

## SPAIN

### Priorities supported by indicators

#### **Improve educational attainment in secondary education (2007, 2009, 2011)**

**Recommendations:** Lower grade repetition by focusing grade advancement criteria on key competencies and improve education outcomes by strengthening accountability and independence of schools.

**Actions taken:** Measures were legislated in 2011 to facilitate the transition of academically-weak pupils from lower secondary to vocational upper secondary education, introduce nation-wide testing, adapt vocational schools' curricula to local businesses' needs and ease access of graduates from vocational schools to tertiary education. Skill requirements for new teaching staff were raised in 2009.

#### **Ease employment protection legislation for permanent workers (2007, 2009, 2011)**

**Recommendations:** Lower severance pay for workers on permanent contracts.

**Actions taken:** The 2010 labour market reform should make it easier for firms to have dismissals accepted as justified, potentially reducing dismissal costs. It promotes contracts with lower severance pay.

#### **Make wages more responsive to economic and firm-specific conditions (2007, 2009, 2011)**

**Recommendations:** Abolish legal extensions of collective wage agreements. Simplify collective bargaining, giving more room for wages and other work conditions to be decided at the firm level.

**Actions taken:** The 2010 labour market reform eased the conditions for firms to opt out from higher-level collective bargaining outcomes. A reform, effective in 2011, facilitated company-level agreements on wage determination and working time and introduced accelerated arbitration procedures.

### Other key priorities

#### **Strengthen competition in the retail distribution sector (2007, 2009, 2011)**

**Recommendations:** Eliminate barriers to the establishment of large surface outlets.

**Actions taken:** The national license requirement for large surface outlets was abolished in 2010, but regional governments may still require an authorisation under overriding reasons related to public interest.

#### **Reduce the disincentives for older workers to continue working (2007, 2011)**

**Recommendations:** Lengthen required contribution periods in the pension system and phase out extended benefit payments for older unemployed or partially retired workers.

**Actions taken:** The 2011 pension reform increased the legal retirement age to 67 years for workers with contribution records of less than 38.5 years and lengthened the contribution period required for a full pension. It raised discounts on early retirement pensions, reduced subsidies for early partial retirement and foresaw a revision of the pension system parameters in line with changes in life expectancy.

#### **Remove distortions in the housing market (2009)**

**Recommendations:** Remove barriers to the development of the rental market and provide housing support for low-income households through cash benefits rather than subsidies for social housing.

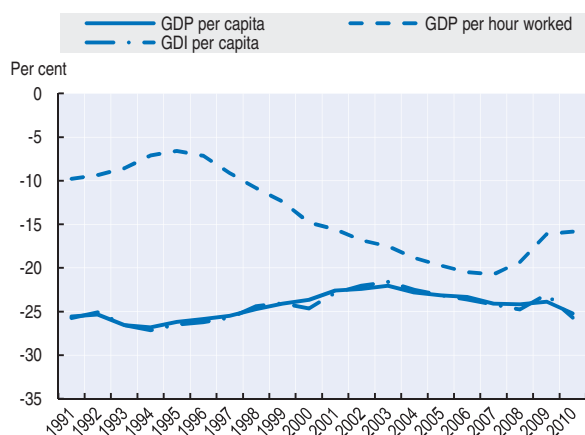
**Actions taken:** Legislation equalising the tax treatment of rented and owner-occupied housing has been in force since 2011. Procedures to evict tenants breaching contractual obligations were accelerated end-2009. The government cut subsidies for social housing in 2010.

