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EMPLOYMENT TRANSITIONS OF YOUNG WORKERS IN SPAIN

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Abstract

In this article, we study the youth labour market in Spain. We focus on the transition from unemployment to employment and out of the labour force among two groups of workers: those who are looking for the first job, and workers who have already acquired some work experience. According to the Spanish labour force survey (EPA), first job seekers represent more than fifty per cent of youth unemployment. By using matched files from the same data source we find that the employment transition rate among first job seekers is half of that for experienced young workers. Applying a multinomial logit, we have analysed the factors that determine labour market transitions, and found significant differences between the two groups of job seekers. Inclusion of year dummies in the regressions allowed to control for the effects of the economic cycle on transition probabilities.

Key Words
Youth Labour Market; Transition Rate; First Job Seekers.

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1. Introduction

In the second quarter of 1995, 41.8 per cent of workers aged 16-24 were unemployed in Spain. This figure compares to an unemployment rate of 19.9 per cent for people with 25-54 years of age. Despite declining labour force participation rates, Spanish youth unemployment appears extremely high, even by European standards.[1] Improving the youth labour market continues to pose a challenge to labour market policies in many countries (OECD (1992)). Because of having the highest overall unemployment rate in the OECD area, Spanish young workers face comparatively harder conditions to integrate themselves in the world of work.

From the extensive literature that has studied the youth labour market, we know that the latter has specific features which contribute to explain the relatively poorer employment performance of young workers (Freeman and Wise (1984), Rees (1986), Topel and Ward (1992), Narendranathan and Elias (1993)). For instance, that many youths share participation in the labour force with school attendance; that young workers change labour force status much more frequently than adults; that many young persons live with their parents, which means that they tend to be less pressed to find work and to remain in the labour force; and, that early work experience has a significant impact on future career developments.

A key issue in assessing the youth labour market performance is the success in finding the first job. Having contact with the labour market for the first time, after School, young people must overcome the natural obstacle of lacking experience. In a context of high unemployment, first job seekers are obliged to compete for employment with experienced workers. The latter have an advantage in finding

[1] In 1991 the youth employment rate in Spain was 30.5 per cent, and in the European Community the corresponding figure was 17.6 per cent.

work because they know better how to search for a job, i.e., using already created networks; and also because employers ten to have a taste for workers with work experience. Thus, the employment performance of new entrants to the labour market is usually worse than that of workers who have worked before. For this reason, a priority of labour market policies targeted at youths is lowering the employer's cost of hiring unexperienced workers.

In this article, we study the youth labour market in Spain and focus on the transition from unemployment to employment and out of the labour force among two groups of workers: those who are looking for the first job, and workers who have already acquired some work experience. This distinction is useful because we observe significant differences in the probabilities of transition to employment between both types of workers. The distinction is also relevant because the proportion of unemployed people looking for the first job has substantially changed over time in Spain. The cross-section and flow data used in this study are from the Spanish labour force survey (EPA).

The study has to be carried out with a background of relevant labour market policies and institutions in Spain. In section 2 of the article we introduce various of such institutions together with the evolution of Spain's youth unemployment over the last two decades. In section 3 we look at employment transitions of both first-job seekers and experienced young workers. Section 4 is devoted to analyse the determinants of the probability of first employment and re-employment of unemployed young workers. Finally, in section 5 we present conclusions and interpretations of the results.

2. Youth Labour Market Policy and Performance in Spain

As will be consider later in this article, the very high unemployment rate of Spanish youths is, in a good deal, caused by the difficulties faced by those who look for a first job. Assuming that potential

productivity of new entrants to the labour market is more uncertain than that of experienced workers, firms tend to be particularly reluctant to hire the former when the associated labour cost is not considered low enough. When employment adjustment rules are stringent, as in Spain, hiring young workers becomes all the more risky for employers. In correspondence, a major component of Spanish employment policy targeted at youths has been facilitating hiring and firing by instituting fixed-term contracts. In some cases, additional incentives to hire young people have been provided by subsidies and social security relief.

2.1. Youth Labour Market Policy: Training and Apprenticeship Contracts

A major policy event in recent history of the Spanish labour market is the regulation of fixed-term employment contracts enacted in October 1984. The Government's objective was to promote employment by providing a legal instrument for circumventing firing restrictions on permanent workers: Fixed-term contracts allow firms to hire workers whose employment relation can be terminated at a certain date with a severance payment much lower than that for permanent workers[2]. Although new labour market reforms have been carried out in the 1990's, in essence, the nature of the distinction between temporary and permanent employment continues unaltered in the labour legislation.

As far as youths are concerned, the 1984 decree regulated two specific types of fixed-term contracts: the apprenticeship contract ("contrato para la formación") and the training contract ("contrato en prácticas"). The apprenticeship contract was designed for 16-20 years old workers who lacked formal qualifications. This contract holders were supposed to complement work with training. The time devoted to the latter activity was not remunerated, and could range from one fourth to one half of total time stipulated in the contract.

[2] Alba-Ramirez (1996) provides details on regulations of the employment relationship in Spain.

The training contract was thought of for young workers with a formal qualification that could be applied at the work place. This contract could only be given to young people within the first four years following graduation from an academic or vocational institution. In 1988, a new regulation of the training contract gave employers special incentives to hire graduates from vocational schools registered as unemployment for two o more years and first job seekers also registered for two o more years.

The duration of training and apprenticeship contracts could be of 3 months to 3 years. Firms hiring workers under these types of contracts were given fiscal incentives and subsidies: In particular, reductions of employers' contribution to the Social Security of 75 to 100 per cent; as well as subsidies depending on targeted groups, contract duration and firm size.

Recent labour market reforms have substantially modified the regulation of apprenticeship and training contracts. The reductions in Social Security contributions were suppressed in April 1992 for both types of contracts, and other fiscal incentives were linked to net employment creation and the conversion of temporary workers into permanent status. The apprenticeship contract was finally abolished in December 1993, and in its place the government created the so called "contrato de aprendizaje"[3], a legal figure that existed already in other European countries.

The new apprenticeship contract ("contrato de aprendizaje") has features which are quite different from the "contrato de formación". Its duration is between 6 months and 3 years, and can be used for hiring workers aged 16-25 years. At least 15 per cent of working time must be devoted to training, and the wage cannot be lower than 70, 80 and 90 per cent of the minimum wage in the first, second and third year of the contract duration, respectively. Apprenticeship contract holders are not entitled to

[3] We refer to the "contrato de aprendizaje" as the new apprenticeship contract.

unemployment benefit upon subsequent unemployment.

Figure 1 shows the number of training and apprenticeship contracts signed since January 1985. The number of both types of contracts increased until the end of the 1980's and leveled off just until the date in which subsidies and Social Security relief were eliminated. From January 1994, the upper panel of Figure 1 reflects the new apprenticeship contract which has yet to reach the level of success of its predecessor.

2.2. Youth Labour Market Performance

The upper panel of Figure 2 shows that youth unemployment rate increased continuously from the mid-1970's to the mid-1980's, it declined thereafter and increased significantly in the most recent economic downturn. The undergoing recovery from a very sluggish labour market has been weak so far. It is to be noted that the teenager unemployment rate has been more responsive to the business cycle than unemployment of 20-24 year olds: both groups' unemployment rates get closer in upswings and distance in downturns.

