even more important longitudinal effect consisting in the low upward mobility experienced by those workers at the lower segments of the labour market. Limited upward mobility not only perpetuates inequalities, and may have a dampening effect on labour demand, but it also reduces the incentives some groups of workers have to invest in

[1] Council Decision (EU) 2015/1848 of October 2015 on guidelines for the employment policies of the Member States for 2015

skills. Moreover, it has important implications for the sustainability of welfare states and social cohesion.

Notwithstanding the increasing number of recent studies adopting segmentation lenses (see Eurofound (2019) for a review), two aspects have received limited attention so far. First, this approach assumes that the most important (if not the only) divide is that related to stability / instability, i.e., between temporary and open-ended contracts. No doubt, temporary employment is one of the key cleavages affecting labour markets in the EU. However, the diversification observed in non-standard forms of employment has added new sources of inequalities and makes it an increasingly complex and multi-dimensional phenomenon whose impact goes beyond the duration of contracts. Moreover, considered alone, temporary employment has limited capacity to explain segmentation patterns as in most countries, it is the prevalent form of access to the labour market (Booth et al, 2002; Gebel, 2009). However, there is considerable cross-country variation in the extent to which temporary employment constitute stepping stones towards more stable and higher quality jobs (Booth et al, 2002; Gebel, 2010; Pavlopoulos, 2013). Thus, the use of temporary employment as a variable determining labour market segmentation should be considered adopting a career/trajectory perspective. In this way, temporary employment only becomes a relevant and valid dimension to identify those workers in the secondary segment when considering age or the role it plays in facilitating access to an open-ended contract, or as a source of scarring effects (López-Andreu and Verd, 2016).

Secondly, even though a defining trait of a dualized or segmented labour market is a limited upward mobility between the primary and secondary segments, the size, composition and characteristics of individuals falling into these segments might experience changes over time. Notwithstanding its persistence in EU-28 labour markets, particularly in Southern Europe, labour market segmentation is not a static phenomenon (Wilkinson 2013). Not only its incidence changes over time, with an important role of the economic cycle, but also the groups affected by dualization have experienced changes. Keeping track of these changes is important in order to adapt existing institutions and policies to these new groups, their characteristics and specific needs.

Dualization and Young workers

One of the most affected groups by labour market dualization are young workers. Young people encounter high levels of instability in the early stages of their careers (Cebrián, 2017). Indeed, many young people find transition between education and employment difficult and tend to be disproportionally exposed to non-standard employment and, in particular, temporary contracts, marginal part-time or even platform work (Gebel 2010; Echaves and Echaves, 2017). For the youth, slow integration into the labour market, namely a longer than could be expected waiting period before attaining a ‘safe’ contract has become part of their ‘standard’ careers, though with important differences across countries (Madsen et al., 2013). Moreover, protracted periods of employment on temporary contracts leads to limited upward mobility.

Unequal conditions of access to the labour market largely explain differences in employment conditions and contribute to the construction of mechanisms of differentiation, segregation and exclusion. Traditionally, seniority in the labour market was strongly linked to upward (wage) mobility. However, age-related improvement in employment trajectories has weakened with the erosion of the standard employment model (Bosch, 2004;), a process that has gained

momentum with the 2008 financial and economic crisis. This has resulted in a generational break in the labour market that implies a fragmentation of personal work-life trajectories, delaying and sometimes permanently hindering processes of integration and stabilization in employment and of household emancipation for the younger groups (Passaretta and Wolbers, 2019).

Thus, high unemployment in their early stages followed by prolonged periods of temporary employment can't be considered just a small bump with no significance in the career of young workers, but often they have permanent effects or "scars" in their employment record at different levels such as wages, future employment and / or unemployment situations, and even the happiness and well-being of individuals (Edgell and Beck 2020)). Similarly, when labour market entry occurs in the middle of a recession, with higher unemployment rates and limited employment opportunities, this will have an impact on future career development irrespectively of the education level (Shi et al. 2018). For Spain, although limited, there is some evidence about the existence of these "scars" due to the impact of youth unemployment and instability in employment (Dolado et al., 2013; Arrazola et al., 2018). The time required by a worker to move from a non-standard contract or lower segments, towards stable employment or upper segments, has been increasing in recent years, as many young workers become trapped in unstable and poorly paid jobs (Eurofound, 2019). The long-lasting impact of these scars call for the development of policy approaches combining proactive instruments to fight unemployment and temporary employment, with actions aimed at reducing the accumulated disadvantages.

Section II

Young workers navigating between two crises: The changing contours of dualization in Spain

Labour Market Segmentation in Spain; main changes since the Great Recession

Labour market segmentation has been on the agenda of governments and social partners in Spain since the early 1990s. There is a shared view among all relevant actors that segmentation constitutes the main problem to be tackled in the labour market. However, the debate around the causes of these inequalities remains strongly polarized into two positions (Banyuls and Recio, 2017). According to some authors, the main reason for high levels of unemployment and precarious employment is the existence of institutions imposing rigidities to companies (wage, hiring and firing stringencies) (Bentolila and Jimeno, 2003). This view is rejected by those who argue that the main factor explaining persisting segmentation in Spain has to be found in the characteristics of the economy and business strategies, including its sectoral composition and firm size as main factors. In addition to these two perspectives, demographic factors and immigration more specifically have become important drivers of inequalities in recent years in Spain.

