

CHANGES IN THE YOUTH LABOUR FORCE PARTICIPATION RATE AFTER THE CRISIS

This box is part of the "Quarterly report on the Spanish economy" for 2019 Q3

The labour force participation rate for young people under 30 years of age in Spain declined significantly after the crisis, from around 70% in 2007 to 53% in 2019 Q2. Charts 1.1 and 1.2 show that the decline for this population group was different from that of other, older groups, and also that the lower participation rate among young people affected men and women alike. Thus, according to the Spanish Labour Force Survey conducted by the National Statistics Institute (INE, by its Spanish abbreviation), the

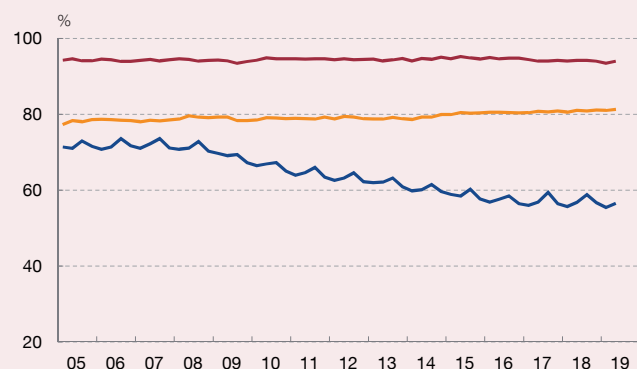
participation rate for men under 30 years of age decreased from 72.2% in 2007 Q2 to 56.5% in the same period of 2019, while that of women in the same age group fell from 63.4% to 51.8%¹.

In terms of quarter-to-quarter flows, the decline in the participation rate was due both to the lower number of young people joining the labour force and to the higher number of people aged under 30 becoming economically

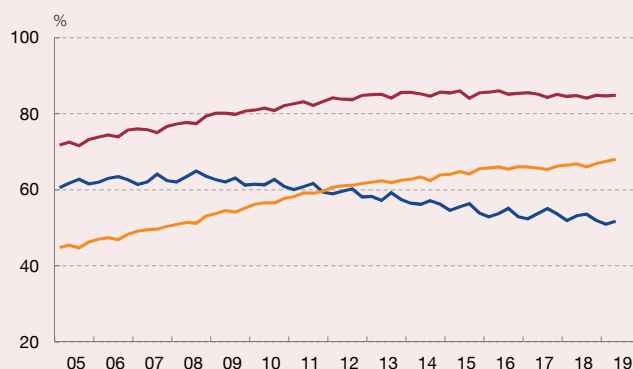
Chart 1

LABOUR FORCE PARTICIPATION RATE BY AGE AND GENDER, AND TOTAL EMPLOYMENT INFLOWS AND OUTFLOWS BY AGE

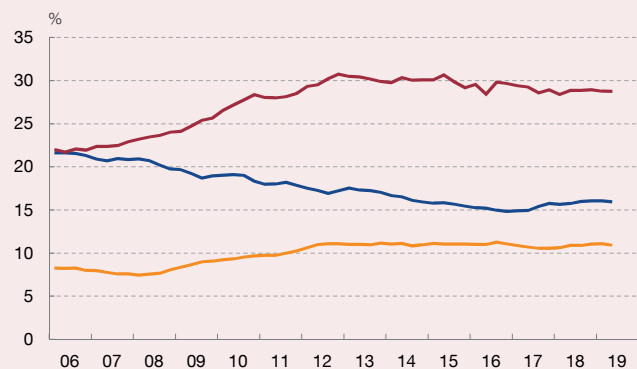
1 LABOUR FORCE PARTICIPATION RATE OF MEN



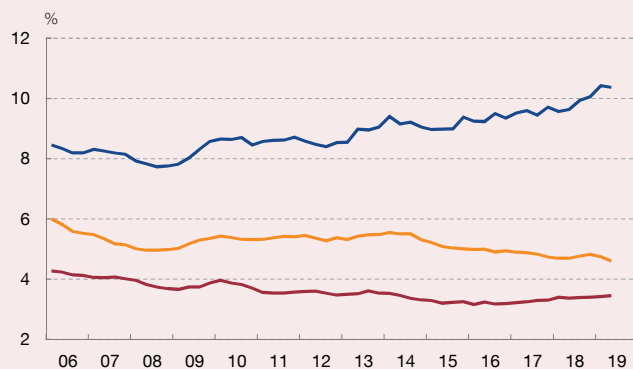
2 LABOUR FORCE PARTICIPATION RATE OF WOMEN



3 LABOUR FORCE INFLOWS (a)



4 LABOUR FORCE OUTFLOWS (a)



— AGED 16 TO 29 — AGED 30 TO 44 — AGED 45 TO 64

SOURCES: INE and Banco de España.

a As a percentage of the source population. Average for four quarters. Own calculations drawing on Spanish Labour Force Survey microdata. Men and women.

