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**PROTECTING THE LONG-TERM UNEMPLOYED:
THE IMPACT OF TARGETING POLICIES IN SPAIN**

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Long-term unemployment¹ (LTU) is a phenomenon of considerable magnitude with worrying consequences. During the mid-1990s, and in spite of the big effort on employment policies made by most countries during previous years, LTU was near 9 million in the European Union, an amount which represented 50% of all unemployed people. During the last ten years, only a few industrial countries have been able to reduce the LTU proportion of total unemployment although, as we argue below, there are many differences between countries, both in the relative and absolute magnitudes of LTU. In addition, unemployment duration is usually associated with a deterioration of the qualifications and attitudes of individuals (self-esteem, self-confidence, effort in the search for a job); this is why it is supposed to have disturbing psychological and social consequences.

The magnitude and persistence of LTU have made people think of it as the main potential source of social exclusion. OECD and EU diagnoses agree in pointing to it as the main social problem, especially inside the European context, and in making it appear as the prior target for employment policies (European Commission, 1996; OECD, 1993 and 1997). In fact, action for the reduction of LTU was defined as one of the pillars of EU employment policies in the Luxembourg meeting of the European Council that took place in November 1997. The Spanish case is singularly interesting in this respect. From the mid-1980s onwards, and with the spectacular growth of LTU, Spain has effected a deep deregulation of its labour market and has intensified considerably its active employment policies. However, the unemployment level has not decreased and its composition is nowadays much more worrying.

Referring to the introduction and implementation of targeting policies within the European Union, Ferrera (1995) argues that four distinctive strategies may be ascertained by an equal number of groups of countries. While all EU members have been confronted similarly by the crisis of social protection systems in the face of both endogenous and exogenous challenges, the responses in terms of policies, even if labelled in the same way, have varied territorially. Targeting policies are an example of this phenomenon. Scandinavian

¹ The standard definition of LTU is that which lasts more than a year.

countries (Finland, Sweden and Denmark) in general have failed to use targeting policies but have, rather, conducted retrenchment policies for the whole population. The long-standing targeting tradition of the anglo-saxon countries (Great Britain and Ireland) has been accentuated, which has led to a deeper departure from the Beveridge model. In turn, Central European countries (Germany, France, Austria, the Netherlands, Belgium and Luxembourg) have only been able to introduce targeting policies in those domains of social policy that are conceived as universalist -for example, family allowances.

Finally, South European countries (Portugal, Spain, Italy and Greece) have tended to use targeting policies for the purpose of filling the gaps existing in their income maintenance systems. This result has been fostered by the recommendations of EU institutions, and by the perception that generalizing protection --by reducing coverage gaps-- will bring South European welfare states closer to the more developed Central and Northern ones. To what extent is this true in the particular case of unemployment protection in Spain? This paper analyses the evolution of LTU in comparative terms as well as the characteristics of the long-term unemployed in Spain during the last decade, to which the first and second sections are devoted respectively. The third section contemplates the development of both passive and active labour market policies during the same period.

We understand unemployment insurance and active labour market policy as two crucial institutions that have been built in Western welfare states in order to respond to the industrial revolution, and which show a great variety of organizational arrangements in each welfare state (Schmid, 1995). In fact, the purpose of this article is to analyse the choices made within the Spanish welfare state, which is interesting because of the high proportion of LTU in comparison to other European countries and also because of the characteristics shown by this group of the population in terms of age and sex.

LTU in Comparative Perspective.

A comparative perspective shows that there are big differences among Western countries both in terms of unemployment rates and of the incidence of LTU as a proportion of unemployment as a whole. The persistence of LTU in the last few years, however, is a feature shared by nearly all countries. If these three aspects are taken into account (total unemployment rates, incidence and evolution of LTU), three groups of countries may be distinguished in the OECD area (Table 1):

Table 1. *Unemployment rate and long-term unemployment in selected countries**

	Standardized unemployment rates (UR)			Long-term unemployment (% of total unemployment)		
	1983	1990	1995	1983	1990	1995
High UR (>10%)						
Spain	17.0	15.9	22.7	52.4	54.0	56.5
Finland	5.4	3.4	17.1	19.2	..	32.3
Ireland	14.4	13.3	12.9	36.0	66.0	62.3
Italy	8.8	10.3	12.2	57.1	69.8	62.9
France	8.3	8.9	11.6	42.2	38.0	45.6
Medium UR (6-10%)						
Canada	11.9	8.1	9.5	9.5	5.7	13.8
Belgium	9.8	6.9	9.4	64.2	68.7	62.4
Sweden	3.9	1.8	9.2	10.3	4.7	15.7
United Kingdom	12.4	6.9	8.7	45.2	34.4	43.5
Australia	9.9	6.9	8.5	25.4	21.6	30.8
Germany	7.7	4.8	8.2	41.6	46.8	48.3
Portugal	7.8	4.6	7.1	..	44.8	48.7
Netherlands	12.0	7.5	6.5	47.8	49.3	43.2
Low UR (<6%)						
United States	9.5	5.6	5.5	13.3	5.6	9.7
Norway	3.4	5.2	4.9	4.8	19.2	26.5
Japan	2.6	2.1	3.1	13.3	19.1	18.1

