



NEW REPORT: The labor market in Spain, 2002–2016: Youth and long-term unemployment remain unsustainably high

A [new IZA World of Labor report](#) looking at developments in the labor market in Spain finds the country's levels of youth unemployment as well as long-term unemployment remaining so unsustainably high that they pose a risk for social cohesion

Spain, the fourth largest eurozone economy, was hit particularly hard by the Great Recession, which made its chronic labor market problems more evident. The economists Anna Sanz-De-Galdeano and Anastasia Terskaya of the University of Alicante see the main problems in the rigid system of collective bargaining and the dual nature of employment protection legislation, in which temporary contracts with low firing costs and open-ended contracts with high firing costs coexist. This combination, according to the economists, caused the labor market to adjust to negative shocks mostly through dismissals.

Before the Great Recession the overall share of temporary jobs was above 30%, almost three times the OECD average, with temporary employment being more prevalent among women and youth. After its 2006 peak of almost 33%, the rate of temporary employment declined to its lowest point, dipping below 24% at the end of the second recession (2013). This decline illustrates that job destruction during the crisis was disproportionately borne by temporary workers.

As a result youth unemployment rose dramatically throughout the Great Recession, peaking at 55.5% in 2013, and has been on the decline since then. However, by 2016, youth unemployment was still at 44.5%, more than twice its 2007 pre-recession level. In Spain, as in other OECD countries, many young people enter the labor market through temporary contracts. However, Spain's transition rates from unemployment or temporary employment into permanent employment are among the lowest in the OECD. Issues also exist in regard to wage inequality, with decline in real wages disproportionately affecting young employees.

Another pressing problem is long-term unemployment: In 2016, 42.3% of all unemployed individuals (and 8.3% of the labor force) had been out of a job for more than two years, almost 3.5 times more than shortly before the Great Recession. Such pervasiveness of long-term unemployment stands out from a historical perspective as well as internationally, with the Spanish long-term unemployment rate being the second largest in the EU (after Greece). Furthermore, evidence shows that finding a job becomes increasingly harder for long-term unemployed individuals. Hence, Spain's high levels of long- and very-long-term unemployment entail a risk of social exclusion for the affected individuals, and getting them back to work is a crucial challenge for policymakers.

Therefore, the two economists urge that further labor market reforms are needed: "No reform has properly addressed the problem of duality, as the firing-cost gap between temporary and permanent contracts remains large." And: "previous reforms made very little progress toward the design, implementation, and evaluation of well-targeted active labor market policies that improve the employment prospects of vulnerable groups generally, and the long-term unemployed in particular."

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World of Labor

Evidence-based policy making

This is the fifth in a series of articles, each entitled “The Labor Market in...” Leading labor economists and macroeconomists from each of these countries have agreed to write an article summarizing the current state of the central issues in the country’s labor market. Please read our previous articles on [country labor markets](#), including US, Germany and Japan.

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Notes for editors:

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