The lower panel of Figure 2 presents the ratios between youth and adult unemployment rates. We can observe a decline in the relative unemployment rate of youths, more pronounced for teenagers and, particularly for women. In the most recent years, it can be detected a worsening of the relative employment performance of 16-19 year olds. This has to be assessed against the background of a diminishing supply of young workers, due to a declining trend in their share of total population, and in their labour force participation. For instance, the presence of teenagers in total labour force went from 7.7 per cent in 1985 to 4.1 per cent in 1995.

Furthermore, because young workers stay longer in the educational system, they enter the labour force better equipped with formal education. This should have contributed to improve the youth labour market in general. However, the Spanish unemployment rate of young workers was roughly the same in 1995 than it was ten years earlier. This suggests that it has become harder for young people to find work in the 1990's than in the 1980's. To shed some light on this issue, we can distinguish between first job seekers and experienced young workers. By making this distinction we can obtain an indicator of the difficulties of finding the first job. Such indicator is affected by many factors. Among them, the effectiveness of policy measures that try to help youth integration in the labour market. Therefore, one can expect the proportion of first job seeker to differ across countries.

Table 1 presents the proportion of first job seekers for selected European countries in 1991. These data are obtained from Eurostat's labour force surveys. Italy, Greece, Belgium and Spain are the countries where first job seekers account for a larger proportion of youth unemployment. The figure is particularly striking in the case of Greece and Italy. Spain stands out for the highest unemployment rate, with an above average proportion of first job seekers. It should be born in mind that, since the seventies, in 1991 the Spanish labour market was at its best (see Figure 2).

Focusing on the case of Spain, the upper panel of Figure 3 shows that people looking for the first job as a proportion of the unemployed aged 16-54 years moved between 35 and 40 per cent in the period 1977-1987. From 1987 up to 1993, this percentage diminished by 20 percentage points. However, in 1994 and 1995, it is apparent a rise in the weight of first job seekers among the unemployed in Spain. This trend, obtained from the labour force survey, can be compared to that resulting from registered unemployment statistics. The lower part of Figure 3 depicts the proportion of first job seekers among registered unemployed persons. From 1987 on, the trend is quite similar to the one obtained from the

labour force data. However, the measure of first job seekers appears more poorly measured by registered unemployment statistics than by the labour force survey. In part, this is due to first job seekers being less motivated to register, although the incentive to do so increased in the late-1970's and early-1980's in Spain as we can infer from Figure 3.

Table 2 presents more detailed information on the proportion of first job seekers by three age groups. Also, the unemployment rate of each age group is provided for years 1987 to 1995. As reflected in the table, in 1987 first job seekers counted for three forth of unemployed teenagers, and half of the unemployed aged 20-24 years. For a given age group, the proportion of first job seekers tends to be higher among women, with more marked differences for those aged 25-29 years. The cross tabulation of age and sex by years indicates that a higher proportion of first job seekers is correlated with a higher unemployment rate. However, by looking at age-sex groups one can see that similar unemployment rates were associated with higher proportions of first job seekers in the eighties than in the nineties.

It is clear form Table 2 that the proportion of first job seekers follows an counter-cyclical pattern. When the economy is creating new jobs and employment inflows dominate employment outflows, the stock of first job seekers tends to decrease. However, one can observe a stable or increasing proportion of first job seekers in the early stages of a recession if job displacement is high. This is probably what happened in Spain in 1992 and 1993. The unemployment rate increased in those years but the proportion of first job seekers kept diminishing. The increase in 1994-95 suggests that in a context of job creation, first job seekers are a disadvantaged group in the labour market, given that other experienced young workers are also trying to regain employment.

3. Employment Transitions of First-Job Seekers and of Experienced Young Workers

As suggested in the previous section, the proportion of first job seekers goes a long way in explaining the unemployment rate among young workers in Spain. Given that the proportion of first job seekers varies widely among the group of european countries considered in Table 1, it may be useful to calculate the coefficient of correlation between youth unemployment rate and the proportion of first job seekers across those countries for year 1991. The correlation coefficient is, by age groups: 0.66 for teenagers, 0.61 for 20-24 year olds, and 0.37 for those aged 25-29 years. Such coefficients are quite high, indicating that high youth unemployment increases the difficulties of obtaining the first job[4].

Thus, the distinction between first job seekers and unemployed youths with work experience can be useful for better understanding the youth labour market. We are interesting in assessing differences in labour market performance of both categories of job seekers in terms of their probabilities of leaving unemployment.[5] For that purpose we consider data on workers's reported labour force status. These data permit us to measure transition rates from unemployment to either employment or out of the labour force.

3.1. The Data

The data used for most of the figures in this article have been obtained from the Labour Force Survey (EPA). The same data will be used for analysing employment transitions. This is possible by taking advantage of the panel structure of the EPA, in which a sixth of the sample (60,000 households)

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[4] The extent to which labour market policies affect the distribution of unemployment between new entrants and experienced young workers across countries is an interesting issue that we do not explore in this article.

[5] According to search literature, the probability of leaving unemployment depends on the probability of receiving an offer and on the probability that the offer is accepted. If employers have a taste for experienced workers, first job seekers will receive fewer offers than other comparable unemployed workers.

rotates every quarter. This allows to follow a person for a maximum of six quarters. EPA files suitable for studying labour market transitions have just recently been made available by the Spanish National Institute of Statistics (INE). Place of residence, and the code to identify members of the same household have been dropped from the matched files. Age is available as grouped in five year brackets.

The time period available expands from the second quarter of 1987 to the fourth quarter of 1995. This period includes part of the phase of strong employment growth that lasted until the early 1990's, the deep employment crisis of 1992 and 1993 and the weak recovery that started in 1994. Therefore, the data permit to analyse a complete cycle of the Spanish economy.

3.2. Unemployment Duration and Employment Transitions

The view that youths have higher labour turnover is widely accepted.[6] Young workers tend to hold short turn jobs, in part because they are more likely to be fired in periods of low demand. Does this imply that they move out of unemployment faster than other workers? For the case of Spain, Table 3 can contribute to answer this question. It shows the transition rates from unemployment to employment and out of the labour force. Such transition rates are calculated by matching the second and the third quarter of each year.

Before the Spanish economy entered the recession in the period 1992-93, around 20 per cent of unemployed persons in a quarter are found employed in the following quarter. The exit rates from unemployment[7] of young and adult workers do not appear to be significantly different. Likewise, the exit

[6] See Clark and Summers (1979, 1982), and Mincer and Jovanovic (1981).

[7] When we interpret the exit rate from unemployment as the probability of leaving unemployment, we understand the latter as the probability of finding a job, conditional on not dropping out of the labour force (Clark and Summers (1979)).

rate from unemployment to inactivity are quite similar, at 7.6 per cent for people aged 25-54 years and 7.7 per cent for young adults in 1995. Unemployment spells ending in exit from the labour force are more frequent among teenagers, particularly in recent years, at 11.8 per cent in 1995 for example. The increasing proportion of unemployed people leaving the labour force in recent years can be partly attributed to the discouraging effect of the recession (Smith et al. (1974), and Wachter and Kim (1982)).

