

SPAIN

- The income gap *vis-à-vis* leading OECD economies has widened, reflecting large employment losses. The recent improvement in productivity reflects labour shedding in low-productivity activities.
- Progress has been made in raising the retirement age, lowering employment protection of permanent workers and making wages more flexible. Little has been achieved to reduce early school drop-outs and to strengthen activation.
- Measures to improve educational attainment, strengthen activation policies and make wages more responsive to economic conditions would increase employment. Lowering labour market duality would reduce unemployment spells between repeated temporary jobs and improve the matching of worker skills to jobs. Lowering entry barriers in services would strengthen productivity in these sectors and raise labour demand.
- Reforms in priority areas could meet both growth and equity objectives. Reducing the number of school drop-outs would improve income prospects for the most disadvantaged youth. Narrowing the gap in job protection between temporary and permanent contracts would help integrating young and immigrant workers in the labour market and hence reduce inequality.

Growth performance indicators

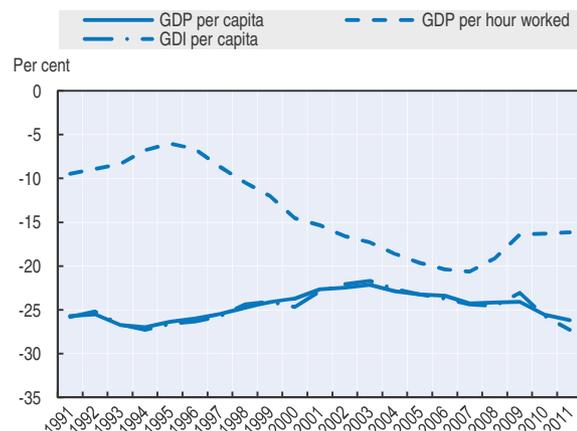
A. Average annual trend growth rates

Per cent

	2001-06	2006-11
Potential GDP per capita	2.0	0.8
Potential labour utilisation	1.8	0.0
of which:		
Labour force participation rate	1.7	1.0
Employment rate ¹	0.1	-1.0
Potential labour productivity	0.2	0.9
of which:		
Capital intensity	0.6	1.1
Labour efficiency	-1.0	-0.8
Human capital	0.7	0.5

B. The gap in GDP per capita has widened

Gap to the upper half of OECD countries²



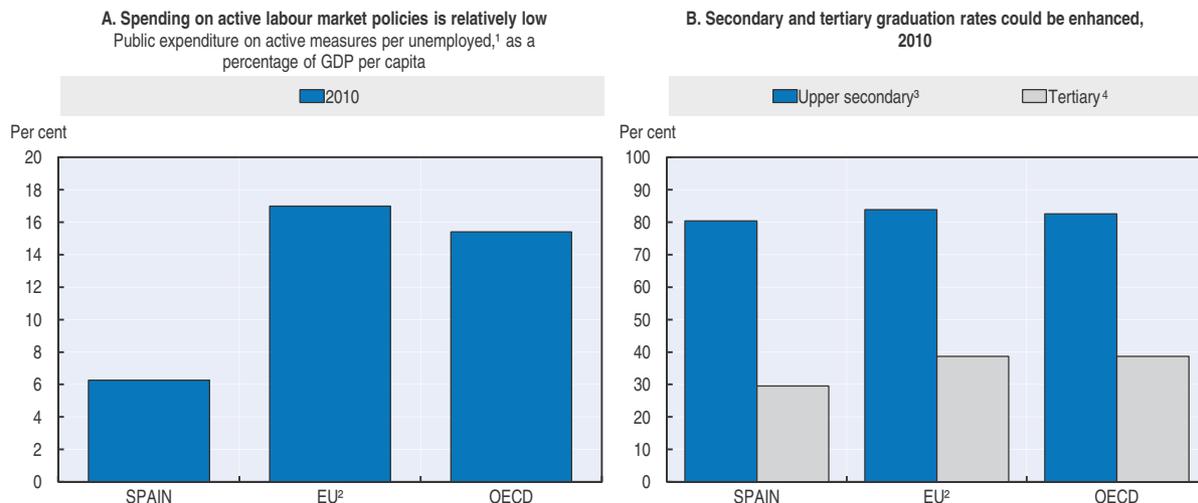
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

StatLink  <http://dx.doi.org/10.1787/888932777834>

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Policy indicators



1. Active measures excluding the category employment incentives.
2. Average of 21 EU countries members of the OECD.
3. First-time graduation rates for typical age at upper secondary level.
4. First-time graduation rates for typical age at type A level.

Source: OECD, Public expenditure and participant stocks on LMP, OECD Economic Outlook and Education at a Glance 2012 Databases.

StatLink  <http://dx.doi.org/10.1787/888932777853>

Identifying Going for Growth 2013 priorities

Priorities supported by indicators

Improve educational attainment in secondary education and access to tertiary education. Low upper secondary and tertiary attainments reduce worker employability and productivity.