The extension of temporary employment in Spain since the mid 1980s (Dolado et al, 2002) has become the main cleavage in the labour market (Toharia, 2002). The introduction of "flexibility at the margins" that occurred in the 1980s is at the same time re-enforced by the existence of a dualized production structure. Temporary contracts are more frequent among young workers, women and immigrants and have accordingly become a major source of divisions. According to

Polavieja (2005), institutional features interact with high degrees of business uncertainty, hence providing stronger incentives for employers to use this type of contracts. In order to solve these problems, in recent years there have been several voices advocating for the introduction of a single contract (*contrato único*) in order to reduce dualization (Dolado and Felgueroso, 2010). In addition to regulations, the industrial relations system has also been blamed for imposing wage rigidities and protecting labour market insiders vis-a-vis outsiders (Bentolila et al, 2012; Villalón, 2015).

The dual character of the Spanish labour market has a multiplicity of manifestations and impacts, but four of them are particularly important. First, a persistently high unemployment rate. Since the late 1970s, the unemployment rate in Spain has been above the EU average. Following the 2008-2009 financial and economic crisis, the unemployment has experienced a remarkable increase, reaching a peak of 27% by the end of 2013, almost three times higher than the EU-15 average (Alos, 2015). Unemployment in Spain is characterised first of all by a high persistence (Blanchard and Jimeno, 1995) but also by an uneven distribution across regions and different groups of population (Jimeno and Bentolila, 1998). Young workers, women, immigrants and low-skilled workers were disproportionally affected by high unemployment rates (García, 2011; Torns and Recio, 2012; Medina et al., 2010; Miguelez and López-Roldán, 2014). Following the 2008 financial and economic crisis, there has also been an increase in long-term unemployment, particularly among the younger and older groups in the labour market (De la Rica and Anghel, 2014).

Second, earnings' inequalities in Spain have increased very significantly in recent years, a process that has accelerated in the context of the 2008 economic and financial crisis. Thus Bonhomme and Hospido (2017) find that earnings' inequalities in Spain have a strong counter-cyclical component. The rise of inequality during the economic crisis is explained by the fact that cyclical employment fluctuations mostly affected the lower parts of the income distribution. In other words, the worst off in the labour market disproportionately suffer from unemployment and an erosion in working and employment conditions compared to those who were better off (Serrano and Arranz, 2013). Ramos et al. (2015) point to the increase in part-time employment during the great recession and the post-crisis period as an additional factor aggravating the existing earnings' inequalities. As the extension of low paid non-standard jobs is no longer concentrated in the early career stages, but has spread to other age groups, high levels of earnings' inequalities have become an entrenched feature of the labour market.

The third problem is the high prevalence of temporary employment among young workers as well as women and immigrants. Even though the rate of temporary employment in Spain has a seasonal component, it has nonetheless fluctuated around 25-35% since the late 1980s, with little success of government attempts to reduce it (Conde-Ruiz et al, 2010). High levels of temporary employment explain high turnover rates and related costs, whilst having negative effects on productivity levels due to less investment in training (Alba-Ramirez, 1994). Moreover, there is evidence that temporary employment does not work as a stepping stone towards open-ended employment and has significant career scarring effects (Cebrián and Moreno 2018; López-Andreu and Verd, 2016). Temporary employment is also behind the extension of unstable or precarious careers for some groups (young, women and immigrants) in the labour market (Verd and López-Andreu, 2012).

Finally, there are significant gender inequalities in relation to occupational segregation and upward mobility in the labour market. Women are more exposed to non-standard contracts and suffer from occupational segregation, thus being over-represented in the lower segments of the

labour market (Torns and Recio, 2012; Serrano et al., 2019). In addition to occupational segregation, the glass ceiling also impedes many women in high skilled occupations to reach higher/better jobs.

