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Spain jobless rate drops but long road ahead to recovery



JOBLESS WORRY: People leave a government-run employment office in Madrid on Thursday. A sky-high unemployment rate is still a major drag on an economic turnaround in Spain, with many households struggling to make ends meet and failing to feel the benefits of the recovery. (Reuters)

AGENCE FRANCE PRESSE

Published — Friday 23 January 2015

Last update 22 January 2015 10:57 pm

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MADRID: Spain's unemployment rate fell for the second straight year in 2014, official data showed Thursday, but at 23.7 percent the country's labor market still faces a long road to recovery.

Joblessness fell from 25.7 percent in 2013 as the large services sector took on more staff, driven by a strong tourist season and a rebound in construction activity, the national statistic office said.

The fall was greater than what had been expected by Prime Minister Mariano Rajoy's conservative government, which had forecast the country would end 2014 with a jobless rate of 24.2 percent.

The Spanish economy, the euro zone's fourth-largest, has enjoyed modest but steady growth since emerging in mid-2013 from its second recession after the collapse of a property bubble in 2008 which brought Spain to the verge of default and threw millions of people out of work.

Labour Minister Fatima Banez said 2014 had been "the year of employment".

Employment increased by 433,900 last year. By sectors employment increased by 344,200 positions in services, by 98,000 in industry and by 40,000 in construction but decreased by 48,400 in agriculture.

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Spain received a record 65 million visits from foreign tourists in 2014, the government said Thursday, giving a fresh boost to the country's recovering economy and helping service sector job creation.

Unlike in 2013, the drop in unemployment last year was due to the creation of jobs instead of a decline in the labor force, said Jose Garcia Montalvo, economics professor at Barcelona's Pompeu Fabra University.

"These numbers are good," he told AFP.

He points out however that the vast majority of new jobs that were created are temporary.

The government estimates the economy will have expanded by 1.4 percent in 2014 and will grow by 2.0 percent in 2015, a faster growth rate than is expected in France, Germany and Italy.

Economy Minister Luis de Guindos said the forecasts could be revised upward. "I think these figures could be better," he said during a television interview.

Rajoy, who is facing a general election at the end of the year, credits a 2012 labor law reform which has made it easier for employers to lay off workers or reduce their wages, thus reducing their risk in creating jobs.

But unions say the reforms unfairly favor employers and destroy hard-fought rights and have only helped create low wage and short-term jobs.

A total of 5.46 million people were unemployed in Spain at the end of 2014, according to the statistics office.

The jobless rate remains the highest in the European Union after Greece's, which stood at 25.8 percent in October, the last available figures.

The unemployment rate in the entire euro zone in November stood at 11.5 percent, less than half the rate in Spain.

Economists warn that the sky-high jobless rate is still a major drag on an economic turnaround in Spain, with many households struggling to make ends meet and youths failing to enter the workforce.

The jobless rate among those under the age of 25 stands at 51.8 percent while the number of Spanish households where all family members in the workforce are out of work fell by 23,100 to 1.77 million in 2014.

The government predicts Spain's unemployment rate will drop to 22.2 percent at the end of 2015.

The International Labour Organization is more pessimistic. In its latest forecasts published on Tuesday it predicted Spain will have a jobless rate of 23.8 percent at the end of 2015. It sees the country's jobless rate remaining above 20 percent until the end of the decade.

Spanish second-largest bank BBVA forecasts it will take 8-10 years for Spain's jobless rate to return to the levels close to those that existed before the property bubble collapsed.

Spain's unemployment rate stood at 8.57 percent in 2007, its lowest

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annual level since the country returned to democracy following the death of dictator Francisco Franco in 1975.

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