

**Past developments and future prospects for young Spaniards' training and employment****In the next ten years, the labor market will increasingly marginalize less educated young people while providing expanded opportunities for the highest qualified**

- Higher-educated young people have been shown to enjoy more protection against unemployment, even during times of crisis, and this will be truer still in the next ten years.
- A young university graduate has a 13-point better chance of finding work than someone with compulsory schooling only, although years in education do not suffice *per se* to guarantee employment.
- Training quality has considerable room for improvement with a growing focus on skills: possessing high-level competences can increase jobseekers' possibilities by an additional 13 points.
- Demographic change will unlock more opportunities for young people in the next ten years, as the market seeks to fill the gap left by 7.6 million retirements.
- Around 60% of job opportunities will be for workers with university or advanced vocational education, while those for less qualified young people will be a residual 2%.
- The service sector will account for a growing share of youth employment, with private-sector services strongly to the fore.
- Seven out of every ten newly created jobs will demand high-level competences: managers, professionals, and technicians and associate professionals.
- Without ambitious and effective policies to improve less skilled young people's training and employability, their risk of labor-market and social exclusion will be high and rising.

**Madrid, March 4, 2015.-** Young Spaniards' employment prospects are set to improve in the next ten years due to a large-scale generational handover, with the added boost of net job creation if growth momentum can be sustained. The bulk of opportunities will be for the most highly qualified among them – in terms of both formal educational level and actual competences acquired – while less educated youngsters will be denied labor-market access, accentuating the employment inequalities observed during the crisis.

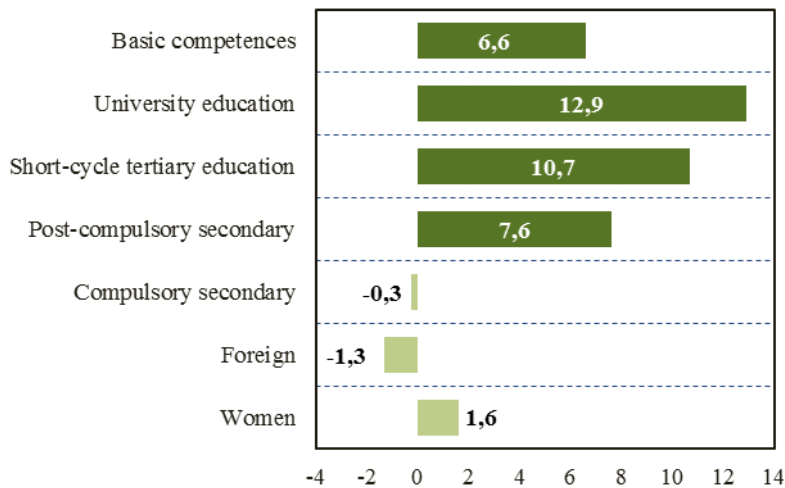
Without more forceful public and private initiatives to improve their employability, less educated young people will be at increased risk of labor-market exclusion, according to the Fundación BBVA-Ivie report **La formación y el empleo de los jóvenes españoles. Trayectoria reciente y escenarios futuros**. Written by Lorenzo Serrano and Ángel Soler, researchers at the Valencian Institute for Economic research (Ivie) and professors at the University of Valencia, the report takes an in-depth look at the labor-market difficulties faced during the last three crises by young people aged 16 to 34, the role of education and training in overcoming these difficulties, and the employment outlook for the next ten years.

### **The labor-market benefits of education and training**

Young people educated beyond compulsory schooling (from *bachillerato* and vocational training to university education) have a better chance of being in work. Their advantage over young people with only primary or compulsory secondary education is in the order of 10.7 percentage points for those completing advanced vocational training and 12.9 points for university graduates (**figure 1**). That said, years in education are matched in importance by competences – the skills and knowledge actually acquired – and good learning achievement boosts the possibility of finding employment by 13 percentage points, on a par with being in possession of higher education studies.

The importance of educational quality in determining employability will be even greater in the next ten years, a period when job opportunities will be strongly skewed towards the best qualified. Those completing no more than compulsory education will barely have a look-in (2.2%), with over half of job offers (58.4%) reserved for those with university or advanced vocational education.

**Figure 1. Differences in the employment prospects of young Spaniards aged 16 to 34. 2012.** Percentage points



Note 1: *Baseline individual*: young Spanish male, without partner or children completing no more than primary education. In light blue, non-significant values, i.e. regardable as equal to zero for statistical purposes.

Note 2: *Competences*: the cognitive and work-related skills necessary for individuals to participate successfully in society and for the economy to prosper. The estimated effect of competences corresponds to a change of 100 points on the PIAAC scale (0-500 points).

Note 3: Post-compulsory secondary education: *bachillerato* and *ciclo formativo de grado medio*

Source: PIAAC, OECD and authors

Harnessing the opportunities available to young people in the next ten years will require more effort to educate them and their families, and a better functioning education system from elementary level upwards. Reducing school drop-out rates and increasing skills acquisition are the twin routes for Spain to improve on its poor position in the international ranking.

