

**Revised Thesis Prospectus**

**The Future Was a Riot: The Causes of Spanish Youth Unemployment and Its Effects on  
Immigration**

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## Introduction

Beginning in 2007, the global financial market collapsed, destroying livelihoods, evaporating pension funds, and leaving dozens of economies languishing in a decade-long recession. As economists and politicians cautiously autopsy global structures that led to the collapse, it is clear that some countries have bounced back, some even performing better now than they did prior to the crisis. However, the wide majority of European countries have only staggered away from the economic wreckage of the late-2000s. One case in which this is particularly true has been that of Spain.

A full decade after the beginning of the crisis, unemployment rates in Spain still range well above 20%, second only to Greece among EU members. Youth fare even worse in the country, with national youth unemployment standing at 48.8%, coming third in the EU after Greece and Italy. For the purposes of my analysis, I am defining youth unemployment as the percentage of those under the age of thirty who are seeking work but are unable to secure it. In some regions of Spain, such as the rural province of Extremadura in the west, youth unemployment has soared to nearly 80%. Even as greater distance is put between the events of the crisis and the present day, these disastrous rates show no signs of falling. It is clear that Spain's ineffective labor market is fast becoming a structural problem as higher youth unemployment has become the "new normal" across the European Union (only Finland has a lower youth unemployment rate now than in 2005). However, Spain's exorbitant youth unemployment, unmatched in its deterioration in the last ten years, begs the question: why has youth unemployment in Spain become such a chronic structural problem?

The preliminary hypothesis under which I will be carrying out my research is that Spanish policy and cultural changes have resulted in a situation in which Spanish youth are in the unenviable position of being both overeducated for the jobs that are actually open while simultaneously being untrained for handling the modern globalized workforce. In addition, I will work under the hypothesis that these changes in the Spanish youth labor market bear the markers of economic hysteresis and these changes represent structural deficiencies that will persist after the initial causes are removed.

In order to accomplish this, I will strive to present Spain in its appropriate historical and geographical context as a young democracy located in Southern Europe. Spain's unique historical transition from relatively-poor dictatorship to first-world democracy with attendant social benefits structure, bypassing the slow growth of the economy along with social institutions observed in the rest of Western Europe, has brought about unique challenges that inform our present understanding of the Spanish economic situation. In addition, the cultural forces underpinning attitudes toward unemployment and the social forces guiding youth decisions will also be analyzed. In understanding the dynamics and flaws that have resulted in such a dire situation for Spain, we may gain greater understanding into the causes and effects of youth unemployment in other countries, including the United States, and to develop policy prescriptions to correct the inefficiencies of the labor market in these countries.

### **Methodology**

My methodology would consist of both quantitative and qualitative approaches. On the quantitative side, I would carry out time-series analyses of the youth unemployment rate measured against various independent variables that my hypotheses would dictate as potential causes of the Spanish youth unemployment problem. This would consist of performing year-on-year regression

analyses that controls for change in Gross Domestic Product (GDP) and then tabulate the correlation between explanatory variables and the youth unemployment rate. More specifically, I would employ univariate analysis in order to negate some of the uncertainties associated with the kind of time-series data constituted by unemployment figures, in which it is difficult to ascertain whether or not a set of variables, both independent and dependent, are highly collinear or not.

Secondarily, in dealing with the measurement of the effects of certain labor protection measures, such as the introduction of the Euro and the protective labor measures of 2010 and 2012, I would develop a predictive model to find the expected value of youth unemployment, holding all major economic influences constant, and testing how tightly these expected values conform to actual observations, in order to measure whether or not these structural changes have had any long-lasting effect on youth unemployment.

On the qualitative side, I will engage with existing arguments made regarding the development and structure of the Spanish welfare state as well as Spanish economic history following the collapse of the Franco regime in 1975. In doing so, I will attempt to construct cultural arguments to explain some non-quantifiable elements in the persistence of high unemployment among young Spaniards, even though such arguments will certainly not constitute the backbone of my research. Because this is my goal, I will focus on Spanish secondary sources (both in English and Spanish) in order to gain a better understanding of the cultural dynamics contributing to Spanish conceptions of and attitudes toward joblessness.