The crucial distinction for finding differences in exit rates from unemployment appear to be that between first job seekers and experienced young workers. It is clear from Table 4 that having experience in the labour market makes a significant difference with respect to the probability of obtaining a job. The exit rate from unemployment is about twice as high among experienced workers than among first job seekers: in 1995, for instance, 9.3 per cent of teenagers looking for the first job were reported employed three months later; the equivalent transition rate was 23.7 per cent for teenagers who had some work experience. For the other two age groups considered in the table, the differences in transitions probabilities are also quite important. The low transition rate from unemployment to employment for first job seekers aged 25-29 years can be related to a more choosy attitude in job search by university graduates, which are numerous among the 25-29 year olds looking for the first job.[8]

Regarding the probabilities of labour force withdrawal, first job seekers appear to be more likely to become inactive, as we can infer from comparing labour force status in the second and third quarters. Also, new entrants to the labour market have been particularly affected by the 1992-93 recession in Spain. This is reflected in a sharper decline in their escape rates from unemployment as compared with that of

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[8] The inclusion of 25-29 year olds in the group of youth is justified on the fact that many university graduates enter the labour market in their late twenties.

experienced young workers. Note also the weak recovery from 1993 to 1995. The greater difficulties of finding work among first job seekers affected their propensity to leave the labour force, which increased considerably among teenagers.

Table A1 and Table A2 of the Appendix contain labour force transition rates by sex for first job seekers and for experienced young workers, respectively. It is to be noted that the transition from unemployment to the first job is much lower among women than men; whereas the transition out of the labour force appears quite similar by gender among those looking for the first job. With respect to experienced workers, the differences across sexes increase with age, in the sense that young adult men are more likely to obtain employment than young adult women; and that the latter become more likely to leave the labour force than their male counterpart.

As a general assertion we cannot say that youths have shorter unemployment spells than adult workers in Spain. According to the data used, the transition rates either to employment or out of the labour force do not differ significantly by age groups (Table 3). However, when we distinguish between young unemployed workers who posses work experience, and those who are looking for their first job, unemployment spells appear twice as long for the latter group. Therefore, within the group of experienced workers, 16-24 year olds tend to have a greater probability of becoming re-employed than workers aged 25-54 years (Table 3 and the lower panel of Table 4). It is clear that teenagers have a harder time finding work, and that a great proportion of unemployment spells end in withdrawal from the labour force. For this reason, the average duration of unemployment, as usually measured, has little meaning for this group of job seekers.

3.3. Hazard Rates from Unemployment to Employment and Out of the Labour Force

How does the exit rate from unemployment change over the unemployment spell for first job seekers as compared to experienced young workers? To try to respond to this question we can calculate hazard rates from unemployment to employment, and from unemployment out of the labour force at different points of the unemployment duration. We define the quarterly hazard rate (or empirical hazard) from unemployment to employment as the proportion of workers who become employed each quarter, having remained unemployed up to that same quarter. As we take persons for whom information on labour force situation is available in six consecutive quarters, we can obtain five observations for the hazard rate, based on complete unemployment durations. The panel constructed is formed by a cross section of unemployed workers. Because a single wave yields a relatively small sample, we pool together all possible waves that can be obtained with data that comprises the 2nd quarter of 1987 to the 4th quarter of 1995. This way we are able to form 30 waves.

Quarterly hazard rates are contained in Table 5. It is apparent from that table that the decline in the probability of leaving unemployment is more pronounced among experienced young workers than among first job seekers. This could be related to the fact that specific skills deteriorate faster than general skills. Although men are more likely to find work than women, their hazard rate seems to decline faster than that for the latter. Moreover, women looking for the first job appear to be less likely to drop out of the labour force than men. The reverse is true among experienced young workers.

Of all unemployed youths (16-29 years of age) at a certain time in the period that extends from the second quarter of 1987 to the fourth quarter of 1995, we can count persons who found work or left

the labour force at least once in a period of 15 months:[9] Among those looking for the first job, 42 per cent of men and 31 per cent of women found work; and 29 per cent of men and 25 per cent of women left the labour force. Among experienced, unemployed youths, 61 per cent of men and 45 per cent of women found work; and 14 per cent of men and 21 per cent of women left the labour force. These figures indicate that young people have a high propensity to leave the labour force, particularly those looking for the first job. Moreover, the fifteen month window allows to find that a significant proportion of the unemployed youths remain unemployed for at least that much long: about 25-30 per cent of men and 35-45 per cent of women.

4. Explanatory Factors for First Employment and Re-Employment Probabilities Among Young Workers

In this section we analyse various explanatory factors of the transition from unemployment to employment and out of the labour force among workers aged 16-29 years. To do that, we use a multinomial logit model. First, we estimate the model for the whole sample, and later we focus on the distinction between first job seekers and experienced workers. We compare the estimated impact of a set of explanatory variables on the probability of obtaining a job or leaving the labour force for both types of unemployed young workers.

4.1. Conceptual Framework

To study a number of factors affecting labour market transitions of youths, we use a multinomial logit model (Maddala (1983)). The probability that a unemployed person in quarter t is observed employed or out of the labour force in quarter t+1, can be expressed as a conditional expectation

[9] We observe the labour force status once per quarter. Thus, if there are additional changes in status, they are missed.

function, $P(Y = k \mid X) = p_{ki}$, where k=1,2,3 if individual i becomes employed, leaves the labour force or remains unemployed, respectively; and X is a vector of individual characteristics and other factors that affect labour market transitions.

The probability that individual i experiences a transition from unemployment to employment is:

$$p_{1i} = \frac{\exp(X_i\beta_1)}{1 + \exp(X_i\beta_1) + \exp(X_i\beta_2)}$$

and the probability that the individual leaves the labour force is:

$$p_{2i} = \frac{\exp(X_i\beta_2)}{1 + \exp(X_i\beta_1) + \exp(X_i\beta_2)}$$

Among the set of explanatory variables, X, we include demographic characteristics (age, sex, education, marital status); variables related to the individual's labour market experience (activity before starting job search, whether attending school/following training courses while looking for work or not, time out of work and searching for a job, whether or not receiving unemployment benefits, situation with respect to the public employment office); a dummy to take into account the pressure or willingness to take a job; also, we include in the regression time dummies to control for the influence of the business cycle on labour market transitions.

The sample used is composed of all unemployed persons aged 16-29 years in the second quarter of 1987, 1989, 1991, 1993 and 1995, who were also interviewed in the following quarter. Because of the EPA's rotation scheme, a sixth of the individuals interviewed in the second quarter is lost in the third quarter. And 16 per cent of the remaining sample is lost because of attrition.

In the following section we present the maximum likelihood estimates of the parameters of this model. We adopt the usual normalization rule of setting the parameters equal to zero in the equation for those who remain unemployed.

4.2. Results

Parameter estimates of the multinomial logit model are presented in Table 6 for the whole sample (unemployed persons aged 16-29 in the second quarter of years 1987, 1989, 1991, 1993, 1995 whose labour force status is observed three months later). In Table 7 the results refer to first job seekers and experienced young workers separately. Keeping this distinction, Table 3A and Table 4A of the appendix contain the results of estimating the model for males and for females, respectively. Sample means are also provided in each of these tables. Table 8 provides derivatives of the transition probabilities based on results of Table 6 and Table 7.[10]

The multinomial logit estimates reported in Table 6 provide first insights into a number of factors that affect labour market transitions of young workers. Having experience in the labour market increases the probability of obtaining a job for the average unemployed youth by .0795, from .1818 to .2613, an increase of 43.7 per cent; and reduces the probability of leaving the labour force by .031, which

[10] For the transition from unemployment to the jth situation, the marginal effect of an exogenous variable, x, is obtained at the sample means applying the formula: $\delta p_j/\delta x = p_j(\beta_j - \Sigma\, p_k\beta_k)$, where $k=1,2$.

represents a 43 per cent reduction for the average worker. Attending school/following training courses while looking for work is also a very significant variable that reduces the probability of obtaining a job by .0472 and increases the probability of dropping out of the labour force by .0601. Males are, 41 per cent more likely to obtain employment than females, and 32 per cent less likely to leave the labour force. Marital status, age and the situation with respect to the public employment office (INEM) do not seem to significantly affect the probability of becoming employed, according to regression in Table 6.