* Countries ranked by UR in 1995

Source: OECD

a) Within the group of European countries showing the highest rates of unemployment (UR) (>10%), such as Spain, Ireland, Italy and France, the incidence of LTU is also very high and, what is more, that incidence has hardly decreased between 1983 and 1995. Whatever the case, inside this group of countries, the variation in LTU is not proportional to that registered for UR: for example, Spain's UR was nearly double that of the Italy, but its LTU level was slightly inferior. The case of Finland is the most distinctive within this group, as its recent high UR has not yet been translated into a very high level of LTU.

b) Countries with medium levels of unemployment (6-10%) in the 1990s maintain, on the whole, a high incidence of LTU. In these countries, the LTU reaches, as a minimum, a third of unemployed people (Australia), although it usually surpasses 40% in most of them (Germany, the Netherlands, Portugal and the United Kingdom) and is near to two thirds in Belgium. Even those countries which have been able to reduce notably their unemployment levels, such as the Netherlands and the United Kingdom, have hardly seen a fall in the incidence of LTU. The Canadian and Swedish cases stand apart: they have a medium-level UR, but are able to maintain a low incidence of LTU.

c) Those countries which have achieved the lowest total unemployment levels usually have a low and regular incidence of LTU. This is the case in the USA and Japan, where the LTU has not surpassed the threshold of 20%, even during those periods when they have had highest levels of UR. But also among this group of countries is Norway, where the LTU already affects more than a quarter of the total unemployed.

In spite of all the variation observed in this comparative view of countries, there is a feature of unemployment evolution which looks singularly common to European countries: the extraordinary persistence of LTU. It seems that once a country reaches a high incidence of LTU it is very difficult to reduce it slightly. In fact, this is what has happened in most of the European countries during the 1980s and 1990s: the levels reached during the early 1980s were slightly reduced at the end of that decade, but quickly recovered during the short recessive phase in the early 1990s. Only a very strong reduction of UR, to below 6-7%, generates a considerable reduction in the relative incidence of LTU. The Scandinavian

countries represent the only exception to this trend in the European context: Finland has seen how its UR quadrupled in the 1990s with its LTU affecting no more than a third of unemployed people; Sweden has also witnessed a spectacular increase in its UR but which has not brought a higher incidence of LTU.

1. LTU in Spain: volume, evolution and composition.

Spain combines one of the highest UR together with very high levels of LTU. In the last ten years, its UR has surpassed 24% and has never been below 16%; during that time, LTU has always been more than 45% and has sometimes affected more than two thirds of the total of unemployed people (Table 2).

Whatever the case, although unemployment has not fallen to medium or low levels, one of its most characteristic features in Spain is its strong cyclical behaviour. In very short periods of time, considerable fluctuations may be observed in both the levels of general unemployment and LTU. During the cycle of recession associated with the energy crisis, lasting from the late 1970s to the mid-1980s, Spain's average annual UR rose from 5.2% in 1977 to 21.6% in 1985. In the same period, the number of people affected by LTU rose from 135,700 to 1,635,200, representing an increase in its share of total unemployment from 20.1% to 55.6%. During the following expansive cycle, lasting until 1991, the unemployment level fell very considerably, by more than 5 percentage points. Although LTU also fell in absolute terms very significantly, affecting almost 400,000 people, its relative incidence remained very high. During the short crisis cycle of the early 1990s, between 1991 and 1994, unemployment increased again spectacularly and the UR went from 16.3% to 24.2%. In these four years, the number of people affected by LTU increased by more than 800,000, although its relative incidence remained quite steady during the whole period, as general unemployment and LTU were growing in very similar proportions. In the few years of recovery starting in 1994, UR has fallen by 1% per year but this has still not had any consequences in terms of a considerable reduction of either the relative or absolute volumes of LTU.

Table 2. *Unemployment in Spain (1987-1997)*
(Annual average)

	Total unemployment (thousands)	Unemployment rate	Long-term unemployment (thousands)	Incidence of long- term unemployment (% of total unemployment)
1977	676.0	5.3	135.7	20.1
1978	906.8	7.1	226.5	25.0
1979	1,122.7	8.7	327.2	29.1
1980	1,487.8	11.5	484.1	32.5
1981	1,853.7	14.4	738.3	39.8
1982	2,120.4	16.0	1,022.1	48.2
1983	2,340.5	17.5	1,227.6	52.4
1984	2,728.2	20.3	1,454.9	53.3
1985	2,938.5	21.6	1,635.2	55.6
1986	2,933.0	21.2	1,634.7	57.1
1987	2,937.7	20.5	1,804.0	61.4
1988	2,847.9	19.5	1,761.0	61.8
1989	2,560.8	17.3	1,731.8	67.6
1990	2,441.2	16.3	1,299.0	53.2
1991	2,463.7	16.3	1,243.2	50.5
1992	2,788.5	18.4	1,306.6	46.9
1993	3,481.3	22.7	1,730.5	49.7
1994	3,738.1	24.2	2,084.5	55.8
1994	3,583.5	22.9	2,026.2	56.5
1996	3,540.1	22.2	1,953.9	55.2
1997*	3,403.7	21.2	1,861.7	54.7