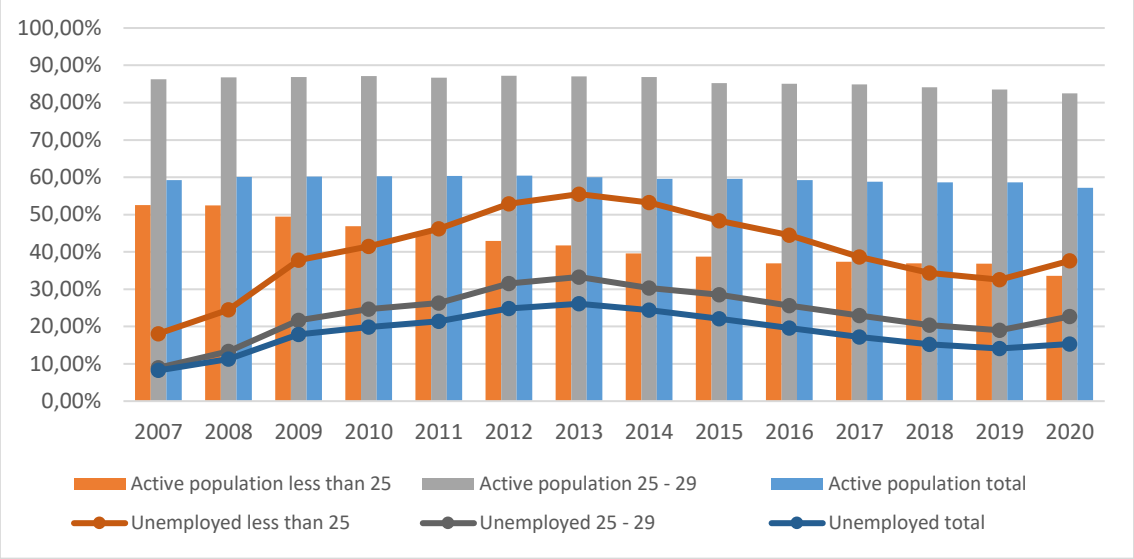
Young workers in a Dualized Labour Market: from the Great Recession to the Corona crisis

Several studies have already investigated the deterioration experienced by young workers in Spain following the 2008 financial crisis. In short, their position in the labour market can be depicted as one characterised by even more precariousness (Echaves and Echaves, 2018). Younger cohorts in the labour market are carrying the burden of the rapid increase in inequalities experienced since 2008, with high unemployment, instability, temporality and low wages . Though the problems affecting youth in the Spanish labour market are by no means new, there is consensus on the fact that the 2008 crisis has profoundly aggravated all of them and added new ones (; Verd et al., 2016; Alonso 2014; Cabasés I Piqué et al., 2016).

Right before the 2008 crisis, Spain reached record high levels of employment and the lowest unemployment rate since 1978. The economy was booming and the labour market seemed to converge at last with EU-average employment / unemployment levels. However, beneath the positive data coming from the labour market, strong disequilibria remained, including a high rate of temporary employment, a high youth unemployment rate, the extension of low paid jobs in sectors like hospitality or the growth of informal employment in care activities or construction. At that time, the debate around the dualization of the labour market was to a large extent centred on the stability / instability dimension that implicitly included a youth problem given the predominance of young workers among those with fixed-term contracts.

The 2008-2013 crisis triggered a profound transformation of the labour market. The quantitative adjustment to the crisis was probably the most important among EU-28 countries due to the rapid increase in unemployment facilitated by a high rate of temporary employment. The unemployment rate rose sharply from 2008 to 2013 in Spain and only since 2016 started to decline (Graph 1). In the case of young people, this reduction in the unemployment rate was not so much related to an increase in job opportunities as to a reduction in the active population. The activity rate for those under 25 has been falling since the great recession: while in 2007 and 2008 the activity rate was stable around 52%, in 2019 it was 36,85%, a 15% fall. Though less pronounced, the 25-29 age group has also experienced a decline in its activity rate. The decline in the activity rate persists during the present pandemic crisis, though contrary to what could be observed in previous years, the unemployment rate has started to increase, especially among the younger groups of the population (Graph 1).

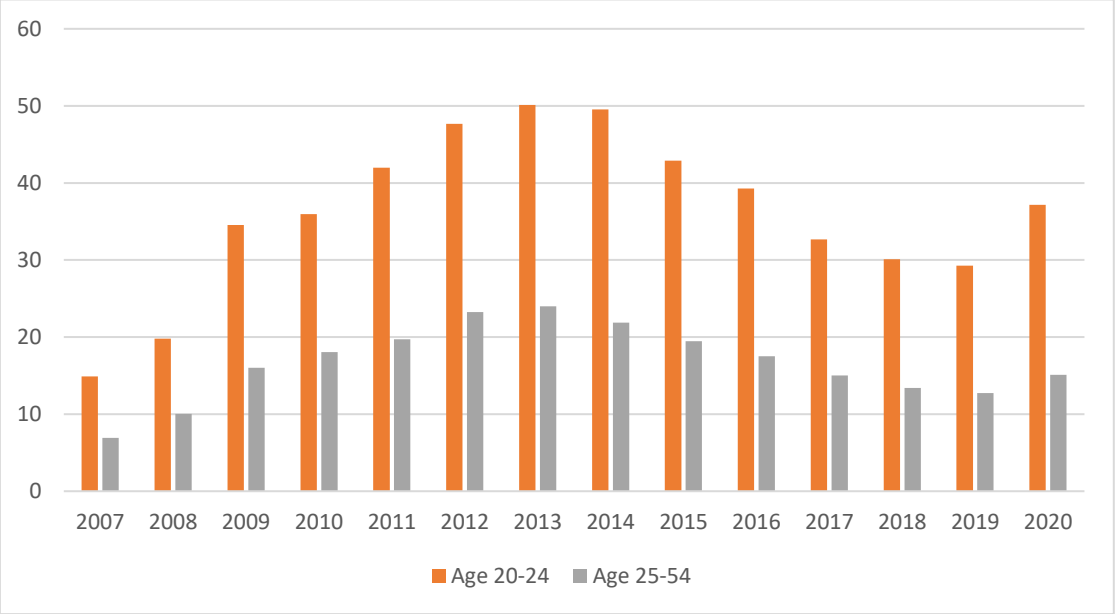
Graph 1. Unemployment and active population in Spain by age group, 2007-2020



Source: EPA (INE, 2020). Data corresponding to annual averages (2020 is average of three quarters).