### **Brief Literature Review**

A significant wealth of literature already exists regarding the phenomenon of youth unemployment. A wide number of writers have informed and inspired the particular research

question of this thesis. A series of studies conducted by Blanchflower and Wise circumscribe the prevalence of youth joblessness in late-stage capitalist countries. This research has been compiled in the book *Youth Unemployment and Joblessness in Advanced Countries*. A study by Guglielmo Caporale carried out for the OECD and the Italian Ministry of Labor from 2014 has been instructional in its attempts to explain the persistence of youth unemployment in European models. Extensive research has also been carried out by Dietrich and Möller on the connection between European business cycles and youth unemployment. I have also drawn upon the works of a 2015 study by Stephen Sacht regarding the broader Spanish labor puzzle and his analysis of the effects of labor market reforms in 2010 and 2012. In addition, a study by Sánchez et al. from 2012 has been indispensable in the formation of my hypothesis regarding the effects of youth unemployment on the Spanish housing bubble and its subsequent collapse. Finally, a 2011 study on assimilation and unemployment with regards to immigrants in Spain by Silva and Vázquez-Grinno has been valuable in the construction of questions regarding the problems caused and faced by immigrants to Spain. Beyond these more purely academic sources, I have also drawn upon the data and analysis of periodic surveys conducted by the EU and the OECD into the problem.

A consistent missing element of these studies has been a lack of specific focus into Spanish youth unemployment; most of the studies listed above have focused on broader questions of unemployment in the country or of youth unemployment in Southern Europe as a whole. These studies, where they do focus on youth unemployment, often neglect to consider the factors across time that may have had a consequential effect on the employment situation of Spanish youth.

To solve this problem, I propose to study a range of potential causes for the youth unemployment crisis in modern Spain, as well as study whether or not this state of high youth

unemployment preceded the collapse in Spain's housing market or whether this collapse precipitated the spike in Spanish youth unemployment.

### **Proposed Chapter Outline**

My thesis' first chapter would detail the construction and composition of the Spanish welfare state, beginning in the 1950s and continuing to the modern day. The main thrust of this chapter's analysis would lie in determining what effect the structure of the Spanish welfare state and pension system have contributed to the Spanish youth joblessness situation. Necessary historical context concerning the fall of Franco's nationalist dictatorship and its corollary central planning would be inserted as it becomes relevant to the discussion of Spain's unique approach to the social safety net, but the primary purpose of this chapter is not to simply reconstruct the existing general history of this era. Some analysis at the end of the chapter would focus on the efficiency of labor market reforms adopted in 2010 and 2012. This chapter would also include some ancillary analysis of the effects of Spain's entrance into the Eurozone in 2002.

Following this introduction, the second chapter of the thesis would focus on the effects of Spanish demographics on the unemployment problem, testing the hypothesis that the declining birth rate in Spain has resulted in fewer new businesses being created and a drop-off in entrepreneurship. In order to test this hypothesis, I will be using data regarding birth rates (including Spanish population pyramids over time) and data obtained from Spain's National Institute of Statistics regarding the number of new licenses filed for businesses every year in the country and the part-time employment rate among young people. In addition, because birthrates are falling across Europe but youth unemployment has not risen in all European countries experiencing this decline, I will also analyze what factors make Spain an outlier or typical case in this regard. I would also make use of some of the qualitative literature and surveys that exist

regarding entrepreneurialism in Spanish society in order to ascertain whether non-demographic reasons explain a bigger shift along the dimension of new businesses created.

In the third chapter, I would explore the impact of education on the Spanish youth labor situation on two fronts. First, I would test the hypothesis that inadequate training and education at the secondary level has produced a generation of Spanish workers unprepared to deal with the challenges of the modern global labor market. In order to test youth preparedness, I will use as variables Spanish PISA scores (internationally standardized tests measuring academic performance) and English-speaking population, regressing these variables on youth unemployment. Secondly, I will test the hypothesis that higher levels of university education have widened the gap between available jobs and the jobs for which university graduates are trained. In order to test this hypothesis, I will use as an explanatory variable the percentage of students in majors divided by discipline (social sciences, hard sciences, humanities, etc.) over time. In this way, I hope to break down the true effects of two phenomena that have been floated as potential causes of youth unemployment in relevant literature.

In the fourth chapter, taking a slightly more qualitative approach, I would discuss the impact of youth unemployment in Spain in the areas of immigration and the collapse of the housing market. Much attention in Spanish media has been devoted to the effects of large-scale immigration from Eastern Europe and Northern Africa into the country and attendant problems caused in the job market. I would use this chapter to dissect the actual effects of immigration by comparing rates of immigration with youth unemployment rates. It would also be valuable to observe what survey data and public opinion polling suggests regarding this phenomenon; some studies exist to the effect that a greater amount of blame for high unemployment is laid at the feet of immigrants by the native populations than can be empirically demonstrated. The thesis would

then conclude with a brief summation of the results of these tests of hypotheses and possibly some policy prescriptions to reverse the youth unemployment crisis. Through this thesis, I hope to add to existing knowledge regarding the broader Southern European labor puzzle and to enhance understanding of the specific complexities and tendencies of Spanish youth unemployment and the effects that this labor market phenomenon have had on the country's immigration patterns and housing crisis.

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