* Average of first and second quarter

Source: INE, *Encuesta de Población Activa*

The UR behaviour cycles and the incidence of LTU do not match completely. In fact, UR variations take place in longer periods than those of LTU. As may be seen in Chart 1 for the last ten years², the cycles of destruction and recovery of employment are longer than those affecting the incidence of LTU. During the expansive phases, the reduction of LTU is only initiated at the end and lasts for a shorter period, probably because the recovery flows of

² Henceforth, we will only take notice of data from 1987 onwards, as that is the year from which the main statistical source about unemployment, *Encuesta de Población Activa*, shows series with standardizing guarantees.

employment affect the short-term unemployed people in the first place. This is what happened during the expansive cycle of the 1980s, when the reduction of LTU was important but took place between 1989 and 1992. Maybe this is also what is happening in the most recent phase (1994-1997) with any reduction of LTU barely noticeable, even though UR has been falling constantly since 1994. In the opposite direction, the crisis phase of the early 1990s showed only a slight increase in the incidence of LTU between 1993 and 1994.

Chart 1
Unemployment Rate and Long Term Unemployment in Spain
1987-1997



Most of the studies undertaken at the time when the incidence of LTU was higher, in the last years of the 1980s, agreed in pointing out its concentration in certain categories (OECD, 1987; Cebrian, Garrido and Toharia, 1992; Jimeno and Toharia, 1992; Juarez, 1995: 1399-1406). The following features were clearly associated with a stronger probability of being a long-term unemployed person: being a women, to a greater extent if married, in search of a first job, being of an advanced age (more than 40-45 years), and living in certain regions, especially those with an industrial tradition on the Cantabrian Coast (Asturias, Cantabria and the Basque Country). However, having a lower educational level was not associated with a greater probability of LTU.

These studies also concluded by saying that the steady pro-cyclical tendency of LTU was proof that the phenomenon of a “trapdoor of LTU” had not taken place, and that the heavy growth observed during the phase of recession of the 1970s and 1980s had not worsened during the following recovery phase. This tendency is effectively maintained in Spain during the most recent cycles, so that one may continue to suppose that this phenomenon is not yet present. LTU figures fell in a bigger proportion than total unemployment between 1987 and 1991; they also increased in a higher proportion during the following phase of recovery (1991-94) and fell again to very similar proportions during the new expansive phase which started in the mid-1990s (Table 3).

This clear pro-cyclical tendency of LTU as a whole is not seen with the same intensity among the different groups in which LTU showed a higher incidence (Table 3). The evolution of LTU figures among these groups between 1987 and 1997 shows that this broad concentration has perhaps been intensified in general terms and, because of that, LTU has tended to intensify its relative presence among women, among those of more advanced age, and among those who act as spouses at home. However, LTU has shifted in these years to collectives with previous working experience and shows a stronger presence among collectives with medium and superior levels of education.

LTU has tended to become more feminine as it has evolved in a much less pro-cyclical way than for males. LTU female figures were reduced by a proportion three times smaller than that of males between 1987 and 1991. They hardly varied between 1991 and 1994, a period in which the level of males in LTU fell considerably less than in the period from 1994 to 1997. Therefore, the balance of this whole period has been a bit more favourable for males than for LTU females.

Table 3. *Changes in long-term unemployment stocks in different groups in Spain*
(Second quarter)

	1987-1991		1991-1994		1994-1997	
	Thousands	% change	Thousands	% change	Thousands	% change
Total unemployment	-548.3	-18.7	+1,374.7	+57.6	-397.9	-10.6
Total LTU	-687.1	-35.9	+837.7	+68.3	-232.4	-11.3
Sex						
LTU male	-484.1	-59.5	+355	+71.9	-252.3	-29.7
LTU female	-203.1	-21.7	+4.7	+0.6	-104.4	-14.2
Age						
LTU male (16-24)	-235.7	-59.3	+107.5	+66.4	-77.5	-28.8
LTU male (25-44)	-149.5	-42.5	+231.4	+112.3	-51.8	-11.8
LTU male (45-64)	-88.8	-45.4	+98.1	+91.8	-23.9	-11.7
LTU female (16-24)	-251.1	-49.3	+72.4	+28.1	-62.3	-18.9
LTU female (25-44)	+48.3	+13.7	+247.7	+61.8	-34.3	-5.2
LTU female (45-64)	-0.9	-1.3	+74.1	+107.5	+18.2	+12.7
Household position						
LTU head member	-156.0	-40.4	+224.1	+97.4	-60.9	-13.4
LTU spouse	+25.4	+9.8	+239.8	+84.1	-39.2	-7.9
LTU descendant	-557.7	-47.5	+464.4	+83.3	-127.6	-12.5
Education level						
LTU male (primary)	-283.1	-53.4	+170.3	+69.3	-113.3	-26.7
LTU male (secondary)	-175.7	-45.3	+249.7	+117.2	-55.5	-12.0
LTU male (third)	-25.1	-41.9	+22.5	+64.6	+10.8	+18.8
LTU female (primary)	-66.2	-21.4	+104.4	+43.0	-65.0	-18.7
LTU female (secondary)	-110.6	-21.2	+249.0	+60.5	-31.4	-4.8
LTU female (third)	-26.4	-25.3	+41.9	+53.7	+20.8	+17.3

Source: INE, *Encuesta de Población Activa*

But what is most outstanding in this respect is the degree to which female LTU has tended to move towards groups of married or more adult women. The evolution of LTU numbers, consisting of people who act as spouses at home and also women older than forty-five, has slightly deferred during the three economic cycles observed in the evolution of the whole LTU: it decreased very little or increased during the job-creation phase of 1987-1991; it increased in higher proportions during the recessionary phase of 1991-94, and was again anti-cyclical in behaviour, rising or falling in very small proportion between 1994 and 1997.