These trends must be assessed at the light of the evolution of long-term unemployment (Graph 2). The recovery starting in the last quarter of 2013 marked a turning point for the youth long-term unemployment rate, though a decade after the 2008 financial crisis, it remained above pre-crisis levels. The Covid-19 crisis has halted this decline whilst widening the gap between long-term unemployment of the younger age groups in relation to older workers.

Graph 2. Long-term unemployment rate by age group, 2007-2020



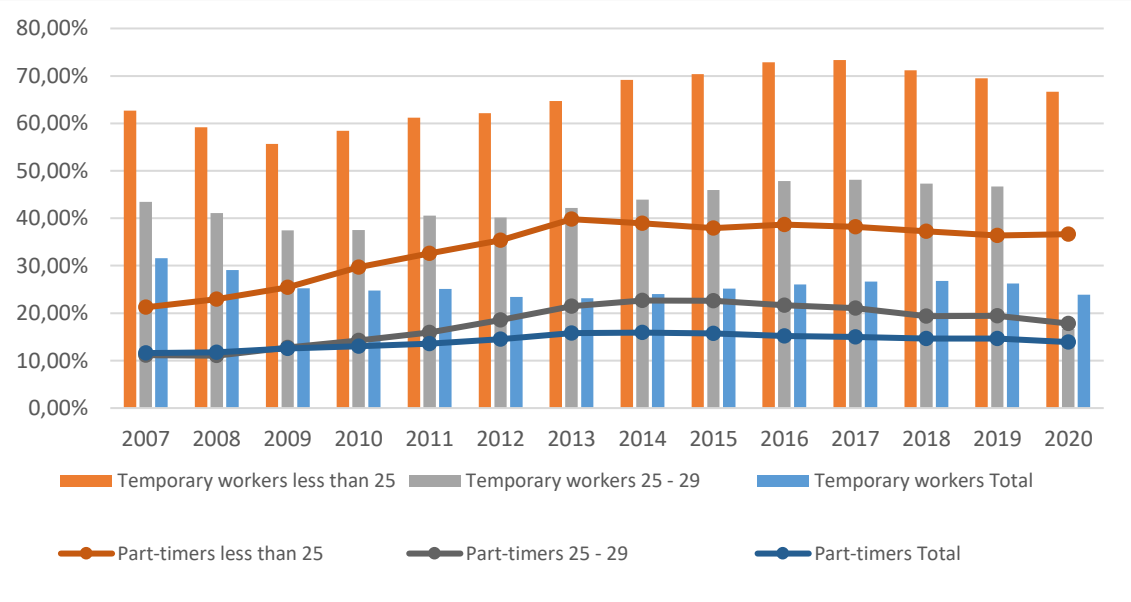
Source: EPA (INE, 2020). Data corresponding to the third quarter.

One of the most important transformations affecting young workers is the erosion in employment conditions experienced by those with higher levels of education. Traditionally,

tertiary education or a university degree guaranteed a labour market entry with better conditions (though not necessarily faster), a smoother consolidation and stabilisation and better working conditions in the medium and long-term. However, with the crisis, the difference between those with tertiary education and those with secondary has narrowed. Some works have found that the education premium has declined during the crisis and post-crisis years (Llopis and Tejerina, 2016; Cabases et al., 2017). Moreover, unemployment rates for those with tertiary or higher education have increased to a similar extent to those with lower educational attainment.

The initial impact of the 2008 financial crisis implied an increase in the rate of permanent employment explained by the rapid destruction of temporary jobs, particularly intense among young workers. The post-crisis period witnessed an increase in temporary and fixed-term jobs that remained the gateways to the labour market for young new entrants (Graph 3). However, whilst the rate of temporary employment for the entire working population was 26,6%, below the 31,55% level right before the financial crisis, for the younger age groups, the incidence of temporary employment was always higher than the one registered in 2007. Not only has temporary employment become more widespread among the younger groups, but the average length of contracts has also diminished during the post-crisis period, from an average duration of 72 days before the financial crisis, to a 49 average in 2019 (Felgueroso et al., 2018). Additionally, the post-crisis period has also consolidated the extension of part-time among younger groups (Graph 3). Higher levels of temporary employment of shorter duration, together with an increase in part-time employment, have contributed to intensify the dualization pattern during the post-crisis period, that will most likely increase with the Covid-19 crisis as a higher unemployment rate increases their likelihood to experience unemployment in the advent of an economic shock.

Graph 3. Young part-timers and temporary rate, 2007-2020.

