

# Public Services for Long Term Unemployment in Spain: Innovation or Compliance?

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## **1. Introduction**

Long-term unemployment rates in Spain are not the highest in Europe. In 2005 out of 1.8 million registered unemployed persons 32.6% had been unemployed for more than 12 months and 47.7 % for more than six months (OECD, 2006). In the European statistics, Spain is above the average in 2006. The Scandinavian countries, the UK and Austria enjoy lower levels of LTU but continental Europe - Belgium, France, Germany, the Netherlands – other southern European countries - Italy, Greece, Portugal - and eastern European countries – The Czech Republic, Poland, Hungary, Slovakia - show upper levels of LTU.

The Spanish economy has been growing at a satisfactory rate in recent years and this has contributed to improve the main problem of its economy for many decades: the insufficient level of employment. However, in the government agenda the main issue affecting the labour market in Spain is not LTU but the high level of temporary work. Since the Agreement for Employment and Stability in 1997, employment grew significantly up to 2000. From that year, employment growth moderated in line with slower economic growth. After a rise in unemployment in 2002, the rate fell to 11.3 of the active population in 2003 and it continued to decline until the 8.1% in October 2006 (Kingdom of Spain, 2004 and INEM, 2006).

Despite the change of government in 2004, there was continuity in the employment policy. The new Socialist government initiated a process of

social dialogue which ended with a Declaration entitled “Competitiveness, Stable Employment and Social Cohesion”. The government and the social partners agreed to develop employment and other public policies that favour a balanced model of economic growth based on increased business competitiveness and labour productivity. The declaration also included a commitment to promote life long learning and active employment policies.

Concerning LTU, the Spanish government has been implementing a variety of labour market reforms since 2001. The new legislation introduced policy measures aiming at activating the unemployed and, among them, the long-term unemployed. At the same time, there was a process of decentralization of active policies to the nationalities and regions which are now responsible for active policies while the central administration public employment service is in charge of passive policies. The devolution of active policies to the autonomous communities is an opportunity for the reorganisation of public employment services (PES). As it happened with other services, it could also delay reform until the moment that regional administrations have the feeling they have taken full control of the matter.

In this paper, a description of recent reforms in active and passive employment policies is followed by the analysis of the measures taken and how the reforms have been implemented. The analysis aims at identifying the main problems and areas that need further change and development particularly with regard to mediation and individual case management.

## **2. Employment policies: active and passive**

Following the OECD distinction, Spanish employment policies can be categorized as passive and active. The devolution of active policies to regional and local governments has simplified the division of tasks between layers of government and the transfer of public employees according to their function in the employment services.

The main purpose of passive policies is that unemployed maintain a certain income while they do not have a job and that they manage their situation in the best possible way while they prepare themselves to find a new job.

In Spain, there is a two tier system of protection: the contribution level and the non contribution level (INEM, 2000, 2001a, and 2001b).

The first tier of unemployment protection follows a contribution model and a general rule of proportionality – the higher the contribution, the higher the benefits - by which the unemployed receive full or partial unemployment benefits for a period of time plus the payments to the social security system during that same period of time.

The second tier of unemployment protection corresponds to a subsidy plus the payments to social security system during the time of the subsidy. This unemployment benefit does not require a previous contribution and responds to the constitutional mandate that citizens have a minimum income and assistance in a situation of need.

Recent reforms in 2002 – by a decree 5/ 2002 and a new piece of legislation 45/2002 - have added the so called “activity compromise” to be signed at the moment of registration for unemployment. The main idea, as in other European systems, is to transmit the message to the unemployed that being registered is not sufficient and that they need to be active and willing to take new job offers. More specifically the unemployed are supposed to:

1. Actively search employment,
2. Accept an adequate job offer – corresponding to their profession or similar to their last job –, and,
3. After 12 months of unemployment, take a job that does not correspond to their previous professional experience but is considered adequate by the PES.

Since the first “National Action Plan for Employment”, according to the European Strategy for Employment, the programs addressed to reduce LTU combine passive and active measures. The main idea is that each unemployed person aged between 45 and 65 has a “personalised insertion itinerary” drawn with the help of a tutor. The personalised plan is supposed to be specific and include a calendar with activities leading to a successful reintegration in the labour market. Tutors are also supposed to mediate and bring jobs offers to those who have been un unemployment for a longer time.

Following European recommendations, there are many programs that are labelled “active policies” depending on the target groups and the nature of the interventions. In the case of LTU the main actions are directed to counselling, training and self-employment.