The profile of LTU seems to have changed in the most recent period with respect to educational levels and working experience. During the second half of the 1980s, improvements in LTU had been very similar among groups with different educational levels. In the following period, LTU males with a secondary educational level increased to a much higher proportion. And between 1994 and 1997, LTU males and females with university studies increased when, at the same time, it fell among groups with an inferior educational level. This trend is also seen with respect to working experience: while the first two periods ended by being favourable in relative terms for those searching for their first job, as they diminished very much when employment was destroyed, they have encountered a much less favourable environment in the most recent period, and have seen a slight increase, in a tendency opposite to the evolution of LTU as a whole.

The concentration of LTU among some female categories has a deteriorating profile. It is the *very long-term unemployment* (VLTU)³ group that has grown to higher proportions in recent years (Table 4). Between 1987 and 1997, VLTU volume decreased to 13%. That of females increased to 5%, and this increase was greater among women with secondary education; and, recently, it is higher among women with previous working experience, those who appear as spouses at home and those among the groups between the ages of 30-44 and 45-66 years.

2. Passive and active labour market policies, 1982-1997

The aim of this section is twofold. First, it analyses whether the design of active and passive labour market policies has responded to the peculiarities shown by LTU in the three periods considered in the previous section. Second, it refers to the efficacy of the policies introduced in order to protect the unemployed and to foster labour market integration; that is,

³ Very long-term unemployment is that which lasts more than two years.

it deals with the appropriateness of the targeting measures adopted to fight LTU, especially for those most difficult to employ.

Table 4. *Long-term unemployment in different groups in Spain*

	1987 (Thousands)	1997 (Thousands)	1997/1987 % change
Total	1,393.5	1,211.9	-13.0
Female	690.0	724.9	+5.1
Female with secondary education	381.7	430.6	+12.8
Female with previous occupation	285.5	485.0	+69.9
Spouse (as household status)	185.9	329.8	+77.4
Female 30-44-years-old	138.2	297.5	+115.3
Female 45-64-years-old	49.5	128.2	+159.0

Source: INE, *Encuesta de Población Activa*

Spain ranked first within the EU-12 in 1993 with respect to expenditure on unemployment policies, both in terms of percentage of GDP (4.9%, which is well above the average of 2.2% for the EU) and in terms of the percentage of total expenditure on social protection (20.4%, while the EU average was only 8.5%) (European Commission, 1995: 67). However, although expenditure on both passive and active measures rose between 1985 and 1993, the increase in the latter was slightly higher (OECD, 1994: 28). Regarding passive protection, Spain shows high coverage rates in comparison with other EU member states. Replacement rates of previous salary and maximum payment periods are also slightly above the average for the EU. Conversely, employers' contributions for unemployment protection are the highest in the EU and the minimum contributory period ranks among the longest (Barea and González Páramo, 1996). Due to the 1992 reform packages, the situation has changed greatly in the past few years, so that coverage rates and the amount of subsidies have been drastically restricted.

The pattern of expenditure on active protection also shows differences with the rest of the EU members. In 1995, Spain was among the five member states in which expenditure on training was the highest element. Conversely, Spain, together with Greece and Finland, showed low proportions of total expenditure dedicated to youth, even though youth unemployment rates in these countries are among the highest in the EU. This may be due to the low level of overall expenditure on active policy in Spain and Greece and also to the inclusion of measures for helping young people in other programs. Finally, the proportion dedicated to the disabled was one of the lowest in the EU (European Commission, 1996: 134).

2.1. High unemployment and the reform of the protection system (1982-1986)

In the face of peaking UR and LTU, there were two major reforms that took place during the first half of the 1980s in the realm of unemployment insurance: the Basic Law of Employment (*Ley Básica de Empleo*, LBE) passed in 1980 and a modification of this law that took place in 1984. The LBE had a restrictive character which was due to the increase in unemployment during the late 1970s and the corresponding increase in expenditure. In the first place, restrictions consisted of stressing the contributive character of the subsidies by linking the period of payment to the period contributed, so that subsidies could only be enjoyed during half of the period previously contributed. The maximum period of receipt was also restricted to eighteen months, with the only exception being the unemployed who were close to retirement, who could enjoy the subsidy for twenty-four months. These restrictions had a very negative impact on the protection of the long-term unemployed and were only partially compensated by the introduction of non-contributive benefits for workers bearing family burdens who had already exhausted contributive rights and whose income did not exceed the minimum salary. Non-contributive benefits were fixed at 75% of minimum salary. Secondly, the LBE was also restrictive with respect to the amount of benefits. These were reduced to 80% of previous salary during the first six months; 70% from the sixth to the twelfth month; and 60% from the twelfth to the sixteenth.