Other results of Table 6 worth mentioning are: (1) The current unemployment duration has a strong negative effect on both the transition to employment and the transition out of the labour force. (2) Workers receiving unemployment benefits are 31 per cent less likely to drop out of the labour force, and those who are not registered with the INEM are 62 per cent more likely to do so, as compared with the average worker who is registered and receive no benefits. (3) We create a dummy that takes on 1 if the worker would be willing to accept a job that implies a change of residence and profession, with lower than expected earnings and occupation. This measure of the willingness to take work has a positive effect on the probability of becoming employed and a negative effect on the probability of dropping out of the labour force. (4) Finally, the dummies that control for cyclical effects on labour force transitions obtain the expected signs: The probability of obtaining a job decreased in 1991, 1993 and 1995; and the probability of leaving the labour force increased in the latter two years. For instance, the probability of becoming employed was 48 per cent lower in 1993 than in 1987.

Table 7 contains results of estimating the multinomial logit model for first job seekers on one hand, and for youths with work experience on the other. Young adults looking for the first job seem to face more difficulties to find work than teenagers. Among experienced workers, age does not seem to significantly influence the probability of finding work, although strongly reduces that of leaving the

labour force. Males are more likely to become employed and to remain in the labour force, except among first job seekers where the corresponding dummy obtains a positive coefficient but insignificant at the conventional level. More educated, experienced workers are more likely to become employed, but among first job seekers only those with a vocational degree show a significantly greater employment probability: Possessing such level of education increases by 41 per cent the probability of becoming employed. This result can be due to the fact that vocational education facilitates contact with the labour market.

In comparing the effects of independent variables on labour force transitions for first job seekers and for youths with work experience, Table 7 provides additional results worth mentioning. With respect to the variable situation at the public employment office (INEM), we know whether youths are registered or not, and, if registered, whether or not they are receiving unemployment benefits. Because first job seekers are not entitled to unemployment benefits in Spain, in the regression for first job seekers we include a dummy that takes on 1 if the person is not registered. It appears that INEM registration does not influence the probability of employment among first job seekers. However, those not registered are 48 per cent more likely to drop out of the labour force.

In the equation for experienced young workers, we include two dummies: one that takes on 1 if the worker is registered and receiving unemployment benefits, and other that takes on 1 if the workers is not registered. The omitted category is therefore registered without unemployment benefits. The unemployment insurance dummy has the expected effect on the transition from unemployment to employment, although it is significant only at the 10 per cent level. Moreover, those receiving benefits are 27 per cent less likely to leave the labour force, as compared with those registered without unemployment insurance. Experienced young workers not registered at the INEM are more likely to become employed and also to drop out of the labour force than those registered without receiving

benefits. Thus, a clear result from Table 7 is that registration, with or without benefits, is a good indicator of labour force attachment (Marston (1975), and Barron and Mellow (1985)).

Workers' situation right before looking for work can be informative about their job search outcomes. One question in the EPA considers the following mutually exclusive situations: working, studying, in the military, taking care of the home, and "others"[11]. In the equations for first job seekers we have included a dummy that takes on 1 if the worker was a student. This variable significantly reduces the probability of becoming employed, suggesting that going straight from school to the labour market poses more difficulties in finding work than doing some other activity in between. In the equations for experienced young workers, we include two dummies: one that takes on 1 if the worker was a student before looking for work, and other taking on 1 if the workers was in the military, taking care of the home or in "other" situation. The results indicate that, prior to job search, those who were not working are more likely to leave the labour force, and those who were studying are slightly more likely to find work than workers who were employed before job search.

Regarding the dummies that control for the effects of the economic cycle, it should be emphasised the sharp decline in transition to employment in 1993 and 1995, as compared with 1987. In 1993, the employment probability decreased 49 per cent among first job seekers, and 45 per cent among experienced young workers. In comparison with 1993, the economic recovery seems to have had a greater positive effect on experienced young workers than on first job seekers.

[11] This question has been used to check on the classification of workers into first job seekers and those with work experience. This distinction was made according to the question: Have you done any work before, as salaried, self-employed or family helper? By cross tabulating these two related questions we found that 67 first job seekers indicated that they were working prior to job search. They were dropped from the sample we use.

By studying the determinants of labour force transitions by gender, we can shed additional light on some of the previously commented relationships. Results are contained in Table A3 and Table A4 of the Appendix. The effect of age on the probabilities of becoming employed and on leaving the labour force differ by gender. For instance, among workers with experience, 20-24 years old males perform better than their counterparts aged 16-19 and 25-29 years. However, among experienced females, those aged 25-29 years have significantly lower probability of becoming employed than the other two groups. With respect to the variable education, it is worth mentioning that the result of a higher employment probability among first job seekers with a vocational degree holds for both sexes. On the other hand, possessing higher education does not affect the probability of employment among experienced men but strongly increases that for women.

The dummy for marital status obtains opposite signs when comparing regressions for men and women: married men are more likely to become employed and married women less likely to do so than their single counterparts. Current unemployment duration does not seem to affect the employment probability for women seeking the first job. The dummy for being registered and receiving benefits obtains a negative coefficient on employment and out of the labour force transition probabilities among experienced women. However, in neither case such coefficients are significant at the conventional level. Other result worthy of comment with regard to gender differences in factors affecting labour market transitions is that referred to the effect of the economic cycle. The negative effects of the 1992-93 recession on employment transitions were stronger among unemployed males looking for the first job than among women in the same situation. This may be the reason why the probability of leaving the labour force increased for men in 1995.

5. Conclusions and Interpretations

This article has focused on the transition from unemployment to employment and out of the labour force among Spanish young workers, those aged 16-29 years. We made the distinction between first job seekers and experienced young workers, and found that the former group represents an important proportion of youth unemployment. This distinction is also useful to reveal that the transition rate from unemployment to employment among first job seekers is half of that for experienced, unemployed young workers. This suggests that obtaining a first job becomes a hard test for young people in Spain.

We have analysed the determinants of labour market transitions among both groups of unemployed youths by applying a multinomial logit framework. We found some significant differences in the impact of various characteristics on transition probabilities: Age reduces the probability of obtaining a first job but does not affect the probability of re-employment. Males are always more likely to become employed, and less likely to leave the labour force among experienced youths. Education increased the probability of employment among the latter. However, among first job seekers only those with a vocational degree are more likely to find a job. This result holds for both mean and women, making a case for increasing the contact with the labour market while in school. A related result is that youths who said that they were students right before looking for work are less likely to become employed than comparable first job seekers who were in other situation.

We also found clear evidence for the effects of the economic cycle on labour market transitions. Compared with 1987, a year of strong employment creation in Spain, the transition probability decreased significantly in 1993; in particular among young men looking for the first job. Among first job seekers, the 1995 labour market improvement had a higher incidence on the women's employment transition probability than on that of men. As a result, the probability of dropping out of the labour force increased

significantly among the latter. One could relate these developments to changes in employment policy occurred in the early nighties. For instance, the new apprenticeship contract does not seem to have lived up to expectations of improvement in youth transitions from school to work. However, further research is needed to clarify the youth labour market effects of changes in employment policy.