Counselling activities are the key element in the effort to personalise treatments. The administration understands that every person searching for a job needs to go through a process of professional orientation. The logic is to have an individualised diagnosis of the situation they go through. In theory, counselling should help unemployed to formulate their own project to go back to work. This requires individuals to be conscious of their needs, attitudes, skills and abilities and to receive adequate advice on the action to be taken in each case.

The European objective of “one active measure before twelve months in unemployment“ has contributed to organize the process according to a sequence where there is a first contact with the unemployed and after an exchange of information and the discussion of the options, he or she is transferred to a specific training program.

The purpose of training actions is to give the unemployed the skills and abilities they lack in order to find a job and succeed in it (Sáez, 2000). There is an ample offer of courses according to more than 530 specialities grouped in 26 professional families. In more than 130 of these specialities, a “professional certificate” has been designed in order to establish the contents

and the abilities that participants need to achieve in their training process. Training courses vary in duration and difficulty depending on the speciality and the jobs they are aimed for. They are also supposed to change and adapt according to the demand of the labour market.

Some training courses are addressed to LTU and, among those, some are designed for women since women have lower rates of labour activity, higher rates of LTU and tend to have less qualified jobs but they also participate more actively in training actions than men. The main objective of training activities is to give the unemployed an adequate preparation to find a job given the need to update their knowledge and abilities after a long period of absence from the labour market. The treatment may include a motivation workshop and a course on job searching techniques which should help the trainees to write their c.v., introduce themselves and follow adequate patterns of behaviour in job search and job interviews.

Since the year 2000 some PES offer the possibility to participate in mixed actions of training and actual work experience. Projects may last up to one year, participants are paid 1.5 times the minimum salary and they work in the provision of social and personal services. The participation of local governments in “new sources of employment” initiatives has created new opportunities to contract unemployed women and men in services related with every day life such as care of children and older people, home services, tourism and others.

There is also the possibility that training leads to self-employment. This is an option that is offered to unemployed including those that have been without work for a longer time. Creating their own micro company can be a viable option for some unemployed. The administration offers information, training and counselling. They also have agreements with financial institutions to facilitate loans and insurance at a lower than market price.

### **3. Analysis**

As described above, policy developments in Spain have been consistent with the evolution in the European directives to increase the emphasis of labour active programs. In the last four years, reforms have introduced.

- Individual diagnosis and action plans aimed at providing the appropriate combination of counselling and training;
  
- Various requirements leading to enforce job search and work availability as well as a closer contact with PES;
  
- Compulsory participation in employment activities with the risk to lose unemployment subsidies when the long-term unemployed fails to follow the program;

The decentralisation of the active policies to regional governments and the implementation of measures through local governments enhanced proximity.

From the central government perspective the reorganisation of PES has been completed while it is now the responsibility of regional and local governments to increase effectiveness.

However, while it is relatively simple to keep track of legislation and adoption by a member State of reforms in the line with accepted European policies or broad political agreements, it is more difficult to assess the implementation and effectiveness of local services to help long-term unemployed to find a job. Since there is not a systematic and comparative analysis of performance of local PES the following considerations are based on interviews with public officials managing local PES and beneficiaries of those same services in the province of Barcelona.<sup>1</sup>

### **3.1. The position of LTU in the agenda**

The perception of a positive economic performance during the last ten years and the continuous reduction of unemployment did not help to focus the attention on the necessary micro changes in the treatment of unemployed. LTU did not explode as a public issue and therefore it did not receive the political and media attention that it captured in other European countries like Germany during the Schröder governments.

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<sup>1</sup> For two years, the author participated as an academic partner in a program designed by the *Diputació de Barcelona* - the provincial government - to help “inactive” women who suffered from the “discourage worker effect” after valuing their chances to find a regular job. Working with the *Diputació* allowed to regularly interview and observe:

- the provincial officers specialised in employment programs;
- a group of 10 to 12 representatives of the municipalities from five major geographical areas.

The Spanish PES were created in the eighties with ratios of 16 and 20% of unemployment. They reached 21% during the crisis of the beginning of the nineties and they did not see unemployment decline until the end of the century. Table 1 illustrates the evolution of unemployment during the period 1975-2006. In the last four years when active policies have been more intensively diffused there has been a simultaneous increase in active population - 82.2 for men and 59.1 for women in 2005 - and a reduction of unemployment. Long-term unemployment (or unemployment for more than twelve months) fell from 56.2 % in 1994 to 32.6 in 2005 according to OECD data.