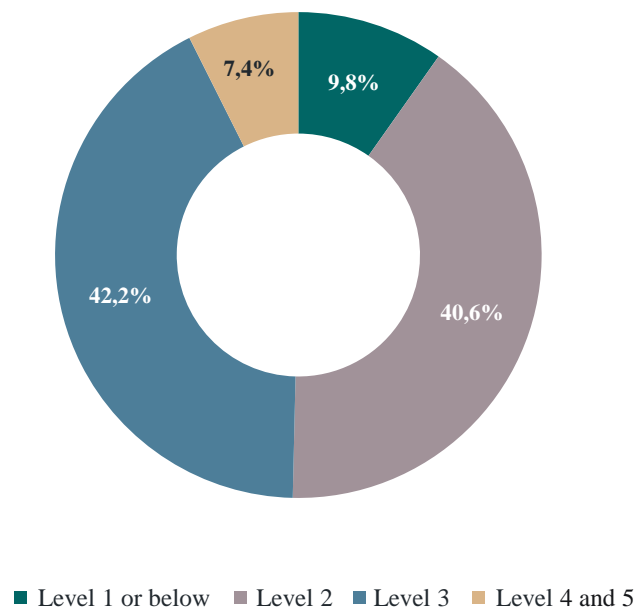
### The importance of competences

Spain stands apart from many OECD partners in the high percentage of young people with a low level of competences and the low percentage demonstrating high-level competences. Even among the tertiary-educated, only 5% attain the highest-level skills compared to an OECD average of 14.7%. These poor educational outcomes give cause for thought after the efforts made to facilitate access to education, which leave little room for improvement via the route of prolonging years of study.

The report stresses the importance of reducing Spain's still high early school-leaving rate, perhaps by a greater emphasis on vocational programs and an earlier start on curricular guidance in schools. But, for the authors, the focus of efforts should be to improve learning quality and outcomes. To understand why the actual skills set in possession of young people from 16 to 24 stands 16.2 points below the OECD average, we must first take a hard look at the quality of education.

**Employability and type of employment depend on the actual skills an individual is equipped with and not just on having a diploma.** Thus a substantial part of university graduates' overqualification is on paper only, because their competences frequently lag behind their formal level of attainment: one of every two young people theoretically overqualified – occupying a post that does not demand higher education studies – has a low or medium-low level of skills. Conversely, those possessing the highest level of skills tend to occupy positions commensurate with their qualifications (**figure 2**).

**Figure 2. Overqualified university graduates according to level of mathematical skills. Individuals aged under 35. Spain. 2012**



Source: OECD and authors

Poor skills performance is already a problem in compulsory education, according to the PISA reports assessing students at 15 years of age. Shortcomings here are due to substandard delivery at every level of the educational system, starting with the all-important pre-school stage when the foundations are laid for subsequent learning.

For the authors of the Fundación BBVA-Ivie report, efforts can and should be made to correct the mismatch between education and skills suffered by so many Spaniards when they leave education. Although the way to do so is through continuous training, the present offering exhibits a series of weaknesses that need to be tackled by securing a greater commitment: from young people and their families, without whom no advance is possible; from the business sector, which needs to be more aware of the problem and play a more active role; and from the public sector, which should act more strenuously to support the half a million young people from 18 to 24 who are unsuccessfully seeking work without any kind of training to help them find it.

The study also calls for more attention to jobless training, particularly for the lowest skilled. Unemployment represents the loss of opportunities to acquire human capital through job responsibilities and experience of the world of work. Also, the skills the unemployed possess tend with time to become obsolete. Both risks should be addressed by offering young unemployed people dual training – combining internships with classroom education – as part of a more ambitious package of active employment policies that include personalized jobseeker guidance.

### **Active and passive responses to the employment crisis**

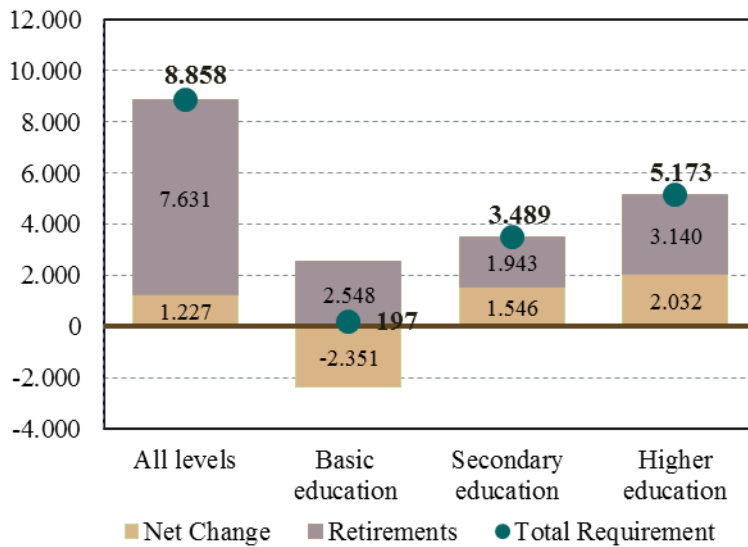
Remaining in education, seeking job opportunities elsewhere and starting up a business. These are the most active ways in which young Spaniards have responded to the crisis. In each case, education provides valuable leverage: university and advanced vocational education graduates are likelier to stay in some kind of training, are more open to mobility and have higher entrepreneurship rates. Among higher-educated young people, business start-ups are back to the rates of 2005, while their better preparedness means that exit rates are also lower.