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Table 1
Percentage of First Job Seekers and Unemployment Rate for Selected European Countries in 1991

Age:	15-19		20-24		25-29	
	(1)	(2)	(1)	(2)	(1)	(2)
Germany	45.68	3.29	14.91	3.84	9.62	4.39
Belgium	64.73	21.55	42.21	12.97	16.95	8.44
Denmark	20.41	7.62	5.84	14.44	0.93	11.76
Spain	55.02	33.71	38.62	29.30	27.83	21.34
France	44.73	25.97	18.99	18.47	9.35	10.73
Greece	88.33	27.42	73.36	23.54	51.78	11.57
Netherlands	53.69	16.18	29.37	8.88	26.09	7.12
Ireland	62.29	30.44	28.05	20.02	10.19	15.37
Italy	84.86	33.07	78.78	26.57	63.66	15.85
Portugal	48.63	8.91	27.57	8.55	13.13	5.60
U. Kingdom	36.44	15.23	8.88	13.10	4.43	9.70

Notes:
1. (1) Percentage of first job seekers, (2) unemployment rate.
2. For Spain and the U.K., 16-19 years of age instead of 15-19.

Source: Labour Force Surveys from Eurostat.

Table 2
Percentage of First Job Seekers and Unemployment Rate by Age Groups and Gender, 1987-95

1. Men

	Proportion of First Job Seekers			Unemployment Rate		
	16-19	20-24	25-29	16-19	20-24	25-29
1987	72.1	46.2	24.1	45.5	35.1	22.1
1988	68.1	45.6	23.4	41.3	32.6	19.8
1989	62.1	43.3	24.2	31.1	26.0	17.8
1990	53.1	37.0	22.7	30.6	23.8	15.7
1991	50.3	33.5	19.4	28.4	24.0	15.9
1992	51.8	26.3	15.1	31.3	26.6	18.1
1993	46.4	21.8	13.9	46.3	36.2	25.0
1994	58.6	26.2	14.0	47.7	39.1	26.3
1995	59.7	32.1	18.4	46.1	32.2	24.7

2. Women

1987	80.0	60.6	42.2	55.0	46.7	31.4
1988	70.1	59.8	41.1	53.0	46.0	34.1
1989	68.0	56.1	38.7	45.5	41.3	31.7
1990	65.2	48.3	34.3	42.8	37.7	29.9
1991	59.0	42.9	34.6	40.1	35.9	29.3
1992	56.6	38.0	30.4	42.8	38.6	30.1
1993	55.6	35.5	26.4	54.3	43.7	34.8
1994	60.6	39.9	26.2	58.1	46.8	37.8
1995	65.9	44.0	28.3	55.1	45.8	36.7

Source: EPA's second quarter of each year.

Table 3
Transition Rates from Unemployment to Employment and Out of the Labour Force
Men and Women

	Employment			Out of the Labour Force		
	16-19	20-24	25-54	16-19	20-24	25-54
1987	18.2	19.4	19.4	8.2	5.8	7.0
1989	20.6	21.4	20.4	6.5	5.3	6.1
1991	21.0	21.6	17.7	5.4	4.4	6.1
1993	13.2	14.3	13.5	9.4	6.4	7.8
1995	15.3	17.8	13.9	11.8	7.7	7.6

Source: EPA. Second and third quarter matched files.

Table 4
Transition Rates from Unemployment to Employment and Out of the Labour Force
Men and Women

1. First Job Seekers

	Employment			Out of the Labour Force		
	16-19	20-24	25-29	16-19	20-24	25-29
1987	15.9	12.6	10.7	8.9	7.3	10.1
1989	15.2	13.7	12.3	7.0	7.0	7.3
1991	17.8	13.3	8.1	5.9	5.5	6.2
1993	8.6	8.6	6.4	11.5	11.5	8.4
1995	10.4	10.8	6.6	14.2	10.0	7.8

2. Experienced Young Workers

1987	25.3	27.4	22.7	6.0	4.0	5.5
1989	30.8	29.8	24.1	5.5	3.4	5.4
1991	25.0	27.0	21.9	4.7	3.7	5.3
1993	18.2	16.7	16.5	7.1	4.3	6.9
1995	23.7	22.3	18.6	7.7	6.2	5.8

Source: EPA. Second and third quarter matched files.

Table 5
Hazard Rates from Unemployment to Employment and out of the Labour Force.
Workers 16-29 years of age. Pooled Sample 1987-1995

	Men		Women	
	Employment	Out of the LF	Employment	Out of the LF
1. First Job Seekers				
Initial Sample:	4901		7087	
Follow-up Quarters				
Second	15.71	11.14	9.47	9.76
Third	13.84	10.13	8.79	7.51
Fourth	12.77	8.07	8.14	5.43
Fifth	12.42	7.83	8.52	5.43
Six	11.50	7.38	7.21	5.33
2. Experienced Young Workers				
Initial Sample:	7983		6675	
Follow-up Quarters				
Second	25.37	5.27	15.93	8.57
Third	22.97	4.66	15.38	6.67
Fourth	19.09	4.72	13.95	5.34
Fifth	15.69	4.78	11.10	5.05
Six	13.22	3.67	9.97	5.79

Note: The hazard rate is defined as the percentage of unemployed persons who change labour force status each quarter, after having remained unemployed up to that same quarter.
Source: EPA's matched files.

Table 6
Determinants of the Transitions from Unemployment to Employment and Out of the Labour Force for Workers Aged 16-29 Years
Multinomial Logit Estimates (asymptotic t-statistics)

	Employment	Out of the LF	Mean
Constant	-1.3161	-2.0863	
	(19.28)	(21.01)	
Aged 20-24	.0552	-.2304	.448
	(1.29)	(3.80)	
Aged 25-29	-.0568	-.2963	.328
	(1.13)	(3.96)	
Male	.4837	-.2480	.482
	(14.53)	(4.94)	
Secondary	.1055	.0944	.514
(Academic)	(2.69)	(1.52)	
Secondary	.3111	-.0206	.154
(Vocational)	(6.00)	(0.25)	
University	.1755	-.1184	.095
	(2.50)	(1.21)	
Married	-.0369	.9661	.148
	(0.74)	(14.66)	
Attend School	-.2422	.8424	.202
	(5.21)	(15.77)	
Log (U. duration)	-.2480	-.1190	2.373
	(18.74)	(5.81)	
Receiving UI	-.0552	-.3451	.161
	(1.28)	(4.11)	
Not registered	.0482	.6809	.116
	(0.91)	(11.55)	
Willingness to	.0748	-.1874	.276
take a job	(2.14)	(3.28)	
Work experience	.5031	-.3560	.498
	(13.30)	(6.27)	
Year 1989	.0792	-.1437	.190
	(1.64)	(1.86)	
Year 1991	-.1142	-.1967	.167
	(2.23)	(2.40)	
Year 1993	-.5779	.1079	.218
	(11.30)	(1.52)	
Year 1995	-.2846	.1941	.218
	(5.76)	(2.79)	
P	18.18	7.28	
N	29490		
Log Likelihood	-20008		

Notes:
1. The following dummies are omitted: aged 16-19, primary education or less, registered without benefits, and year 1987.
2. Transitions rates are obtained from matching the second and and the third quarter of each year.

