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Unemployment Decomposition in Spain for the period 1980-2019: Evolution of Structural Unemployment

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ABSTRACT

This paper addresses the evolution of high unemployment in Spain between 1980 and 2019, focusing on the evolution of structural unemployment. To do this, it uses an alternative unemployment decomposition method to disaggregate total unemployment into its three main components (frictional, structural and cyclical). This process involves the application of stochastic frontier analysis to disaggregate frictional unemployment from total unemployment. Subsequently, time series filters are used to decompose the resulting unemployment into its structural and cyclical components. To carry out the proposed decomposition of unemployment, it requires homogenization of the series of vacancies as well as retropolation for the series of employment fluctuations, given the lack of data for such a long period. The results of the research reveal the predominant typology of unemployment in Spain, contributing to a better understanding of the persistently high unemployment rates in the country. Furthermore, they offer a solid basis for the design of more effective labor policies, by providing a valuable tool that helps facilitate a deeper understanding of the nature of unemployment in the Spanish labor market. Detecting and disaggregating the nature and evolution of structural unemployment are crucial to addressing this complex phenomenon.

KEYWORDS structural; frictional; cyclical unemployment; vacancies

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