**Table 1 Unemployment in Spain 1975-2006**

1975-1979	1980-1984	1985-1989	1991-1995	1996-2001	2006
6.1	16.0	20.0	20.9	17.5	8.1

Source: *Impact Evaluation of the European Employment Strategy. Technical Analysis.* COM (2002) 416 final, Brussels, European Commission, 2002; Ministerio de Trabajo y Asuntos Sociales, INEM, 2006.

Immigration has also played a significant role in the process. According to official statistics Spain went from less than half a million stock of foreign born population in 1995 representing 1.3% of the population to almost two million in 2004 (4.6%). The Popular government regularised 479.484 immigrants from 1996 to 2004 and the Socialist government regularised 577.923 in 2005. The estimates for illegal immigrants are variable but no less than 800 thousand in 2006. However, some economists (Oliver, 2006)

have calculated that regions like Catalonia (with 6% unemployment in 2006) would have a minus 10 unemployment rate if it had not been for immigrants.

As a consequence PES did not feel external political pressure and public officials did not have the perception that faster reintegration of unemployed was the focus of interest or a major government policy. There was not a clear message that reintegration had to be improved through better and a faster action. Along the same lines, clients requiring special attention because they have the lowest chances to get back to work are not subject to “intensive assistance” to prevent a loss of motivation or to increase their chances of reintegration.

The central issue in the employment agenda is the rate of temporary contracts in relation to the total number of contracts. This is seen as one of the main problems of the Spanish economy and one that is not progressing adequately. In the second half of 2006, temporary contracts represent 34.4 % of the total number of contracts when the average for the European Union is 13.2%. Unions have concentrated their efforts in the reduction of temporary rate and the Socialist government has open a period of time when the transformation of temporary to more stable contracts is subsidised.

### **3.2. Positive developments**

According to public officials, “personalised itineraries” have contributed to bring PES closer to the specific individual needs. Active policies require

making a bigger effort into fitting clients to measures and taking into consideration context characteristics and this is assumed by professionals. The new environment has had some effect in the creation of new programs aiming at temporary placement, often through internship schemes and subsidized jobs within the frame of European employment initiatives.

In smaller towns and rural areas it is more likely that services have a customer and personalised orientation due to lower caseloads. Advisers in those environments tend to use more often informal networks and are more flexible in their treatment of the unemployment problem. Users feel more accompanied in their efforts to look for a job even if the end result is not as they initially expected. On the contrary, in the metropolitan area of Barcelona, due to bigger caseloads, treatment is more standardised and beneficiaries do not perceive that one caseworker is in charge of their supervision. More often they see themselves dealing with an administration than an individual.

### **3.3 Areas that need improvement**

The public officials interviewed thought that local PES had difficulty to change the philosophy and the approach in the interaction with long-term unemployed. The use of a diagnostic tool for individual assessment and of personalised action plans specifying integration objectives have been the key innovations to enhance counselling but the approach in the treatment is still quite standardized and conditioned by inertias from the past. When public

officials were asked about what caused them more frustration, some mentioned the communication with unemployed due to the use of postal services and formal means which do not have the celerity of mobile phones and email.

A second area of concern is mediation. One interviewee referred to it as “the top of the cake”. But less than 5% of the cases find their job through the PES. Job offers are published and formally communicated to individuals who fit with the profiles that are demanded but the utility of PES for placement depends more on the motivation of the unemployed and their perseverance on looking at jobs being posted than on the persistence of the employment offices. Outsourcing placement has not been developed and there are very few non-for-profit organisations playing a mediation role.

In third place, the bureaucratic model is still pervasive in PES. Although there is “management by objectives”, the basic concern is the financial compliance with ministerial or European guidelines. Objectives are operative and they refer to spending, beneficiaries and calendars. However, the general impression is that the implementation of “management by objectives” or “performance management” is rather bureaucratic having little to do with innovation in the approach to the treatment of LTU.

Neither the central government nor regions have developed sophisticated decision support systems to improve the selection of optimal strategies for each unemployed person. Public employees in PES choose the programs that

according to their experience or availability at the moment, they understand can best serve the needs of each individual. But there is no evaluation of the success of their strategies and there are studies that conclude that random assignment would do as well. The lack of knowledge about the processes leading to the best outcomes for broad categories of unemployed makes it difficult to rationalise individual decisions.

### **3.4 Need to revise underlying theories**

Interviews with thirty randomly selected unemployed women from five different programs in the province of Barcelona showed high levels of satisfaction with the services received.<sup>2</sup> Services were not very different from the classic employment treatment combining individual interview, group motivation workshop, introduction to TIC or to a specific profession and training for job searching. The main difference was that European funding allowed recruiting personnel for that specific program and as a consequence, lower caseloads and clearer instructions to counsellors on their mission and responsibilities.