The authors also analyze passive responses to unemployment, and find that those not seeking employment are a minority of 7% among the 18 to 24 year olds who neither work nor study. Further, if we exclude those in receipt of early retirement or disability benefit, engaging in voluntary work or working in the home, the percentage drops to 1.5% or around 50,000 people. Far more worrying is the situation of young people neither working nor studying who are seeking work but cannot find it, and the fact that over 60% of their number have no post-compulsory studies yet are not enrolled in any kind of training (more than 300,000 young people under 25).

### **The outlook: more opportunities in the next ten years**

Young Spaniards will have more job opportunities in the next ten years. The reasons are demographic: the confluence of a major generational handover and a sharp decline in the number of people aged under 35. The high number of retirements will mean that positions to be filled (8.9 million in the baseline scenario) will far exceed net jobs created (1.2 million), as we can see from **figure 3**.

**Figure 3. Projected job opportunities by educational attainment. 2013-2025. Baseline scenario.** Thousand persons

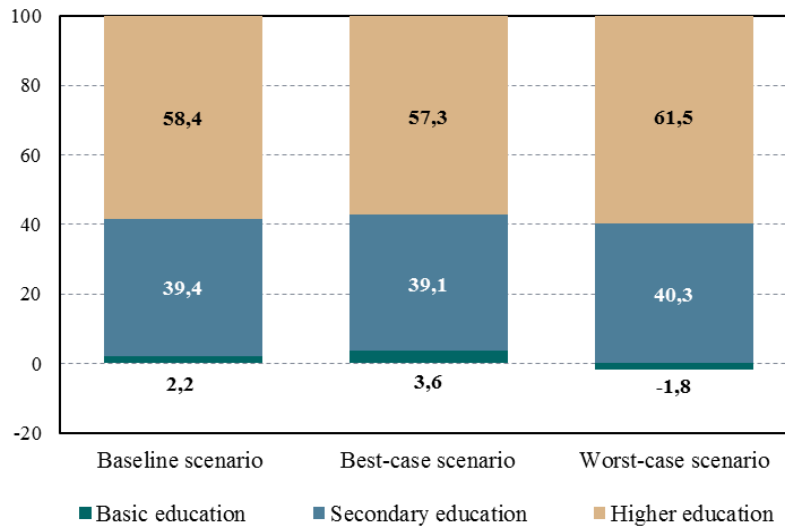


Source: European Centre for the Development of Vocational Training (CEDEFOP)

Forecasts for jobs to be filled over the 2013-2025 period (due to both net job creation and retirements) run from 7.2 million in the worst-case to 9.7 in the best-case scenario by way of a baseline scenario of 8.9 million. In 2014, net job creation doubled the most optimistic forecast in annual average terms, and if this trend is maintained, we could be looking at an additional 1.2 million opportunities in the next ten years, raising the total to 10.9 million.

The bulk of these new positions will be in occupations demanding advanced skills, so most will find their way to tertiary-educated young people (around 60% of the total under each of the three scenarios). Conversely, opportunities for those with only compulsory education will be thin on the ground, with worst-case assumptions even auguring net job destruction in the period.

**Figure 4. Projected employment opportunities by educational attainment. 2013-2025. Percentage**



Source: CEDEFOP

Net employment gains will be concentrated in **positions** requiring high-level qualifications (managers, professionals, and technicians and associate professionals), corresponding largely to the characteristics of university or advanced vocational training graduates. As many as 73% of net jobs created are projected to be of this type, although adjustments deriving from public deficit control may affect the employment prospects of education and healthcare professionals. Among the occupational groups tipped for strongest expansion are technicians and associate professionals, with annual average growth of 2.6% or up to 779,000 jobs in absolute terms. Administrative posts will also see a net increase (145,000), especially those that involve dealing with customers (up by 395,000), while pure clerical posts will tend to decline (-250,000) due to their growing automation.

In **sector** terms, the likeliest scenario is a further tertiarization of employment, with private services increasingly to the fore. The outlook for industry and construction is more cycle-dependent, while public sector and agricultural employment will foreseeably continue to decline. In health and education, forecasts for negative job creation rest on the assumption that the Spanish government sector will face severe funding restrictions, so the situation could change radically from here to 2025.

## Fundación BBVA

For more information, contact the BBVA Foundation Department of Communication and Institutional Relations (+34 91 374 5210, 91 537 3769, 91 374 8173/[comunicacion@fbbva.es](mailto:comunicacion@fbbva.es)) or visit [www.fbbva.es](http://www.fbbva.es)