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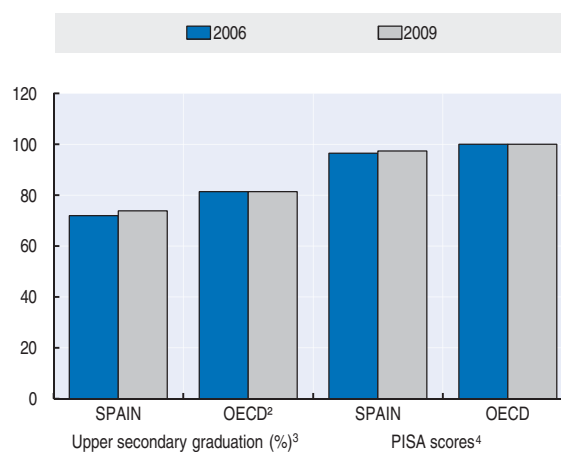
- The GDP per capita gap relative to the upper half of OECD countries has persisted and is especially marked in labour utilisation. The recent improvement in productivity reflects labour shedding in low-productivity activities, notably in residential construction.
- Among key priority areas, progress has been made in reducing dismissal costs for workers on permanent contracts, making wages more responsive to firm-specific conditions and reducing disincentives to work in the pension system. Less has been achieved to reduce early school drop-outs and ease regulation of retailing.
- In other areas, in order to cushion the labour market crisis the government introduced temporary subsidies for new hires and training programs targeted mostly at young workers, lowered barriers for placement of the unemployed by private agencies and permanently increased resources in the public employment services.

## Performance and policy indicators

A. The gap in GDP per capita has widened  
Gap to the upper half of OECD countries<sup>1</sup>

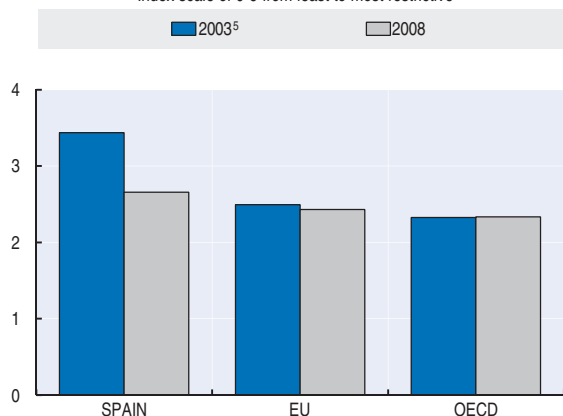


B. Secondary school graduation and achievement could be further enhanced

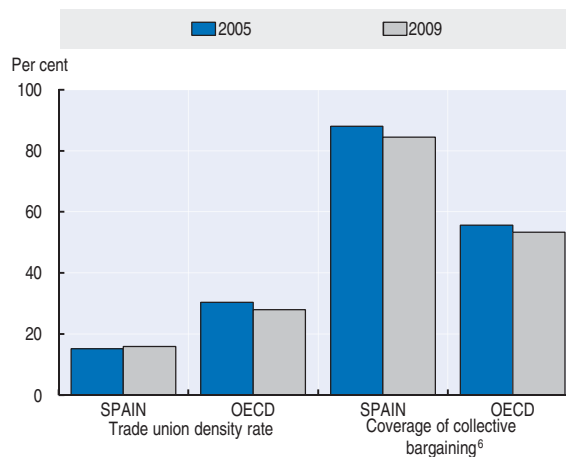


C. Regulations in the retail sector have been eased but remain relatively restrictive

Index scale of 0-6 from least to most restrictive



D. The excess coverage of collective bargaining remains particularly high



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. Average of OECD countries excluding Australia, Austria, Belgium, Estonia, France and the Netherlands.
3. First-time graduation rates for single year of age at upper secondary level.
4. Average score of student performance in mathematics, science and reading. Index OECD = 100.
5. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.
6. For Spain, data refer to 2004 and 2008.

Source: Chart A: OECD, *National Accounts and Economic Outlook No. 90 Databases*; Chart B: OECD (2011), *Education at a Glance* and OECD, *PISA 2009 Database*; Chart C: OECD, *Employment Database*; Chart D: OECD estimates and J. Visser, Amsterdam Institute for Advanced Labour Studies (2011), *ICTWSS Database on Institutions, Coordination, Trade Unions, Wage Setting and Social Pacts* (version 3.0). [StatLink !\[\]\(f60b7a900783ac3fd531bfd9c111be6d\_img.jpg\) http://dx.doi.org/10.1787/888932565243](http://dx.doi.org/10.1787/888932565243)