The 1980 reform had the effect of reducing substantially gross coverage rates in subsequent years (from 57.8% in 1981 to 39.4% in 1984), so that over two million unemployed were left unprotected. This situation motivated the modification of the LBE in 1984, shortly after the Socialist Party gained office. The 1984 reform expanded coverage for non-contributive benefits to a maximum of eighteen months for the categories of workers already protected by the 1980 reform. The payment period was expanded to ten years for workers over 55 years of age who could demonstrate that they had fulfilled all the requirements for retirement with the exception of age. The maximum amount of contributive benefits was reduced from 220% of the minimum salary to 170%, except for workers bearing family burdens. Workers who had contributed for more than 48 months were entitled to two years' payment of the contributive subsidy (Cruz Roche, 1994). In sum, the reforms of the first half of the 1980s were generally restrictive in character, especially with respect to contributive benefits. In parallel, non-contributive benefits were ameliorated and targeted to the unemployed bearing family burdens and to the aged unemployed.

Despite the introduction of restrictive measures, expenditure in real terms on unemployment insurance grew at an average cumulative annual rate⁴ of 17.31% between 1982 and 1986, while the number of beneficiaries had increased 13.57% in the same terms (see Tables 5 and 6). However, unemployment benefits started to undergo a clear process of welfare-orientation, for beneficiaries of contributive benefits decreased by 1.88% each year during the same period while recipients of non-contributive benefits increased by 53.98% (Table 6). All in all, gross coverage rates tended to increase in 1985 (48.4%) and 1986 (43.4%) but at the cost of making increasing numbers of recipients dependent on welfare benefits. In 1985, half of the protected unemployed depended on contributive benefits and the other half on non-contributive ones, while in 1982 the proportion of non-contributive benefits did not reach one fifth of total beneficiaries. As a consequence, it could be concluded that an increasing proportion of the unemployed had to depend on the weaker non-contributive transfer.

⁴ Average cumulative annual rates are calculated with the formula $xt = x_0 (1+r)^t$, where "r" is the rate; "xt" is the magnitude at the end of the period; "x₀" is the magnitude at the beginning of the period; and "t" is a power standing for the number of years in the interval.

Table 5. *Expenditure on unemployment subsidies*
(Average cumulative annual rate of change)

	(1982-86)*	(1986-92)*	(1992-95)**
Non-contributive	67.87	14.07	2.28
TOTAL	17.31	14.61	-3.58

(*) *Source:* Cruz Roche (1994)

Table 6. *Beneficiaries of unemployment subsidies by type of subsidy*
(Average cumulative annual rate of change)

	(1982-86)	(1986-92)	(1992-96)
Contributive	-1.88	5.60	-5.10
Non-contributive	53.98	7.15	-4.51
TOTAL	13.57	6.43	-4.78

Source: Ministerio de Trabajo (1996).

Active policies were scarce in this period. Total spending on active labour market policies amounted to 0.34% of GNP in 1995, only above Austria, Greece, Japan, Switzerland and the US within the OECD (OECD, 1997b). Employment promotion was intensified in the period between 1982 and 1986, so that the average cumulative annual rate of change in expenditure was 21.57%, dedicated mainly to subsidising co-operatives and jobs for disabled people (see Table 7).

Table 7. *Expenditure on employment promotion by program*
(Average cumulative annual rate of change)

	(1982-86)	(1986-92)	(1992-96)
Co-operatives	57.18	3.56	-4.03
Promotion of self-employment	*	47.70	4.32
Promotion of local initiatives	-89.14**	58.10***	32.52
Disabled	16.34	35.68	10.96
TOTAL	21.57	27.38	7.57

(*) Promotion of self-employment began in 1986.

(**) 1982-84.

(***) 1987-92.

Source: Ministerio de Trabajo (1986, 1992, 1996).

As regards labour market flexibilization, the point of departure for the Spanish case is one of great rigidity that was embedded in the system during the Francoist dictatorship (1936-1975), when wage bargaining and conditions of work were closely controlled by the government. Under the dictatorship, permanent jobs were strictly protected by very expensive dismissals (high redundancy payments and compulsory administrative procedures). Still, these rigidities were counterbalanced by flexibility in wages and the use of overtime. From 1975 onwards, these compensating mechanisms were reduced. As a consequence, unemployment grew fast, a price that Spain probably had to pay to achieve democratic consolidation (Rhodes, 1996). In 1977, the Moncloa Pacts, reached among all the parties enjoying parliamentary representation, introduced temporality in employment, although with severe restrictions. Three years later, the Workers' Labour Charter (*Estatuto de los Trabajadores*) consecrated the principle that all contracts were to be understood as indefinite unless an explicit pact stated their temporality. Thus it was not until 1984 that the Socialist government introduced the first thorough reform of the labour market by allowing for new

temporary contracts to be signed and leaving the regulations for permanent jobs almost untouched. Work-experience and job-training contracts were heavily subsidized, and it was through these means that youth and women gained access to the labour market in subsequent years. However, part-time jobs were not fostered. The result was that in the following few years temporary jobs peaked, so that in 1990 they came to amount to one third of all salaried jobs (OECD, 1993).

