

Policies for young adults

If there is a stage in which many of the big decisions we make throughout life are concentrated, it is young adulthood. We face decisions concerning our education and professional development; the first steps of our career; whether to leave home... finally!; whether to live with a partner, with friends or simply with flatmates; whether to have children and how many; where to live (perhaps to emigrate), and whether to buy a home or to rent. It is an intense stage of life for those going through it, and a fascinating one for economists and other scientists who study how these decisions are taken, what factors are involved, their implications at a personal and collective level, and what policies would lead to better results.

In the field of education, for example, Spain stands out for its high proportion of young adults with college education, but also for the many young people who only completed compulsory schooling. Both figures are well above the European average and, no doubt, are symptomatic of the lack of appeal in our vocational training system. A modern system of vocational training, which would combine high-quality teaching in the classroom with learning at companies, would attract many students who today abandon their training prematurely or who choose to go to university, perhaps without it being the best option for them.

In the field of labour, young adults are particularly put at risk by the duality of the labour market, which segments it into insiders and outsiders. The insiders have been in work for some time and have a permanent contract – although some are young, most are not. The outsiders, many of whom are young, are unemployed or have a temporary contract. During the financial crisis, outsiders suffered from the adjustment costs disproportionately, both in terms of unemployment and the reduction in wages, and the consequences are still being felt to this day. Solving the duality problem, for instance by making it more attractive to hire people on permanent contracts, would be a good thing for both efficiency and equity.

The precariousness of work, which translates into lower wages, a greater incidence of temporary employment and higher unemployment, tends to delay the age at which young people become independent. In Spain, over 60% of young people between the ages of 18 and 34 still live with their parents, 15 points higher than in the euro area as a whole. Becoming independent at a later age, in turn, has a direct impact on fertility rates: for every 1,000 Spanish women between 20 and 39 years of age, around 120 children are born, 60 less than in France. Changing these dynamics would also require major steps to be made in making the public pension system more sustainable.

In recent years, young people have also endured tighter conditions for gaining access to the housing market. The rise in rents and the difficulties involved in saving enough money to buy a home have been factors which, together with the precariousness of work, have contributed to delaying the age at which young people leave home. On this note, public policy should be aimed at increasing the supply of rental properties, including through the provision of public housing, which is scarce in Spain. Policies such as limiting the price of rents can be counterproductive because they tend to reduce the supply of rental housing, rather than increasing it.

Education, the labour market and housing are three broad areas in which improving public policies would have major benefits for young adults. After all, these are young people who just want a stable job in which to grow personally and professionally, to leave home and become independent as soon as possible, to raise a family and not have to devote half of what they earn to paying for a home. Can we not make it a little easier for them?

Enric Fernández
Chief Economist
31 May 2019