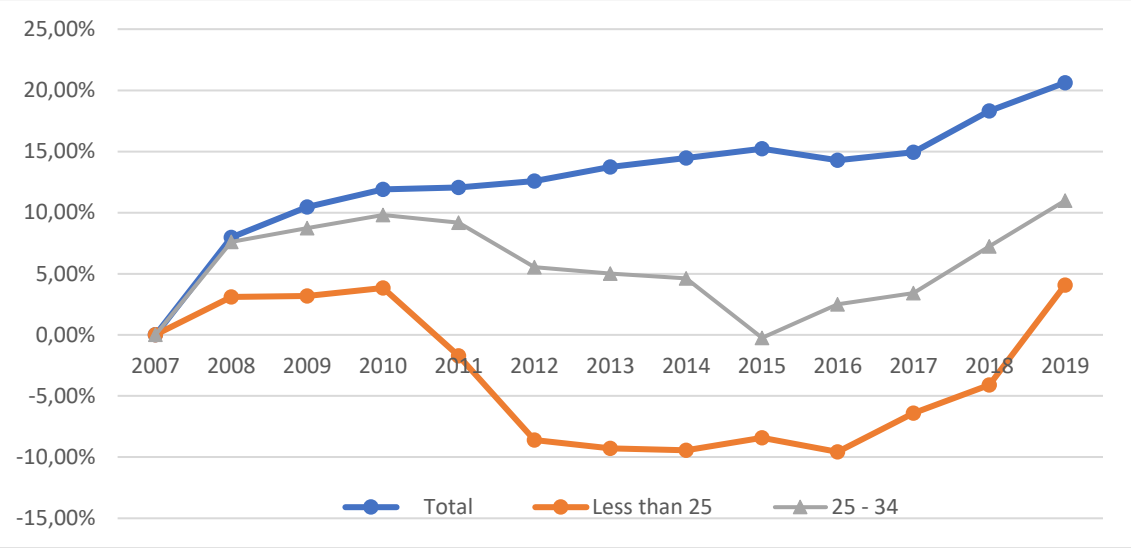


Source: EPA (INE, 2020). Data corresponding to annual averages (2020 is average of three quarters).

As younger groups in the post-crisis period have witnessed a deterioration in their employment conditions, so have their average annual earnings. Real wage cuts provoked by the internal devaluation process added to the higher incidence of part-time and more frequent

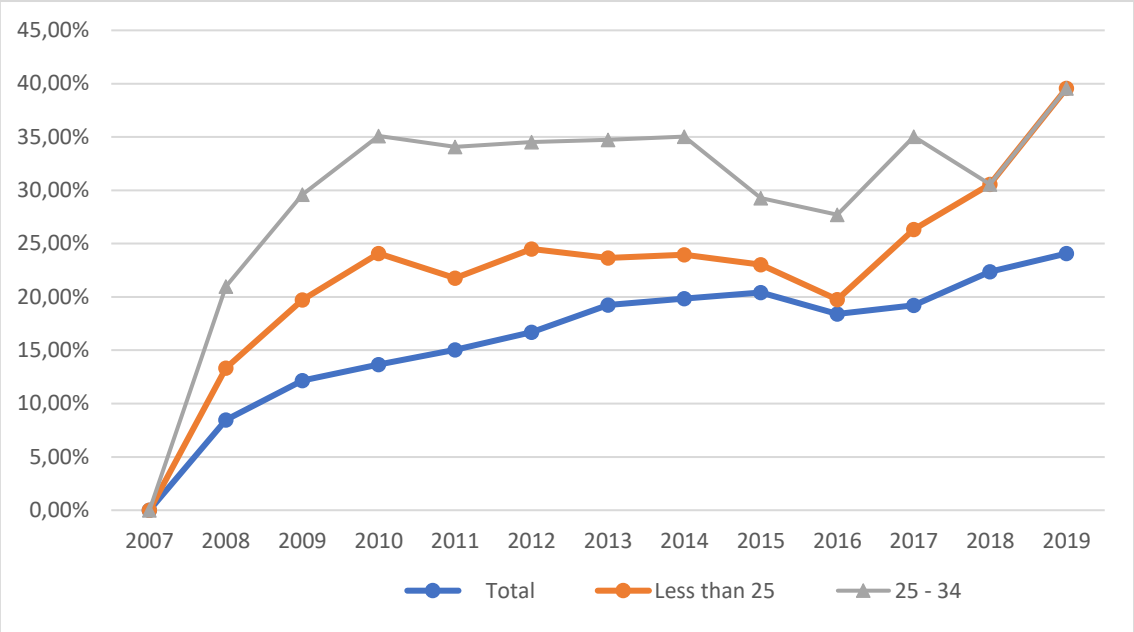
unemployment spells, to deliver a significant decline in annual average earnings of younger workers (graph 4). However, the same analysis exclusively for full-timers (Graph 5) and part-timers shows different trends due to diverse composition effects: a relative increase in the average income of young people at the beginning of the crisis reflects the exit from the labour market of those in more precarious, low paid jobs. As the economy started to recover, so did the wage curve to flatten with the increase in these low paid jobs destroyed during the crisis years. Significant increases from 2017 and especially 2019 of average annual wages coincide with the largest increases registered in the minimum wage, thus pointing to a particularly positive effect for young workers. The high incidence of low paid jobs among younger groups in the labour market makes increasing minimum wages a particularly effective mechanism to support young workers' incomes, though it would be important to assess the negative employment effects.