2.2. Reinforcing welfare protection and fostering active measures (1986-1992)

As a consequence of the general strike of 14 December 1988, and given the positive cycle that the economy was experiencing, a whole set of expansionary measures regarding unemployment insurance was passed in March 1993. Most of these measures were aimed at protecting the long-term unemployed. They included a reduction, from 55 to 52 years, in the required age for receiving a subsidy until retirement; the introduction of a new subsidy for the long-term unemployed over 45 (the amount of which depended on family burdens) as well as the possibility of expanding for six months the existing subsidy for the same category of unemployed; and an extra coverage period of six months for those already unemployed for two years, without any age restraints (Cruz Roche, 1994). These changes had a broad impact on the protection of the long-term unemployed in following years, which was significantly ameliorated; the proportion of LTU beneficiaries of total recipients was increased.

However, the expansionary trend initiated in 1989 in the protection of the long-term unemployed, together with the continuous entries into, and exits from, the labour market due to the flexibilization measures introduced in 1984, had the effect of increasing dramatically the cost of passive measures. For the whole period between 1986 and 1992, average cumulative annual rates of change were not as high as for the first half of the 1980s, but still significant: 14.61% for total expenditure on unemployment insurance, and 14.07% in the case of expenditure on non-contributive subsidies (see Table 5). This reflects the contradictory effects of the restrictive measures of the early 1980s and of the expansionary

measures of 1989. The number of beneficiaries show average cumulative annual rates of change that are also lower (almost half) for the period 1986-1992 than for the previous period. The trend for 1986-1992 is one of growth of recipients of both contributive and non-contributive benefits (5.60% and 7.15% respectively) (see Table 6). Thus the protective character of the system of unemployment insurance was further stressed, although to a much lesser extent than for the 1982-1986 period. However, it should be pointed out that gross coverage rates peaked between 1986 and 1992, for they grew from 43.4% of the total unemployed to 80.3% (Cruz Roche, 1994).

Other social programs were established during the second half of the 1980s. Although not aimed at protecting the unemployed in a direct way, these programs had an impact on the welfare of the population of working age. It should be recalled that Spain was still lacking at this time a general minimum income scheme. Most of the autonomous regions established social integration salaries between 1989 and 1992, aimed at persons of working age suffering marginal situations or extreme poverty. Their amount, conditions of access, and the degree of coverage vary a lot regionally. In some cases this benefit is a mere social salary, while in others it constitutes a real social integration salary that combines the payment of a benefit with measures aimed at social reintegration. In all cases, social salaries privilege families rather than individuals, and can be received generally for approximately twelve months. Their amount is similar to non-contributive pensions, that is, they reach approximately half of the minimum salary. In 1992, thirty-six thousand people were covered by this program, a very low figure when taking into account that one and a half million people suffer severe poverty (Aguilar *et al.*, 1994). The Southern European countries --France included-- are the only EU members who have failed to establish a minimum income program of indefinite duration (Ayala Cañón, 1994).

Protective benefits for retirement and disability have existed in Spain since the 1960s, when a discretionary program was created. In the case of disability, protective benefits were ameliorated with the enactment of a reform (the LISMI, *Ley de Integración del Minusválido*) in 1982. Both sets of protective regulations were suppressed in 1992, except for people already enjoying a subsidy, the amount of which has been frozen ever since. Non-

contributive benefits for the same risks were introduced in 1990. Their amount is higher than that of protective ones and the criterion used for assigning them (level of income) is more flexible for those retired and disabled people living with their families. Their basic amount (fixed every year) is the same for all beneficiaries. Although the number of beneficiaries of these pensions has doubled between 1982 and 1992, the coexistence of three different regimes that cover the same contingency has produced notable inequalities (Guillén, 1996).

In 1990, family allowances were reformed for the first time since the transition to democracy began in the mid-1970s. The amount of the benefits previously paid may be labelled residual for it was already low and it was never updated during this period, so that the quantities paid were token. Since the 1990 reform, family allowances have risen, equally for contributors and non-contributors, means tested, and proportional to economic level and personal circumstances. The income threshold for receiving the benefit is very low (one million pesetas a year, which is only slightly over the minimum income), so that the protective character of the system has been stressed (Rodríguez Cabrero, 1994). Family policies also include tax relief for every dependent descendant, and discounts on transport, education, housing and credits for large families (Guillén, 1996).

All these new programs have responded to the same purpose of creating a safety net for the most needy among the population of active age, with the aim of closing the gap with the more developed EU. They have entailed a significant degree of targeting those social groups within the lowest income brackets, among which the long-term unemployed are very likely to be found. However, even if we add them to the expansion of non-contributive unemployment insurance, they have failed to get every needy person on board. This is in keeping with Ferrera's view (1996) about the use of targeting strategies in Southern European countries as a way of filling the gaps existing in their income maintenance systems.

As for active policies, between 1986 and 1992, these programs underwent significant expansion. Expenditure on active labour market policies as a percentage of GNP grew from 0.34% in 1985 to 0.76% in 1990, although this figure was still low compared to other OECD countries, especially Scandinavia but also Ireland (OECD, 1997). Expenditure on

employment promotion grew at an average cumulative annual rate of change of 27.38% between 1986 and 1992, the highest figure of the 1980s and 1990s. Among measures for the promotion of employment, the economic effort dedicated to fostering local initiatives should be highlighted (see Table 7). The number of courses completed and of students trained also increased at average cumulative rates of change that were close to 10% in both cases (see Table 8). Lastly, and thanks to the incorporation of Spain into the European Community in 1986, expenditure and beneficiaries of the European Social Fund grew most significantly up to 1992.

