

## SPAIN

*Convergence of GDP per capita vis-à-vis best performing OECD countries has continued through increased labour utilisation and capital accumulation. Nonetheless, underlying productivity growth has been very weak. Recent measures have been taken to improve competition in product markets, including an overhaul of competition law, but particular weaknesses remain in the following areas.*

### Priorities supported by indicators

#### **Improve educational attainment in secondary education**

High drop-out rates in lower-secondary education, following a high degree of grade repetition, implies low enrolment in upper-secondary education, notably of children from poor socio-economic backgrounds, which in turn weakens productivity performance. Limited accountability and autonomy of individual schools slow progress in improving learning outcomes.

**Actions taken:** Pedagogical skill requirements for newly hired schoolteachers have been raised, as have early-childhood education and childcare coverage. Regional governments are gradually implementing legislation, introduced in 2006, giving public schools somewhat more autonomy, for example, to influence hiring decisions. Some regions have introduced centralised testing procedures for all pupils.

**Recommendations:** Introduce standardised school testing in all regions, and use test results to identify best practices at the school and regional levels. Further raise school autonomy with respect to hiring decisions and curricular content. Limit the criteria for granting promotion to subsequent grades to core competencies. Increase financial support for low-income families with children attending secondary schools above the compulsory school age limit, for example by making more generous child benefits conditional on school attendance.

#### **Limit the extent of administrative extension of collective agreements**

Wages are negotiated mainly at the sectoral and regional levels, and application of agreements is compulsory for all firms. This, coupled with the widespread use of indexation clauses, results in excessive nominal rigidities, and has adverse effects on international competitiveness and on employment opportunities for certain groups.

**Actions taken:** No actions taken.

**Recommendations:** Make it easier for firms to opt out of the application of wage agreements and encourage the elimination of inflation catch-up clauses.

#### **Ease employment protection legislation for permanent workers**

The level of severance payments for workers with permanent contracts is very high, especially when compared with those of temporary workers. This has created a segmented labour market with a negative effect on productivity growth, and has hampered the full labour market integration of women, young people and immigrants.

**Actions taken:** No actions taken since the 2006 reform.

**Recommendations:** Further reduce severance payments for workers with permanent contracts and promote a single contract by bringing in gradual increases in required severance payments linked to length of service.

### Other key priorities

- **Housing policies.** In order to spur the development of the private rental market, speed up court procedures to resolve conflicts between landlords and tenants, and remove the generous tax subsidies for owner-occupied housing over the medium term. In order to avoid reducing geographical mobility of workers created by providing housing assistance through social housing at the local level, redirect such assistance towards the provision of means-tested housing-related cash benefits for low-income households.
- **Retail competition.** In order to strengthen competition in the retail distribution sector, dismantle the numerous barriers put in place by regional governments to the establishment of new supermarkets and shopping centres.

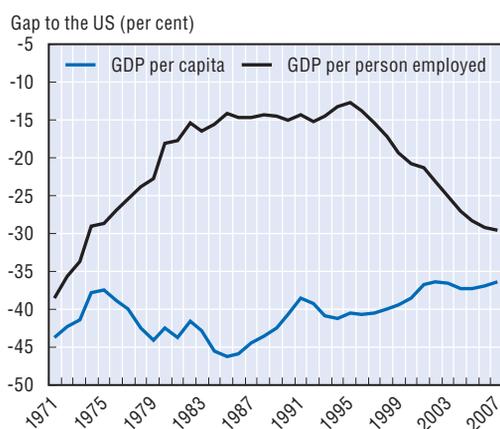
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## Structural indicators

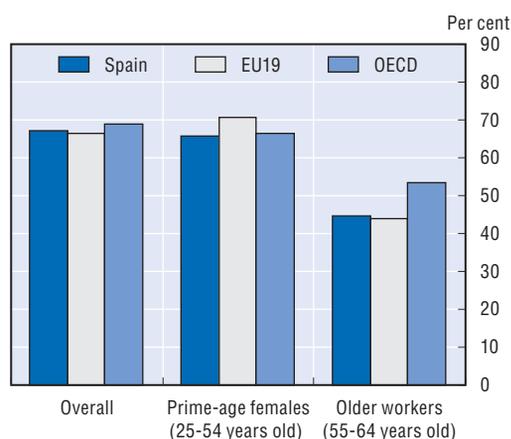
Average annual trend growth rates, per cent

	1997-2007	1997-2002	2002-2007
GDP per capita	2.1	2.5	1.7
Labour utilisation	1.5	1.7	1.3
of which: Employment rate	1.9	2.0	1.8
Average hours	-0.4	-0.3	-0.5
Labour productivity	0.6	0.8	0.4
of which: Capital intensity	0.9	1.0	0.7
Multifactor productivity	-0.2	-0.2	-0.3

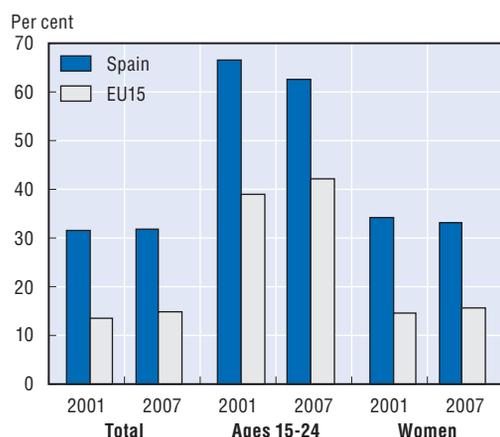
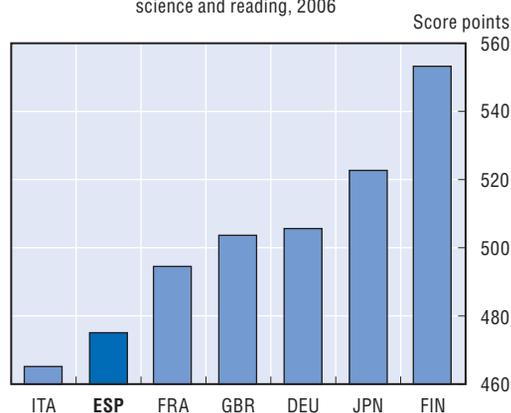
Source: Estimates based on OECD Economic Outlook, No. 84, Vol. 2008/2.

A. The GDP-per-capita gap has improved while the productivity gap continues to widen<sup>1</sup>

B. The overall employment rate is close to the OECD average, 2007



C. The share of temporary workers is among the highest in the European Union

D. Education performance is poor at the compulsory level  
Average mean PISA scores in mathematics, science and reading, 2006

1. Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).

Source: Chart A: OECD, National Accounts Database; Charts B and C: OECD, Labour Force Statistics Database; Chart D: OECD, PISA 2006 Database.

StatLink  <http://dx.doi.org/10.1787/533865864603>