Graph 4. Annual average wages by age group, (2007=100)



Source: EPA (INE 2020). Average annual salaries are the average of monthly gross earnings.

Graph 5. Annual average wages of full-timers by age group (2007=100)



Source: EPA (INE 2020). Average annual salaries are the average of monthly gross earnings.

Even though it is still early to assess the medium-term impact of the Covid-19 crisis on the labour market due to the extension of temporary layoffs and short-time work, it is nonetheless possible to outline some general trends based on available indicators. Existing evidence suggests that the Spanish labour market will be the hardest hit by the Covid-19 crisis (Gómez and Montero, 2020). Thus, for instance, it is the country registering the highest number of temporary layoffs, whose final impact in terms of jobs maintained or destroyed remains very uncertain. A persistently high incidence of temporary employment among young workers makes them particularly vulnerable in the event of a negative shock (Arce, 2020; Consejo de la Juventud en España, 2020). The unemployment rate for those aged 15-24 reached 40% in the third quarter of 2020 and keeps growing, whilst the number of NEETs has also been increasing during 2020, reaching 14,5% in this same period. Furthermore, the current crisis is having a stronger impact on sectors with proportionally higher levels of youth employment like tourism, retail or recreation activities. This has already had a visible impact in a significant increase in the long-term unemployment rate for young workers, as these could at least rely on seasonal employment in tourism or recreation activities to be employed at least for some months.

Thus, the Covid-19 crisis threatens to intensify the dual character of the Spanish labour market and aggravate the situation of economic and social risk of the young population, especially the new entrants facing long-term unemployment. From a career perspective, the crisis might not only produce scars on young new entrants, but could also deepen / aggravate those opened during the great recession on the age group 30-40.

Section III

Policies to fight youth unemployment and precariousness: from the financial to corona crisis and beyond

Although the dual character of the labour market in Spain is widely acknowledged by social partners and governments, there is no agreement on the causes and solutions to it. Trade unions defend the need to tackle segmentation through higher expenditure on active labour market policies, industrial policies to upgrade the economy and higher levels of protection for workers under non-standard contracts. Employers on their side share the need to expand active labour market policies, but also to further increase flexibility on the labour market and in particular, to close the gap between protection enjoyed by workers with open ended and temporary contracts. Employers also advocate for higher levels of wage flexibility in collective bargaining, through its de-centralisation. On the government side, there have been differences depending on the ideology of the governing party, though there has been an over-reliance by either left-wing or right-wing governments on legal changes to the protection of standard contracts as mechanisms to reduce dualization.

Employment policies and reforms since the early 1980s have been characterized first of all by the introduction of flexibility at the margins through the extension of temporary employment and later on, through the relaxation of firing regulations for open-ended contracts. A second important trend consisted in the de-centralization of active labour market policies towards the local and regional level, together with a more important role for social partners in their implementation (Alujas, 2004). Finally, the unemployment benefit system was characterized by the consolidation of a strong contributory pillar complemented with an assistance one that nonetheless left outside important groups of workers, including those on temporary contracts. The only area where the 2008 financial crisis has implied a significant move with respect to the previous path has been active labour market policies, where not only there has been a recentralization, but also the tripartite management structure that characterised this area has been transformed and both unions and employers are no longer key actors in managing and delivering training (Lope, 2015). Changes in employment regulation have further relaxed dismissal protection for open-ended contracts, thus continuing with a trend initiated already in the mid 1990s.

Labour market reforms in Spain since the outbreak of the 2008 crisis have constituted further steps along the path initiated by previous reform attempts (Horwitz and Myant, 2015). Thus the great recession gave rise to many changes in labour market regulations and employment policies which have nonetheless exhibited continuity with respect to previous trends. In the case of employment regulations, reforms during the 2008 crisis have maintained an emphasis on reducing the scope for the use of temporary contracts, whilst relaxing protection of employees with open-ended contracts through a reduction of severance payments and the flexibilization of conditions for fair dismissal. Whilst little has been achieved in relation to reducing the rate of temporary employment, notwithstanding the stricter regulations and monetary incentives for transforming temporary into open-ended contracts (Molina, 2014), the labour market has become much more flexible on exit.

At the same time, the basic institutional configuration of income maintenance schemes has not experienced significant changes. The unemployment protection framework was also based on the typical two-tier structure combining insurance and assistance benefits for registered unemployed persons. Since its creation, the system exhibited some fragmentation, including the creation of special schemes designed to address specific social problems, such as agricultural unemployment in the southern regions of Andalusia and Extremadura, as well as processes of industrial adjustment such as coal mining. The introduction of stricter rules regulating access to unemployment benefit, their duration and generosity have de facto led to increase the dualisation that characterizes the Spanish labour market. Moreover, new schemes for target groups like young workers or long-term unemployed have been approved, thus perpetuating the fragmentation that characterizes unemployment benefits in Southern European countries.