1 Within the population under 30 years of age, the decline in the labour force participation rate was sharper for those aged 18 and 19 (almost 20 pp). It was also notable among 20 to 24-year olds (around 10 pp), but remained largely unchanged for the group aged between 25 and 29.

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inactive, in contrast with other age groups. Thus, activity inflows of young people decreased from 20.7% in 2008 to 16.5% in 2014, compared with the increase observed in the population aged 30 and over (see Charts 1.3 y 1.4). During the recovery, from 2014 on, activity inflows have remained virtually unchanged, standing at 15.9% in 2019 Q2. In turn, outflows of young people from the active population during the crisis rose from 8.3% in 2008 to 9.2% in 2014, contrasting with the fall in the outflow rate among older people. In recent years, with the recovery, not only has this upward trend among young people not been checked, but it has continued to rise, reaching 10.4% in 2019 Q2.

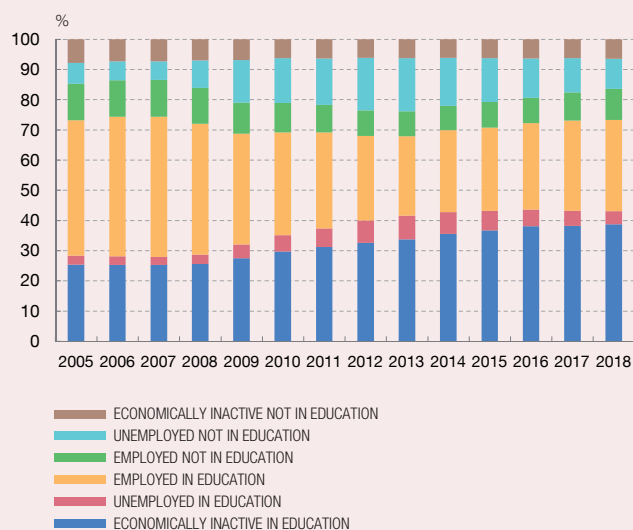
During the crisis, the majority of young people who decided to delay joining the labour market or to abandon it because of the difficulties encountered in finding employment, did so in order to further their education.

Chart 2.1 shows that the percentage of economically inactive young people in education rose from 25.3% in 2007 to 38.7% in 2018. The fewer job opportunities in the wake of the crisis have led to a decline in the percentage of people aged under 30 in employment. However, the proportion of those who are not in education, employment or training has decreased considerably since the end of the crisis. Specifically, the number of people under 30 years of age who neither study nor work has fallen by more than 600,000, from the record high of 1.7 million reached in 2012, and by 17,000 compared with 2007 (see Chart 2.2). The temporary rebound observed during the recession in the number of young people who neither study nor work was due to the rise in the number of young people who had abandoned their studies during the expansionary period (1995-2007) and who became unemployed during the crisis (see Chart 2.2)². However, the level and percentage of young people who are

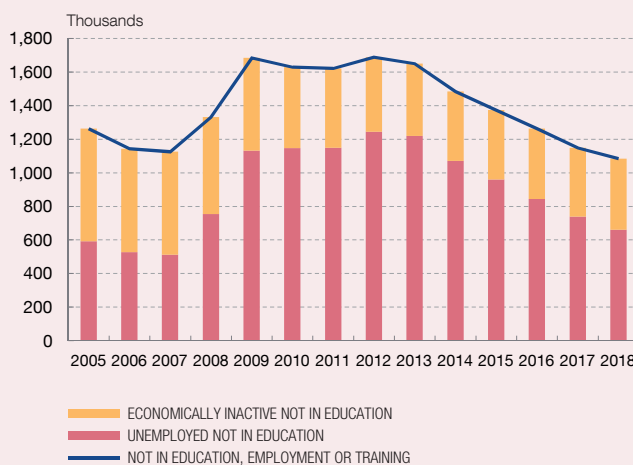
Chart 2

YOUNG POPULATION: STRUCTURE AND CHANGES VIS-À-VIS THE LABOUR MARKET AND EDUCATION (a)

1 STRUCTURE OF YOUNG POPULATION IN RELATION TO THE LABOUR MARKET. PROPORTION OF TOTAL NUMBER OF YOUNG PEOPLE



2 YOUTH NOT IN EDUCATION, EMPLOYMENT OR TRAINING



SOURCES: INE and Banco de España.

a Own calculations drawing on Spanish Labour Force Survey microdata. Considering both formal and non-formal education. Students on holiday are classed as students. Young people aged 16 to 30.

² With respect to the rise in the percentage of young people who failed to obtain a lower secondary school qualification during the expansionary phase, see A. Lacuesta and A. Regil (2013), "Desempleo juvenil y cambios en las pautas de formación de los jóvenes sin empleo", Box 1 in "La evolución del empleo y del paro en el año 2012, según la Encuesta de Población Activa", *Boletín Económico*, Banco de España, February 2013.

