Unemployment in Spain: Analyzing the Job Market for Youth and the General Population

by David Houle
“People who dismiss the unemployed and dependent as ‘parasites’ fail to understand economics and parasitism. A successful parasite is one that is not recognized by its host; one that can make its host work for it without appearing as a burden. Such is the ruling class in a capitalist society.”

Jason Read
Unemployment in Spain

- 23.5% unemployed (total unemployment rate)
- 35% unemployed ages 18-25
Research Questions

- What factors contribute to high unemployment in Spain?
- What factors contribute to high youth unemployment in Spain?
- What can be done to see this change?
Previous Speculations

- Date of an economic crisis
- US housing bubble
- Global economy
Housing Crisis: Causes and Effects

- High demand for housing
- Youth dropped out of school to work in construction
- Investors pumped money into production of houses for short term profit
- Banks offered loans to people with low credit in order to increase the purchase of houses
- Demand decreases
- Housing rates increase $\rightarrow$ youth are laid off
- Banks and investors are unable to recover lost money
- Extreme overlap between world economies $\rightarrow$ similar outcomes at varying times
Main Stages in a Bubble

Valuation

Smart Money
Institutional investors
Public
Greed
Enthusiasm
Media attention
First Sell off
Bear trap
Mean
Take off

Steady Phase
Awareness Phase
Mania Phase
Blow off Phase

“New Paradigm”!!!

Denial
Return to “normal”
Fear
Capitulation

Despair

136% increase from average 1971-2000

in 2011 26% fall from the peak 2006q4

Housing Bubbles

Price-rent ratio (1997 Q1 = 100)

- US
- SPAIN
- UK
- IRELAND

Source: S&P Case Shiller (USA); Permanent TSB and CSO (Ireland); Halifax Building Society (UK); Ministry of Housing (INE Spain); Eurostat (Actual rentals for housing CPI); BLS (Rent of Primary Residence, CPI) - all data seasonally adjusted using Census X12 if not available; The Wilder View.
Ownership of houses: United States
Government help?

- 2010 Spain provided $15 billion to financial institutions
  - Sought to rebuild confidence in the financial sector
  - Unclear if it helped yet
Conclusions

- Economies of the United States, Spain, and the European Union are tightly connected
- Irresponsible banks loans
- Create sustainable jobs within Spain → become more self sufficient
- Government reforms to increase education and training sectors for the youth
- Providing employers incentives to increase the need for permanent jobs