Table 7
Determinants of the Transitions from Unemployment to Employment and Out of the Labour Force for Workers Aged 16-29 Years
Multinomial Logit Estimates (asymptotic t-statistics)

	First Job Seekers			With Work Experience		
	Empl.	OLF	Mean	Empl.	OLF	Mean
Constant	-1.3430	-2.1308		-.8672	-2.3178	
	(10.38)	(14.38)		(10.59)	(15.71)	
Aged 20-24	-.1375	-.0937	.455	.0950	-.3596	.443
	(1.93)	(1.18)		(1.67)	(3.54)	
Aged 25-29	-.3036	-.1769	.212	-.0361	-.3662	.411
	(2.87)	(1.56)		(0.58)	(3.31)	
Male	.5133	.0775	.401	.4482	-.6257	.540
	(8.47)	(1.14)		(11.13)	(8.32)	
Secondary	.0420	.2094	.514	.1336	-.0102	.514
(Academic)	(0.52)	(2.14)		(2.96)	(0.12)	
Secondary	.3803	.0899	.166	.2997	-.1573	.146
(Vocational)	(3.76)	(0.73)		(4.85)	(1.34)	
University	.1024	-.0733	.149	.4029	-.2004	.057
	(0.80)	(0.53)		(4.45)	(1.24)	
Married	-.2034	.9518	.067	-.0477	.9408	.206
	(1.40)	(8.05)		(0.89)	(11.23)	
Attend School	-.3405	.8905	.305	-.1523	.6624	.129
	(4.68)	(12.72)		(2.42)	(7.17)	
Log (U. durat.)	-.1833	-.1937	2.823	-.2468	-.0557	2.054
	(6.47)	(6.37)		(16.03)	(1.95)	
Receiving UI				-.0754	-.3015	.270
				(1.72)	(3.41)	
Not registered	-.0216	.6160	.167	.1365	.7447	.080
	(0.26)	(8.27)		(1.92)	(7.64)	
Willingness	.0667	-.2159	.260	.0667	-.1249	.287
to take a job	(1.02)	(2.76)		(1.60)	(1.48)	
Student before	-.1416	-.0116	.729	.1145	.5245	.060
job search	(1.99)	(0.13)		(1.36)	(4.23)	
Other situation				-.1298	.2322	.086
before job search				(1.85)	(2.16)	
Year 1989	.0868	-.1958	.223	.1312	-.0770	.166
	(1.09)	(1.99)		(2.12)	(0.60)	
Year 1991	.0421	-.3516	.155	-.1290	-.0252	.175
	(0.47)	(3.11)		(2.04)	(0.20)	
Year 1993	-.5419	.0955	.166	-.5789	.1668	.255
	(5.38)	(0.99)		(9.49)	(1.52)	
Year 1995	-.4066	.1679	.197	-.2436	.2324	.233
	(4.40)	(1.83)		(4.06)	(2.12)	
P	11.43	9.50		22.98	5.71	
N	12263			17227		
Log Likelihood	-7679			-12194		

Notes:
1. The following dummies are omitted: aged 16-19, primary education or less, registered without benefits, worked before job search, and year 1987.
2. Transitions rates are obtained from matching the second and and the third quarter of each year.

Table A2
Labour Force Transition Rates Among Experienced Young Workers by Gender

1. Men

	Employment			Out of the Labour Force		
	16-19	20-24	25-29	16-19	20-24	25-29
1987	24.8	32.3	27.4	4.0	1.7	3.5
1989	34.7	36.9	32.5	5.6	2.2	2.9
1991	29.2	33.8	28.5	4.6	2.3	1.8
1993	17.0	17.7	20.5	7.4	2.8	3.6
1995	24.6	25.9	23.5	6.3	4.1	2.0

1. Women

1987	25.9	21.0	14.9	8.3	7.1	8.8
1989	26.9	22.3	14.9	5.4	4.6	8.2
1991	20.5	20.5	14.8	4.7	5.0	9.0
1993	19.7	15.3	11.8	6.7	6.2	10.7
1995	22.6	18.3	13.4	9.2	8.6	9.7

Source: EPA. Second and third quarter matched files.

Table A3
Determinants of the Transitions from Unemployment to Employment and Out of the Labour Force for Male Workers Aged 16-29 Years
Multinomial Logit Estimates (asymptotic t-statistics)

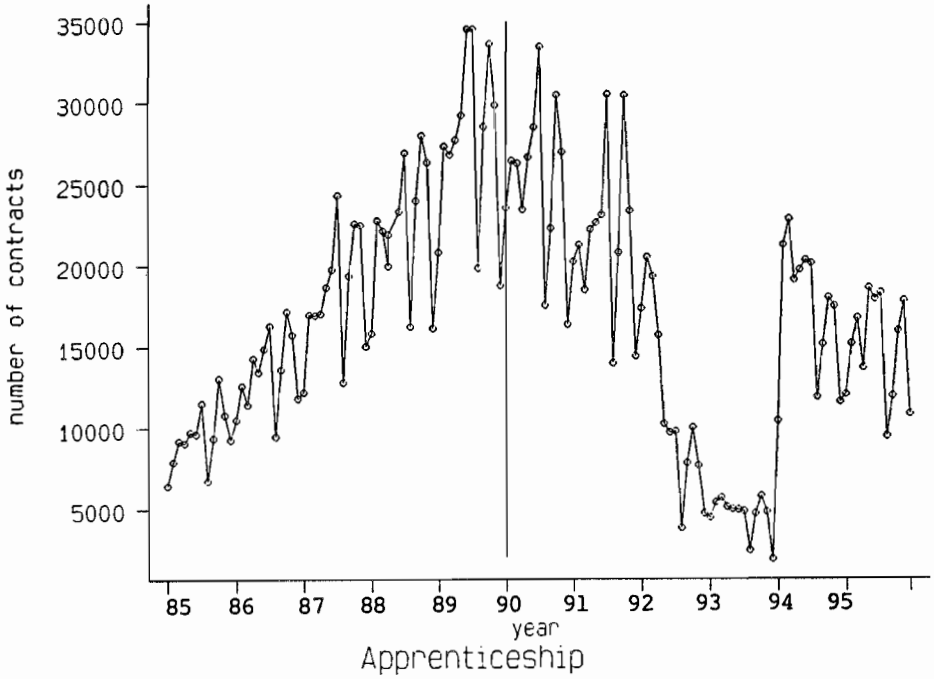
	First Job Seekers			With Work Experience		
	Empl.	OLF	Mean	Empl.	OLF	Mean
Constant	-.4855	-2.6464		-.5192	-2.6056	
	(3.16)	(11.65)		(5.31)	(11.36)	
Aged 20-24	-.2421	-.1776	.438	.1717	-.5735	.444
	(2.43)	(1.41)		(2.29)	(3.77)	
Aged 25-29	-.1598	-.2843	.184	.0817	-.5998	.410
	(1.05)	(1.46)		(1.01)	(3.53)	
Secondary	.0241	.4457	.505	.1284	.1428	.502
(Academic)	(0.23)	(2.83)		(2.34)	(1.00)	
Secondary	.4500	.4361	.161	.2511	.3058	.124
(Vocational)	(3.35)	(2.24)		(3.10)	(1.56)	
University	.0232	.2591	.115	.1683	.0862	.036
	(0.12)	(1.09)		(1.20)	(0.28)	
Married	.5482	-1.6742	.017	.2529	-.0576	.147
	(2.08)	(1.64)		(3.60)	(0.27)	
Attend School	-.3992	.9608	.269	-.1877	.8901	.099
	(3.66)	(8.64)		(2.06)	(5.76)	
Log (U. durat.)	-.2714	-.1533	2.663	-.2561	-.0899	1.919
	(7.25)	(3.16)		(12.97)	(1.85)	
Receiving UI				-.1000	-.4949	.293
				(1.81)	(3.11)	
Not registered	-.0531	.6105	.175	.2018	.6313	.069
	(0.46)	(5.14)		(2.13)	(3.60)	
Willingness	.0139	-.2897	.324	.0490	-.1532	.362
to take a job	(0.15)	(2.40)		(0.97)	(1.21)	
Student before	-.2051	.2256	.691	-.1265	.5396	.049
job search	(2.16)	(1.61)		(1.06)	(2.69)	
Other situation				.1024	-.3924	.089
before job search				(1.17)	(1.70)	
Year 1989	.1398	-.0507	.209	.2115	.0131	.162
	(1.28)	(0.30)		(2.72)	(0.06)	
Year 1991	.0847	.0572	.143	-.0578	-.0156	.161
	(0.68)	(0.31)		(0.72)	(0.07)	
Year 1993	-.7698	.2029	.167	-.6445	.1193	.262
	(5.37)	(1.28)		(8.44)	(0.65)	
Year 1995	-.6279	.3783	.194	-.2295	.1673	.226
	(4.71)	(2.55)		(3.03)	(0.89)	
P	15.26	9.11		27.28	3.42	
N	4927			9308		
Log Likelihood	-3322			-6487		