Youth Employment Policies in Spain

Policies targeting youth in the labour market can be divided into two groups. First, those aimed at fighting youth unemployment, targeted either to new entrants or unemployed youth. Instruments in this group can fall into four categories (Caliendo and Schmild, 2016) namely labor market training, job search assistance and monitoring, wage subsidies and public sector work programs. Secondly, those policies whose objective is to improve employment conditions of young workers. These could include policies aimed at turning temporary into open-ended contracts, training etc. This distinction is somewhat artificial since the boundaries between these two groups of policies are often blurred. Thus, for instance, very often policies aimed at (re-) integrating youth into the labour market consist of a mix of financial incentives for companies and training measures.

Initiatives aimed at tackling youth dualization in Spain have moved around three main axis. First, to reduce the abuse of non-standard forms of employment, mostly temporary employment, and facilitate the transition from temporary into open-ended contracts. To achieve this goal, two main instruments have been used. First, financial incentives for employers to use open-ended contracts or transform temporary into permanent contracts. Second, changes in labour market regulations imposing more stringent conditions for the use of temporary contracts. Another strategy has consisted in active labour market policies aimed at enhancing the employability of those workers with lower educational level and facilitating their integration and progression in the labour market. Finally, financial incentives to hire young workers have also been used.

Already in 2012, the labour market reform modified apprenticeship contracts, combining financial incentives and reduced dismissal costs with training in order to reduce youth unemployment and facilitate the transition into open-ended contracts of young workers. Moreover, it raised the age from 21 up to 30 in order to benefit from them. By increasing the age, the objective of re-integrating youth in the labour market became more important than the learning component. Additionally, by facilitating dismissal within the first year, it made even more precarious this type of contracts (Cabasés et al. 2017). Some authors have showed how despite its widespread use, it didn't achieve the expected result, as the limited training component rendered it a mere form of temporary hiring (Molero, 2016).

In the post financial crisis period, youth policies have been characterized by a significant emphasis on stimulating demand (by providing financial incentives for hiring to companies) and

on promoting self-employment and entrepreneurship. The range of incentive measures for hiring, together with the different training and part-time hiring formulas, seem to lead the youth group to temporary employment and part-time work (Guamán 2013). However, the incentives for permanent hiring haven't guaranteed nor encouraged the extension of these contracts beyond the duration of the incentives and the its maintenance.

Policies promoting employability (training and re-skilling) have received less attention from the central government. Still, two interesting aspects stand out. In the first place, the commitment to the development of dual vocational training. Since 2012, the number of schools, collaborating companies and registered students has grown exponentially. Secondly, it is also worth highlighting the development of second chance or reintegration measures for young people with severe educational deficiencies in the formal and occupational educational system. Some measures especially suitable for the group of young NEETs.

Before the deterioration experienced by young workers in the labour market, the Socialist government approved in 2018 a Shock Plan for Youth Employment 2019-2021, after reaching an agreement with trade unions and employer organisations. The objective of this plan was to promote employment of young people through a comprehensive programme of fifty actions. Among them, the hiring of 3000 additional job counsellors in Public Employment Services was the most important one. Those counsellors will be in charge of advising the Young unemployed so that they can find employment as soon as possible and to find job offers.

Covid-19 Crisis and Youth Employment Policies in Spain

Notwithstanding the Covid-19 crisis is expected to have a significant impact on the situation of young workers, so far, no specific policies aiming at helping youth to (re-) enter the labour market or more generally to reduce dualization have been introduced in Spain. Several actors, including trade unions (CCOO (Moliner and Martínez,2020)), the Social and Economic Council (CES, 2020) or youth-related public organisations (Injuve, 2020) have alerted about the particular impact of the pandemic on youth employment and their trajectories. These organisations coincide on the need to implement specific measures towards young people.

Some general policies implemented to cope with the effects of the Covid-19 crisis on the labour market have already had a positive impact on young workers. Thus, for instance, a non-targeted policy response to the Covid-19 crisis that had a proportionally stronger positive impact on young workers have been temporary layoffs (Llorente, 2020). The policy guaranteed access to the benefits associated to a temporary layoff scheme even to those workers who did not meet the formal requirement to access them, i.e., a minimum record of six months of employment during the last years. Thanks to it, many young workers on temporary contracts not complying with these requirements, are benefiting from this scheme. However, once the extensions to these temporary layoff benefits finish, many young workers risk being unemployed (Cárdenas del Rey, 2020). By contrast, in other cases the policy response to the Covid-19 crisis has been dualizing. This is the case of the Minimum Living Income, a guaranteed income scheme approved in the early stages of the Covid-19 crisis. This instrument excludes a significant part of young people as it only applies to those above 22 complying with strict requirements of emancipation.

