

FOCUS · Looking for work? Inactivity and unemployment in Spain

Spain's unemployment rate has fallen sharply over the past five years, by 9.7 pp from its peak of 26.9% in Q1 2013. However, this rate is still a high 17.2%, practically doubling the euro area's figure (9.0%).¹ Over the same period, and in spite of the improvement in the labour market, the inactivity rate² has remained almost the same, at around 26.0%. This is slightly lower than the euro area as a whole (27.0%) and significantly lower than other European countries such as Italy (34.6%) and France (28.4%).

There is a large number of inactive people aged between 15 and 64, totalling 7.5 million, almost twice the number of unemployed people (3.9 billion).³ The reasons for this inactivity vary greatly between gender. For men, the main reason is the suffering from an illness or disability (see the second chart). The second most frequent reason is participation in education or training. For women, however, personal or family reasons are the main causes of inactivity. This reflects the still very wide gender gap regarding family responsibilities and the role of carer.

It is notable that the percentage of inactive people not seeking employment because they believe they will not find a job is small, both for men and women. They are normally classified as «discouraged workers» and account for just 5.4% of all inactive people aged between 15 and 64.⁴ The share of discouraged workers in Spain seems relatively low when compared with the large number of unemployed (many of them long-term) and also compared with the euro area, where the percentage of discouraged workers is very similar (5.6%) but, on the other hand, the unemployment rate is approximately half that of Spain, as already noted.

Spain's low inactivity rate (and high unemployment rate) can be easily demonstrated through its comparison with the euro area. In Spain, out of every 100 people of working age, 61 are employed and the rest are divided among 13% unemployed and 26% inactive. The euro area has a higher percentage of people in work (66%) but the mix of unemployed and inactive people is very different

(7% unemployed and 27% inactive; i.e. four inactive people for every unemployed person). If this mix were applied to the Spanish case (keeping the employment percentage at 61%), the unemployment rate would be 11.2%; i.e. 6 pp lower than its actual level. The aim of this simple exercise is to highlight the limitations of concentrating solely on the unemployment rate when assessing the situation of the labour market. Other institutional and regulatory features of the labour market and also welfare state policies have a great effect on individuals' behaviour and their decision to participate, or not, in the labour market.

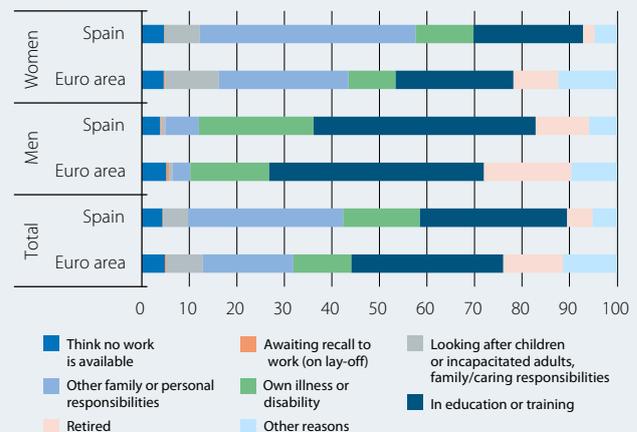
Inactivity and unemployment rate (15-64 years)



Note: * Percentage of inactive people out of the total population aged 15 to 64.
Source: CaixaBank Research, based on data from Eurostat.

Inactive persons: reason for not looking for employment (2016)

(% of all inactive persons aged 15-64)



Source: CaixaBank Research, based on data from Eurostat.

1. The figures in this article refer to Q2 2017, unless otherwise specified.
2. The inactivity rate refers to the percentage of inactive people out of the total population aged between 15 and 64.
3. Although neither unemployed nor inactive people work, the distinction between these two groups is very important in statistical terms. While the former are counted within the labour force, inactive people are not. Specifically, following the criteria of the International Labour Organization, unemployed people are those who, at the time they are surveyed, are without work, state that they wish to work, are available to do so within two weeks and have taken active steps to look for work in the last four weeks. People who do not meet all these conditions are classified as inactive.
4. Eurostat data, 2016.