Notes:
1. The following dummies are omitted: aged 16-19, primary education or less, registered without benefits, worked before job search, and year 1987.
2. Transitions rates are obtained from matching the second and and the third quarters of each year.

Table A4
Determinants of the Transitions from Unemployment to Employment and Out of the Labour Force for Female Workers Aged 16-29 Years
Multinomial Logit Estimates (asymptotic t-statistics)

	First Job Seekers			With Work Experience		
	Empl.	OLF	Mean	Empl.	OLF	Mean
Constant	-1.8936	-1.6939		-.8374	-2.4561	
	(9.39)	(9.15)		(6.56)	(13.27)	
Aged 20-24	-.0861	-.0340	.467	-.0216	-.1952	.441
	(0.82)	(0.33)		(0.24)	(1.41)	
Aged 25-29	-.4056	-.1705	.231	-.2319	-.2029	.412
	(2.68)	(1.19)		(2.35)	(1.36)	
Secondary (Academic)	.1114	.0308	.521	.2222	-.1447	.528
	(0.84)	(0.24)		(2.69)	(1.41)	
Secondary (Vocational)	.3521	-.1590	.169	.4597	-.4521	.171
	(2.20)	(0.99)		(4.54)	(3.10)	
University	.1637	-.2501	.172	.6607	-.3395	.082
	(0.89)	(1.45)		(5.19)	(1.79)	
Married	-.3696	.9998	.101	-.4366	1.1264	.276
	(2.04)	(7.70)		(5.14)	(1.19)	
Attend School	-.2803	.8214	.330	-.1425	.5612	.164
	(2.85)	(9.08)		(1.63)	(4.84)	
Log (U. durat.)	-.0537	-.2264	2.930	-.2149	-.0481	2.212
	(1.17)	(5.71)		(8.60)	(1.34)	
Receiving UI				-.0941	-.1149	.242
				(1.28)	(1.07)	
Not registered	.0269	.5899	.162	.0832	.7486	.093
	(0.23)	(6.11)		(0.77)	(6.27)	
Willingness to take a job	.1029	-.1116	.218	.0656	-.0355	.198
	(1.04)	(1.07)		(0.88)	(0.31)	
Student before job search	-.0501	-.1535	.755	.0738	.4902	.073
	(0.45)	(1.36)		(0.62)	(3.08)	
Other situation before job search				.0244	.3421	.083
				(0.20)	(2.68)	
Year 1989	.0454	-.2957	.232	.0584	-.1820	.172
	(0.39)	(2.41)		(0.56)	(1.16)	
Year 1991	.0088	-.5990	.163	-.1786	-.0834	.192
	(0.06)	(4.11)		(1.70)	(0.54)	
Year 1993	-.3199	.0347	.165	-.4320	.1673	.247
	(2.24)	(0.28)		(4.22)	(1.21)	
Year 1995	-.1921	.0313	.199	-.2139	.2077	.242
	(1.47)	(0.26)		(2.13)	(1.52)	
P	8.86	9.76		17.93	8.40	
N	7336			7919		
Log Likelihood	-4305			-5607		

Notes:
1. The following dummies are omitted: aged 16-19, primary education or less, registered without benefits, worked before job search, and year 1987.
2. Transitions rates are obtained from matching the second and and the third quarters of each year.



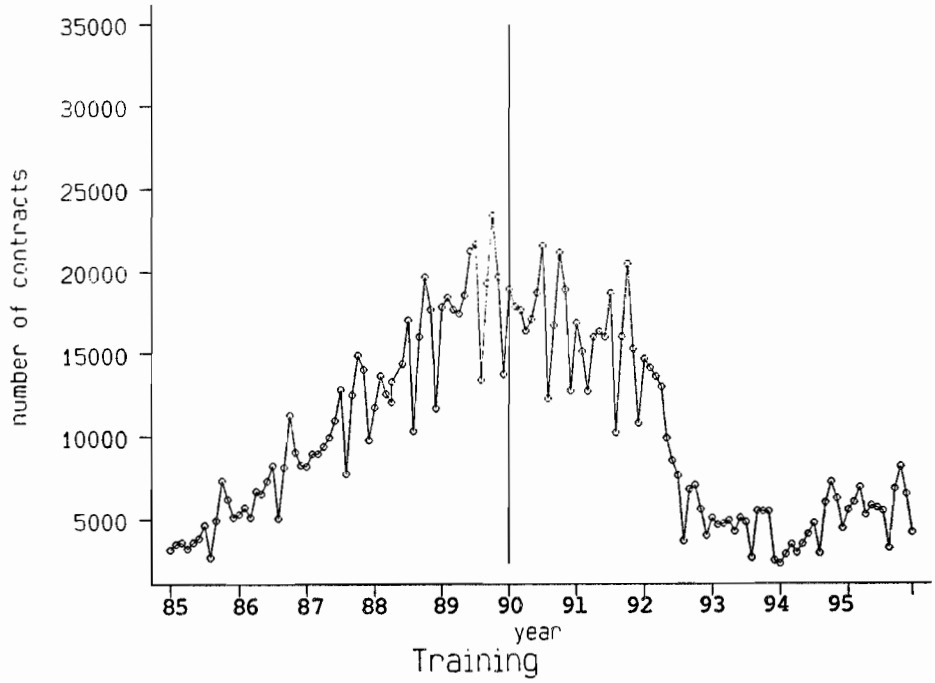


Figure 1. Number of Training and Apprenticeship Contracts Monthly Registered at the Public Employment Office (INEM), 1985-1995.