However, a high level of satisfaction did not translate into labour integration since beneficiaries had difficulty to find regular jobs or keep them. As it can be seen in table 2 only two had a formal job – one of them in the same local administration with the employment service – a few months after the

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<sup>2</sup> Through the provincial government, the author organised a series of individual interviews with 30 beneficiaries to write a short biographic note for each of them covering basic sociological and family characteristics, reasons and time of inactivity, participation in the program, services received through the program, professional and personal situation after the program. See more details in Ballart, 2005.

intensive program. Three more had part time formal jobs – watching kids in a school or taking care of old people - while the majority were doing the same as before the program or had enrolled in a subsequent employment workshop. A few of them – particularly younger women with secretarial experience – had found jobs but did not keep them because of the schedules late in the evening.

**Table 2 Characteristics of thirty random women participating in active employment programs in the province of Barcelona.**

Average Age	Years of schooling	Single parent	Average number of children	Working experience	Average number of years inactive	Occupation at time of interview 6-8 months after program	Objective for the future
41.4	11.8	20%	1.8	Shop Assistant	7.3	Full time	Work 70%
Min 33	Min 10		Min 0		Min 1	6.6%	
Max 55	Max 18		Max 4		Max 20		
				Administrative assistant 27.4		Part time 10%	Training and work in something they like 30%
				Industry worker 23.3		Informal job 13.3%	
				Other 26%		Training workshop 33.3%	
						None 36.6%	

Source: X. Ballart (2005)

The main weakness of the programs is that they finish at the moment when the beneficiaries need more support. Local counsellors were present at the beginning of the process but not when participants were “set free” to find they did not have enough previous work experience, that employers were not sensitive to their personal needs, schedules finished late in the evening and

night, pay did not compensate the cost of services for kids such as school eating and baby sitters or that their families could end up fighting for them to leave the jobs.

The individual case studies point to the need of a longer-term assistance for long-term unemployed against the administrative tradition of “courses” before the actual job search and the lack of support at the “moment of truth” when beneficiaries face the real problems. Underlying theories may need revision if it is confirmed that labour reintegration of LTU is not only a question of diagnostics, profiling and intensive assistance but also of support after they get back to work in order to find jobs, maintain them and manage the family and personal tensions derived from their new situation.

The risk of social exclusion is more evident in those cases of women living with dependent children with no formal job experience. Often, they are “active” women since they find work in the informal economy but they appear as inactive statistically. The loss of support from the family and employment services quickly worsens their standard of living while increasing their chances to be transferred from employment to social assistance. The argument around whether “difficult cases” belong to social services can be a sign of insufficient long-term support by employment services.

## 4. Conclusion

The positive economic performance in Spain since 1994 has significantly reduced the unemployment and the long-term unemployment rates to the lower levels since democracy. The successive governments have been able to tell, sometimes a “story of control”, sometimes a “story of progress” which have resonated and taken much of the pressure for reform in PES. Employment policies have followed European guidelines and political bargaining in Spain has meant the devolution of active employment services to nationalities and regions. But PES for long-term unemployed, particularly men and women above 45 years of age, need further reforms.

Reforms since 2002 have progressively sent the “active policy” message to both employees of PES and beneficiaries. At the end of 2006 there is more proximity, individual diagnosis and personalised action plans, formal requirements to enforce job search and work availability, and, compulsory participation in employment activities with the risk to lose subsidies for long-term unemployed.

However, the implementation of reforms is hampered by high caseloads in the metropolitan area of big cities like Barcelona where interviews were conducted. Services follow a quite standardised sequence finishing just before beneficiaries are “released” to look for jobs and encounter potential employers. There is very little mediation and placement and PES actually comply with “active policies” without actually compromising with the luck

of individuals who have been unemployed for a long period of time. Often, “difficult cases” are transferred to social services, particularly women who have had informal jobs with no family support. There is no evaluation of the strategies followed by public officials with regard to individual cases and therefore there is no organizational learning on how to maximize outcomes for broad categories of unemployed.

Lower levels of unemployment and decentralisation provide an excellent opportunity to experiment with new approaches to helping the long term unemployed. Local governments with lower caseloads are the ones that have more chances to find adequate services for their clients through training, internships and actual work experience. Some of the beneficiaries that were interviewed seemed to need several instances of finding work and losing it to get back to work definitely. Therefore, sustained support at the crucial moment of labour reintegration seems to be critical to consolidate previous PES efforts within the new framework of active policies.

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