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Young people living as couples: How women's labour supply is adapting to the crisis. Spain as a case study



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ABSTRACT

In this paper, we focus on the effects of the Great Recession on the decisions of young women regarding their labour supply. Considering the profound effect of the economic recession on the Spanish labour market, and in particular on the labour supply of young people, the focus of the empirical part of this paper is on Spain. Using EU-SILC 2007 and 2012 micro data for Spain, the labour supply models of women are estimated by age group, with a particular focus on the 20 to 29 and 30 to 39 age bands, in order to establish how young women living in couples exhibit different labour supply propensities according to their partner's labour market status. Correction is made for the non-random selection of women living in couples in the younger age groups. This first analytical step reveals a negative effect on the likelihood of forming a new household in the context of precarious employment conditions. Analytical results regarding the labour supply of women by age group confirmed a discouraging effect of young children on the labour supply of the youngest mothers, as well as a positive effect from being the owner of a house purchased under mortgage. The literature shows that different effects can be at work within the crisis: an added worker effect (AWE), which is countercyclical

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labour supply behaviour involving an increase in individual labour supply in response to transitory shocks in the partner's earnings, and a procyclical discouraged worker effect. The resulting estimations of the present study suggest an AWE in 2012 for young women living in couples. While in 2012 the discouragement effect was only prevalent for women over 40, in 2007 it was also prevalent among younger women. Women's higher propensity to enter the labour market when their partner becomes unemployed or is persistently unemployed, coupled with their likelihood to be inactive in the presence of young children, would suggest a need for labour market policies targeted towards young women. Childcare facilities could mitigate the latter effect and produce a more continuous work profile, avoiding the negative effects of work experience interruptions on labour supply during the female lifecycle.

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1. Introduction

The current recession has hit young people particularly hard, revealing the structural obstacles they face in the transition from education to the labour market, and the lack of adequate mechanisms and resources to facilitate their entry into the labour market. In the Spanish case, comparative data reveals a very dramatic situation. Eurostat data for 2013 reports 55.7% youth unemployment (15–24) in Spain, almost twice that of the general Spanish population and of the European average of 23.2%. Young workers are not only much more likely to be unemployed, but also much more likely to be under flexible, non-standard employment conditions, typically temporary jobs, compared to the rest of the workforce. Sixty-five percent of young workers in Spain have fixed term jobs (compared to 42.6% in EU27) and more than 80% of those with temporary jobs are employed in this way only because they cannot find a permanent position.

Women more commonly start with the double disadvantage of jobs that are both temporary and part-time. The transition from education to a first stable job is quicker for males than females in all countries, and the length of the transition period is greater in Spain than in the rest of Europe. NEET rates (the percentage of the population of a given age group that is unemployed and not involved in further education or training) are usually higher for females due to the inactive component of NEETs, although this is no longer the case in Spain due to the steeper drop in employment and activity for young men than women. Discouragement has been more marked among males than females during the present crisis (Addabbo et al., 2013).

The current economic recession is changing a number of previous patterns, especially when observing gender differences. Historically, women faced more limited labour opportunities, lower human capital training, and specialisation in unpaid care, and their labour behaviour was more dependent on their partner's labour market participation and performance than the other way around (Gálvez and Rodríguez-Modroño, 2011). This resulted in lower activity rates, shorter and more discontinuous working lives and all the resulting consequences for wellbeing and professional development associated with these trends. However, decreasing fertility rates, increasing educational levels, and the effects of equal opportunity policies combined with changing labour market conditions can impact the behaviour of both men and women (Gálvez and Rodríguez-Modroño, 2013), especially among the younger population. In reality, continuous full-time work is becoming less frequent all over Europe and flexible forms of employment like part-time work, fixed term contracts and self-employment are increasingly common (European Commission, 2010a). These trends have a strong impact at the labour market entry level, resulting in prolonged school-to-work transitions and increasing difficulty to achieve a stable position within the labour market. Although these trends can be observed in most of the European member states, there are wide differences between states as regards labour market flexibility and the degree of insecurity and uncertainty that young people face (Plantenga et al., 2013).

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