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economically inactive and not in education have remained relatively stable in the last 15 years, even during the crisis period.

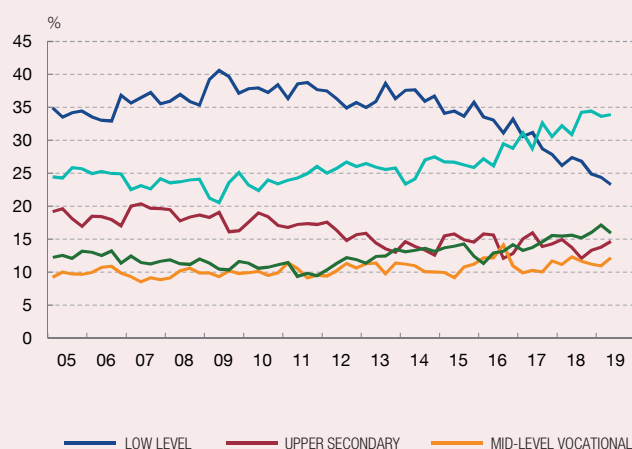
The increased length of time young people spend on schooling has been accompanied by an improvement in their level of educational attainment (Chart 3.1), but this has not had an impact on the early school leavers' rate, which remains high, albeit much lower than in the past³. To illustrate the improvement in the educational level, Chart 3.1 compares the highest level attained by the population aged 25 in different generations⁴. As can be observed, the percentage of young people whose highest level of educational attainment would have been a lower secondary school qualification by the age of 25 fell from 36.5% to 23.3% between 2007 Q2 and the same period in 2019⁵. Most of the decline was almost exclusively accounted for by an increase in the percentage of young

people obtaining a university degree (from 23.1% to 33.9%), while the proportion of those successfully completing other types of tertiary education rose from 11.5% to 15.9%.

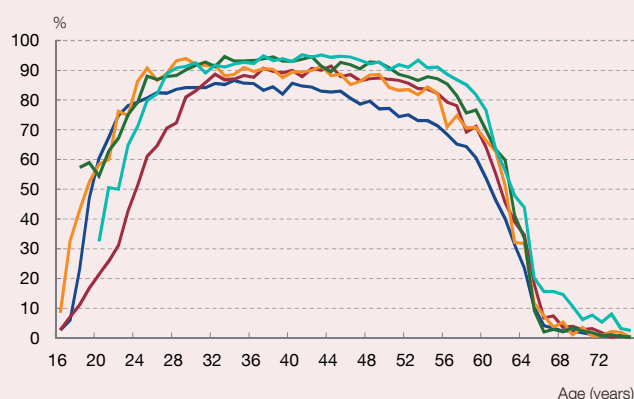
In general, having an academic qualification leads the better job opportunities. As Chart 3.2 shows, although the participation rates of those whose highest level of educational attainment is a lower secondary school qualification are comparatively high in the early years of employment, their working life tends to be shorter, affecting the overall income obtained. There are also differences in terms of unemployment rates and average remuneration. For example, drawing on data from the Spanish Labour Force Survey, it can be observed that, on average, the unemployment rate of persons aged between 25 and 30 in 2019 Q2 was 34% for those who only had a lower secondary qualification, but only 15% for university

Chart 3
YOUNG PEOPLE BY LEVEL OF EDUCATION AT THE AGE OF 25, AND PARTICIPATION RATE BY AGE IN 2018 ACCORDING TO LEVEL OF EDUCATION (a)

1 STRUCTURE OF YOUNG POPULATION BY LEVEL OF EDUCATION.
PROPORTION OF TOTAL POPULATION AGED 25



2 PARTICIPATION RATE BY LEVEL OF EDUCATION AND AGE. 2018



SOURCES: INE and Banco de España.

a Own calculations drawing on Spanish Labour Survey microdata. The participation rate of young people with a university education is not considered before the age of 20, owing to its unpredictability. "Low level": no education, or only primary education or lower secondary with or without qualifications; "Mid-level vocational training and other" requires a lower secondary education qualification.

3 According to Eurostat, the early school leavers' rate for students aged between 18 and 24 was 17.9% in 2018 (11% in the euro area), compared with 30% in 2007.

4 The age chosen is 25 years, to consider students who have completed the first cycle of tertiary education.

5 See A. Lacuesta, S. Puente and E. Villanueva (2012), "The Schooling Response to a Sustained Increase in Low-Skill Wages: Evidence from Spain 1989-2009", Working Paper no. 1208, Banco de España.

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graduates and 18% for groups with other higher education qualifications.

In short, the present recovery seems to be underpinned by a pattern that does not encourage young people to

leave the education system, unlike that observed during the previous expansionary phase. The current decline in the labour force participation rate for young people might be offset in the future by an increase in the labour force participation and productivity of this generation.