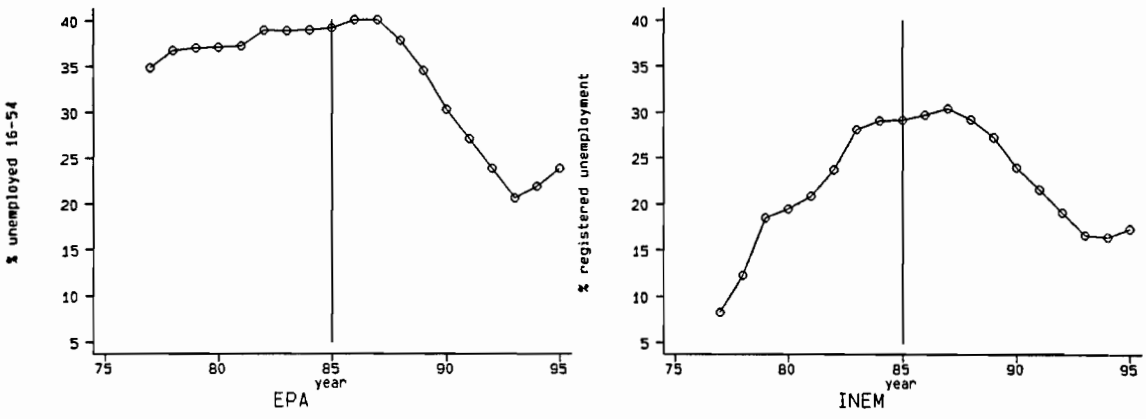


Figure 2. Proportion of First Job Seekers According to the Labour Force Survey (EPA) and Registered Unemployment Statistics (INEM), 1977-1995.

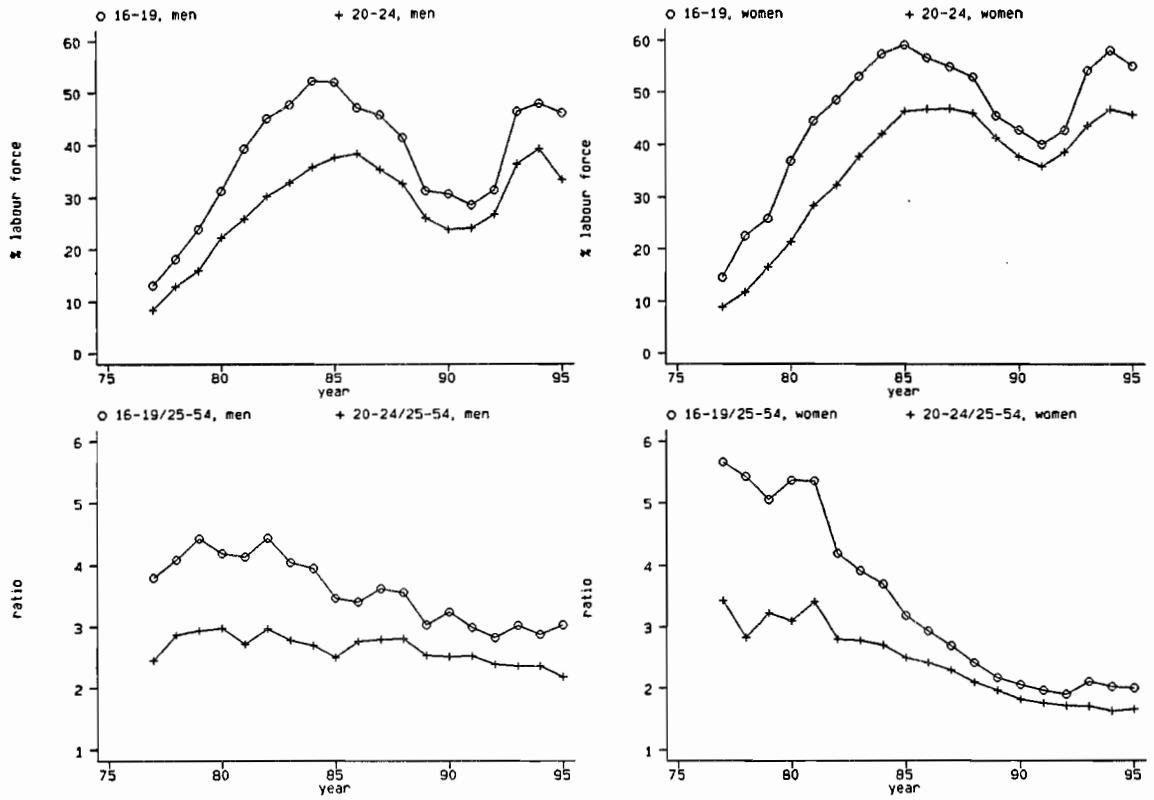


Figure 3. Unemployment Rates of Young Workers and Relative Unemployment Rates According to the Labour Force Survey (EPA), 1977-1995.

Table 8
Marginal Probabilities of Transitions to Employment and out of the Labour Force

	All Young Workers		First Job Seekers		With Work Experience	
	Empl.	OLF	Empl.	OLF	Empl.	OLF
Aged 20-24	.0112	-.0162	-.0129	-.0065	.0215	-.0206
Aged 25-29	-.0045	-.0192	-.0288	-.0119	-.0015	-.0192
Men	.0752	-.0231	.0511	.0010	.0875	-.0395
Secondary (Acad.)	.0144	.0049	.0019	.0175	.0237	-.0023
Secondary (Voca.)	.0465	-.0055	.0375	.0036	.0551	-.0124
University	.0276	-.0103	.0111	-.0074	.0739	-.0160
Married	-.0182	.0657	-.0309	.0840	-.0208	.0512
Attend School	-.0471	.0600	-.0441	.0802	-.0356	.0376
Log (U. durat.)	-.0353	-.0047	-.0164	-.0146	-.0429	.0002
Receiving UI	-.0036	-.0225			-.0093	-.0152
Not registered	-.0018	.0453	-.0088	.0531	.0143	.0383
Willingness	.0136	-.0136	.0090	-.0192	.0134	-.0076
Work experience	.0795	-.0306				
Student before			-.0142	.0005	.0133	.0267
Other situation					-.0260	.0142
Year 1989	.0136	-.0107	.0109	-.0177	.0242	-.0058
Year 1991	-.0143	-.0117	.0080	-.0306	-.0225	.0003
Year 1993	-.0873	.0149	-.0558	.0140	-.1046	.0165
Year 1995	-.0449	.0168	-.0429	.0188	-.0461	.0157
P	18.18	7.28	11.43	9.50	22.98	5.71

Notes:
1. The following dummies are omitted: aged 16-19, primary education or less, registered without benefits, worked before job search, and year 1987.
2. Derivatives are based on tables 6 and 7. See note 10 in the text for the method of calculation.

Appendix

Table A1
Labour Force Transition Rates Among First Job Seekers by Gender

1. Men

	Employment			Out of the Labour Force		
	16-19	20-24	25-29	16-19	20-24	25-29
1987	21.4	16.1	16.1	8.2	4.6	5.3
1989	20.4	18.9	21.8	6.7	6.8	8.3
1991	22.8	19.8	15.7	7.0	6.3	7.1
1993	8.2	11.4	5.2	11.8	10.6	9.7
1995	14.5	12.5	10.3	13.6	11.7	6.3

2. Women

1987	11.3	10.0	6.7	9.5	9.2	13.7
1989	11.4	10.7	7.3	7.3	7.1	6.7
1991	13.8	9.1	4.7	5.1	5.0	5.7
1993	9.0	6.7	7.0	11.7	12.1	7.7
1995	6.8	9.9	4.5	14.7	8.9	8.6

Source: EPA. Second and third quarter matched files.