Table 8. *Courses completed and number of students in occupational professional training*
(Average cumulative annual rate of change)

	(1986-92)	(1992-96)
Courses completed	9.29	-7.48
Students trained	9.86	-7.80

Source: Ministerio de Trabajo (1992, 1996).

3.3 *Rationalizing passive protection and maintaining active policies (1992-1997)*

After the expansionary reforms that took place in the late 1980s, contributive unemployment benefits were lowered in March 1992, so that the minimum period of contribution required for access was expanded from six to twelve months. The payment period was reduced from one half of the period contributed to one third (the maximum was kept at two years). The amount of the benefit decreased from 80% of previous earnings (during the first six months), 70% (second six months), and 60% (second year) to 70% (during the first six months) and 60% for the rest of the period. A ceiling, equivalent to 220% of the minimum wage, was set for those unemployed with two or more children. In December 1993, further restrictions were enacted, including the obligation of contributing to social

security while receiving a subsidy; a reduction of the minimum amount for contributive and non-contributive subsidies; and the introduction of an income threshold for entitlement to non-contributive subsidies (Cruz Roche, 1994).

The consequences of this restrictive reform could be seen in following years. Between the end of 1993 and the end of 1995, unemployment benefits were reduced by 9.5%, from a daily average of 3,070 pesetas to 2,777 pesetas. The reduction in purchasing capacity was greater because of inflation and amounted to 19% (*El Mundo*, 15th September 1996). The 1992 reform has affected, above all, the protection of the long-term unemployed because of the reduction of the payment period.

As a consequence of the highly restrictive 1992 reform, average cumulative rates of change for the 1992-1996 period were negative both in terms of expenditure and in terms of beneficiaries. The latter were affected more in the case of recipients of contributive benefits than in the case of non-contributive benefits (see Tables 1 and 2). Gross coverage rates were reduced from 80.3% in 1992 to 50.7% in 1995 (Ministerio de Trabajo, 1996: 803). However, the number of protected LTU as a percentage of total unemployment beneficiaries did not decrease substantially (see Table 9). It is to be noted, though, that coverage tended to differ increasingly according to gender even for workers enjoying previous experience: while LTU protected females amounted to over a half of protected men in 1993, the proportion had fallen to one third in 1996 (Toharia, 1997: 199). It is also significant that around 20-30% of the beneficiaries of unemployment subsidies declared themselves not to be searching actively for a job. Furthermore, a high proportion of recipients live with other persons who enjoy income stemming from paid jobs, so that unemployment subsidies may be considered in many cases as complementary income rather than as a subsistence payment (Toharia, 1997).

This restrictive tendency may also be seen with respect to active labour market policies, meaning in this case that expenditure growth was slowed down with respect to the previous period (0.76% of GNP in 1990 and 0.82% in 1995; the latter was the highest proportion among OECD countries with the exception of the Scandinavian countries, the Netherlands, Germany, France and Ireland). Average cumulative rates of change for the 1992-1996 period, though not negative, were much smaller than in previous periods with respect to expenditure on employment promotion (see Table 7). The number of courses completed, and of students in occupational professional training, show negative average cumulative rates of change, as opposed to the second half of the 1980s (see Table 4). However, the expenditure and number of beneficiaries of the European Social Fund were increased, although not so much for beneficiaries in the 1986-1992 period when the point of departure was very low (see Table 10).

Table 10. *Expenditure and number of beneficiaries of the European Social Fund*
(Average cumulative annual rate of change)

	(1986-92)	(1992-96)
Expenditure	16.99	17.97
Beneficiaries	217.37	26.45

Source: Ministerio de Trabajo (1992, 1996).

Labour market regulation underwent deep reform in December 1993, and also in May 1994. Among other measures, these reforms entailed the promotion of job creation through new tax and social contributions exemptions for employers contracting young people, the long-term unemployed, people over forty-five, and the disabled. The measures also included the fostering of work-experience and job-training contracts, and the reduction of barriers for

certain kinds of redundancies. On this occasion, and in contrast to the 1984 reform, part-time contracts were more vigorously promoted by providing them with more subsidies (CES, 1994). The 1993 reform package also included the legalization of non-profit private employment agencies, so that the National Institute of Employment lost its monopoly as a job placement agency.

Finally, in 1997 another important episode of labour market reform took place, under the rule of the conservative party (PP, *Partido Popular*), which gained office in March 1996. While the reforms of the first half of the 1990s had to be imposed on the unions by the Socialist party, the new set of reforms has been grounded in a pact made between the government and the main unions after a long period of difficult negotiations. This has been possible because the unions fear the potential privatizing tendencies of a conservative government and, no less, because of their perception that the left parties have been substantially weakened by internal divisions and corruption scandals.