The national recovery plan “España puede” (Spain can) launched by the Spanish Government in October 2020, contains some aspects addressing specifically the impact of the pandemic shock on young people and the need to develop initiatives to support them. The plan points to an unequal recovery where young people will be asymmetrically affected due to the sectors and activities where they tend to be employed and the larger incidence of non-standard contracts. Therefore, it announces a new impetus to employment policies including the Youth Guarantee, paying special attention to individualised guidance, especially for young people. And yet, no significant departure from the pre-existing policy setting for young people has been implemented or foreseen based on the general orientations contained in this plan. Thus, for instance, the only change in the Youth Guarantee during the pandemic is the possibility to apply via e-mail. Building upon the general principles laid down in the Recovery Plan, the Ministry of Employment and Social Affairs is currently preparing a package of active policy measures focused on young workers.

What is clear to most actors is that the policies currently at work won’t suffice to counteract the short and long-term impact of the Covid-19 crisis on young workers. The problem with these policies is that they have poorly resolved the situation of unemployment and the risk of exclusion of the most vulnerable young people. As already mentioned, these measures have been much more effective for young people with high education and short unemployment spells in their careers (Rodríguez-Soler and Verd, 2018). In this sense, an urgent reform of the Youth Guarantee would be necessary to address its ineffectiveness among the groups that are supposed to be its priority and that, as indicated, will be the ones that will suffer the most from the current economic crisis.

Moreover, the Covid-19 crisis will further deepen the problem of socio-economic, cultural and relational exclusion of certain groups of young people. For this reason, policies to tackle social exclusion (many of them implemented at the local level) should adopt a comprehensive approach aimed at tackling these multiple forms of exclusion. For example, job search mechanisms of young workers rely to a large extent on their personal and professional network (Vacchiano et al., 2018).

It follows from the above that the policy mix for employment policies in the recovery phase from the Covid-19 crisis should combine existing fine-tuned strategies against dualization with new instruments. Among the former, the reduction of temporary employment rates, including a stricter vigilance on the abuse of these types of contracts, remains key. Extending unemployment protection and other social benefits (including the Minimum Living Income) to younger groups of the population stand as strategic priorities against dualization. On the other hand, trade unions have also pointed out to the need of reviewing some of the traditional instruments, including financial incentives for companies to hire young people as they have limited net employment creation effects and only serve to reduce labour costs for employers (UGT, 2020). Similarly, the Youth Guarantee needs to be revised and adapted to the new conditions of economic and social reconstruction, as already pointed by the Ministry of Employment.

More importantly, as the Corona crisis will leave new scars and deepen those left by the Great Recession, it is important to rethink youth employment policies in the context of the several impacts these scars will have, including difficulties to progress in the labour market and limited

upward mobility. Thus, in the case of the 35-45 age group, where temporary employment remains higher than the average, the Covid-19 crisis may deepen the scars of the great recession, just in the moment where they were consolidating their careers. Many workers in this cohort have already experienced long unemployment spells or late labour market entry accompanied by high levels of precariousness. This not only translates into difficulties to leave the family home and live independently, but also endangers access to pensions and other social benefits, etc. Thus youth policies should be more comprehensive and try to address precariousness in its many dimensions, considering both short-term and long-term effects (Moliner and Martínez, 2020).

Conclusions

The Covid-19 crisis will certainly have an impact on youth employment equal to or greater than that of the 2008 financial crisis. For the generation of young people now entering the labour market, the crisis will significantly reduce the opportunities to find a job, and it will force many of them to extend their education, a long period of unemployment or inactivity. For many of those who entered the job market during the Great Recession or in the post-crisis period, the Covid-19 crisis will exacerbate the scars already opened during this period. Beyond their impact in the short term, the compound effect of the two crises on the work and life trajectories of young people can be large.

The dualization that characterizes the Spanish labour market has not only not been corrected in the years of the Great Recession and in the subsequent period, but has worsened in many aspects. This has affected young people most intensely in the labour market, among whom the incidence of long-term unemployment has increased and they have experienced a deterioration in employment conditions, even for those with a higher educational level. The structural nature of difficulties of many young people in their transition to adulthood, which should be the subject of a set of economic, educational, labour and social policies aimed at the young population in the coming years.

Despite the seriousness of the situation, the policies to respond to the crisis seem clearly insufficient. In light of the labour market dynamics observed in the post-crisis period, the limited capacity of traditional approaches (based on deregulation and flexibility of dismissal conditions for standard jobs and incentives for hiring) to reduce inequalities affecting young people has become clear. Even attempts to develop labour inclusion mechanisms for the most vulnerable groups with a low educational level have had limited effectiveness in consolidating stable employment trajectories. It is nonetheless noticeable the shift in the approach of governments responding to the Great Recession and the Covid-19 crisis. Whilst under the 2008 financial crisis, austerity policies and labour market reforms increased the capacity of companies to fire and opt out from collective agreements, so far the response to the current Covid-19 crisis has focused on ensuring workers' protection (Cárdenas del Rey, 2020).

It is therefore necessary to move from a paradigm in employment policies focused on the short-term inclusion in the labour market, to a more cross-cutting approach focused on providing support in the medium term to the careers of young people. The integration in this approach of employment policies with social or housing policies seems key to heal the scars left by the two crises. It is important to give strategic importance to policies for the young population and to articulate an employment policy in a broad sense. These policies should be coordinated with

educational and training policies to create a youth policy programme capable of tackling the many challenges facing in the short and medium term.

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