Actions taken: The government is planning to reform compulsory education, including introducing a vocational track in the last year and strengthening the teaching of core subjects. University tuition fees are rising and eligibility to grants has been tightened.

Recommendations: Lower grade repetition by focusing grade advancement criteria on key competencies. Combine school-based vocational education and training contracts within a single scheme. Introduce loans with income-contingent repayments for all tertiary students.

***Improve active labour market policies*.¹** Low effectiveness of public employment services holds back employability of the unemployed.

Recommendations: Introduce comprehensive monitoring and evaluation of employment services and labour market programmes at the regional level. Monitor benefit recipients' job search efforts more closely and link benefit payments to results. Phase out hiring subsidies and extend training measures for the unemployed.

1. New policy priorities identified in Going for Growth 2013 (with respect to Going for Growth 2011) are preceded and followed by an “*”.

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Make wages more responsive to economic and firm-specific conditions. Legal extension of collective bargaining limits the responsiveness of wages to economic conditions.

Actions taken: In 2012, firm-level wage agreements were given priority over higher-level agreements in all cases. Firms whose revenues decline over two quarters can unilaterally alter employment contracts. The scope for opt-outs from collective bargaining outcomes was also increased by introducing compulsory arbitration. The validity of collective agreements beyond their expiry was limited to one year in 2012.

Recommendations: Consider abolishing legal extension of collective wage agreements.

Other key priorities

Reduce the gap in job protection between temporary and permanent contracts. Large gaps in job protection between permanent and temporary contracts harm employment prospects especially among the young.

Actions taken: In 2012, criteria for dismissals to be accepted as justified have been clarified and broadened, resulting in lower dismissal costs. Compensation for unfair dismissal has been lowered for all new contracts. Small firms can hire workers on permanent contracts with a one-year probation period. The requirement of administrative authorisation for collective dismissals was removed.

Recommendations: Consider moving towards a uniform contract with initially low but gradually increasing severance pay.

Lower entry barriers in services industries. Entry barriers hold back productivity and job creation.

Actions taken: The government shortened procedures to create limited liability companies. It eased licensing for small service outlets and to some extent limits on shop opening hours in 2012. It plans to lower entry barriers, reduce the range of reserved activities in professional services and administrative burdens on road transport operators. Passenger rail services will be open to entrants in 2013.

Recommendations: Ease restrictions on the entry of large-surface retailing outlets and deregulate shop opening hours comprehensively and nation-wide. Reduce specific qualification requirements in professional services. Improve access of entrants to road transport licenses.

Previous Going for Growth recommendation no longer considered as a priority

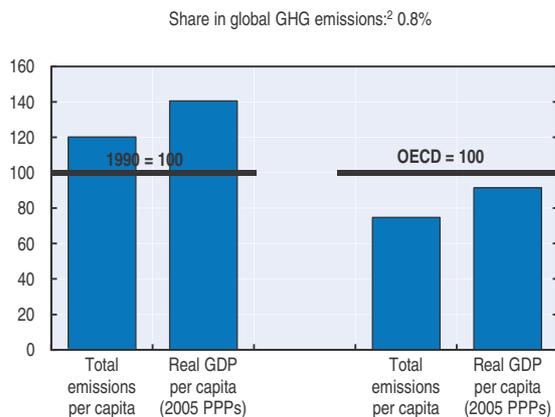
Reduce the disincentives for older workers to continue working. To reduce disincentives to continue working at older age, it was recommended to lengthen the contribution periods required for a full pension, to index retirement age to increases in life expectancy and to reduce the duration of extended unemployment benefits paid to workers before eligibility to old-age pension.

Actions taken: The legal retirement age was raised from 65 to 67 years for workers with contribution records of less than 38.5 years in 2011. Access to early retirement was limited and subsidies for partial early retirement reduced. Contribution periods required for a full pension were lengthened somewhat.

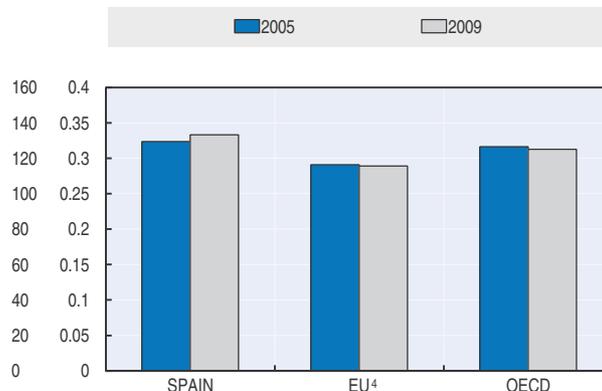
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Other dimensions of well-being: Performance indicators

A. Emissions per capita have risen since 1990 but remain below OECD average
 OECD average
 Average 2006-10¹



B. Income inequality³ is above the OECD average and has increased somewhat
 Gini coefficient



1. Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equalised household disposable income for total population.
4. Average of 21 EU countries members of the OECD.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data (www.oecd.org/social/inequality.htm).

StatLink  <http://dx.doi.org/10.1787/888932777872>