The latest reform of the labour market, which was agreed on in April 1997 and began to be implemented the following month, included a reduction of redundancy and dismissal compensations accepted by the unions in exchange for a reduction in job precariousness. A new “indefinite contract” (or, rather, fixed-term contract, despite its official denomination) was created. Incentives for indefinite contracting and the transformation of temporary jobs into fixed-term jobs consist of public subsidies to employers and reductions in social security contributions, that are targeted to the young unemployed, the long-term unemployed, the unemployed aged 45 and over, the employment of women in sectors in which they are underrepresented, and to the disabled (*El Mundo*, 17th March 1997). It is too early to evaluate the impact of these reforms. The media have repeatedly reported an increase in the creation of permanent jobs (*El Mundo*, 9th June 1997: 29; *El País* 20th June 1997: 57), but the latter still amount to a very small proportion of total new employment. The government has also announced the implementation of new active measures for the unemployed aged 40 and over within the employment plan for the next few years. These measures consist of economic incentives for those unemployed who choose to receive unemployment compensation in a single payment and who are willing to start their own business. The long-term unemployed

are to enjoy priority in access to training programs for self-employment, to temporary contracts related with general or social interests, and to occupational training in general. Moreover, social security contributions will be increased for temporary contracts and the use of overtime will be penalized. Lastly, subsidies for the employment of disabled workers have been increased and more resources have been allocated for occupational training and the fostering of self-employment.

Conclusions

LTU has maintained high levels in Spain during the last fifteen years, although it is equally true that its pro-cyclical tendency was reflected in its substantial decline during the 1980s. Despite the high levels of LTU, its profile has been changing significantly in the near past: during the 1980s, LTU was concentrated among the relatively young in search of their first job, and no “trapdoor” phenomenon could be ascertained. More recently, LTU has tended to be concentrated among adult women with family responsibilities, who enjoy job experience but who face great difficulties in keeping their jobs and have intermediate educational levels. This new LTU profile points to the need to reconsider the orientation of both active and passive protection measures.

On balance, passive policies have been clearly assistentialized during the period covered by this study, but not all the long-term unemployed have benefited equally. In fact, protective programs have been directed mainly to men aged 45 and older and to those unemployed bearing family burdens, so that youth and women have been able to benefit from non-contributive unemployment benefits to a much smaller extent. Moreover, the lack of adequacy of existing passive policies for LTU is highlighted when the emerging LTU profile is taken into account. In fact, targeting the long-term unemployed by assistentializing passive protection does not solve the problem of reinsertion into the market. LTU is concentrated increasingly among adults with previous working experience and medium level qualifications. They are neither young persons in search of their first job nor the very aged unemployed. For them, assistentialization constitutes a very weak response in terms of both

employment and social policies.

As for active labour market policies, it is youth and women who have been able to take advantage of occupational training and access to the labour market, but most of the time through temporary jobs. In general, it can be stated that Spain has followed a pattern of development of labour market policies which is in line with OECD recommendations, that is, shifting from cash transfer to active labour market measures in order to help the unemployed find a job and to ameliorate the general functioning of the labour market (White, 1997). This has taken place especially during the second half of the 1980s with respect to the fostering of active measures, and during the 1990s with respect to the reduction of passive protection. However, the effort in terms of active measures is still clearly insufficient, both absolutely and in comparison with other countries. Moreover, labour market flexibilization has only affected new contracts until very recently, so that permanent jobs have remained almost untouched. This has led to a deep segmentation of the labour market and has clearly affected the long-term unemployed, who have been faced with increasing difficulties in joining the core of the labour market.

As White (1997) points out, active labour market policies have been applied in a context of very high UR in all developed countries. Only part of the unemployed have had access to active measures, and these measures have tended to be targeted to those in the greatest difficulty of finding a job. However, they have failed to prevent the need for public support. Spain has been no exception to the adoption of active measures following the lines of the OECD's economic restructuring strategy, which calls for putting economic growth first by means of macro-economic policy, technological research and development, the elimination of obstacles to private sector development, increased flexibility in labour costs and reduced employment security. The OECD recommendations also defend a more precise targeting of unemployment insurance and social assistance, and a reduction of the negative effects of these programs for labour market competitiveness. Active labour market policies are focused in all the industrially developed countries on matching labour supply to demand by means of fostering training and job search guidance. Spain has become increasingly aware of the need to augment both the quality and the flexibility of the labour supply and a

significant effort in this direction may be ascertained, especially since the mid-1980s. However, the problem of LTU is still far from being solved, so that an intensification of targeted active measures will be needed in the near future.

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Table 9. *Beneficiaries of unemployment subsidies by duration of payment periods*
(Percentages)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Less than 3 months	23.7	19.8	22.5	19.2	21.3	21.4	17.1	18.8	14.7	18.3	20.6
3-6 months	17.8	18.7	19.2	18.7	20.5	20.4	20.9	18.8	18.3	18.9	20.6
6-9 months	14.4	15.5	15.4	16.6	15.1	15.8	16.2	15.2	14.8	13.0	13.4
9-12 months	13.3	14.7	13.5	12.5	12.2	12.4	14.1	13.0	13.1	10.7	11.2
12-18 months	20.7	20.7	18.7	17.9	16.3	16.5	18.5	18.6	21.5	18.6	16.7
18-24 months	8.1	7.3	6.5	9.9	10.0	8.1	8.6	10.4	12.4	14.0	10.2
24 months and over	1.7	3.3	4.2	5.1	4.6	5.4	4.6	4.8	5.1	6.4	7.2
TOTAL	(1,122.9)	(1,113.0)	(1,116.4)	(1,172.9)	(1,306.9)	(1,428.0)	(1,632.8)	(1,933.0)	(1,759.4)	(1,458.8)	(1,342.3)

Source: Cruz Roche (1994) and Bank of Spain (National Accounts, Internet).