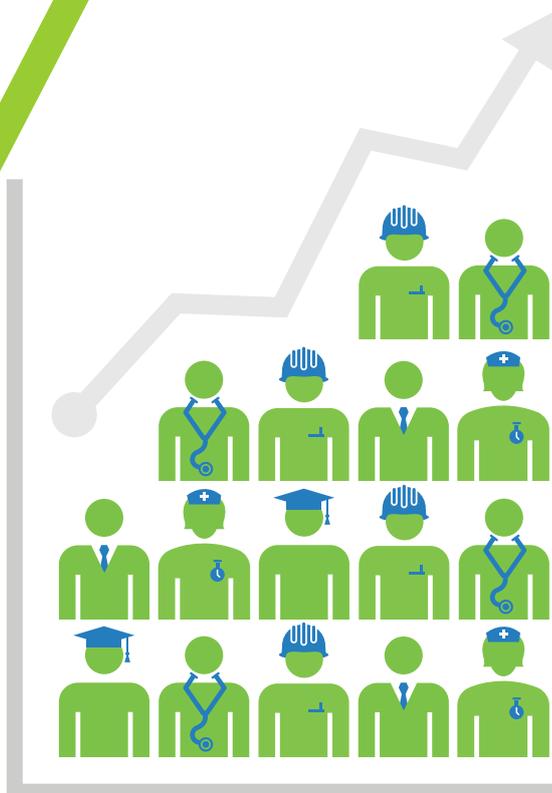


OECD Skills Strategy Diagnostic Report Executive Summary

Spain 2015



Building the right skills can help countries improve economic prosperity and social cohesion



In what way?

By contributing to social outcomes such as health, civil and social engagement.

By supporting improvement in productivity and growth.

By supporting high levels of employment in good quality jobs.



How is this achieved?

By strengthening skills systems

Designing and implementing an evidence-based national skills strategy.

Funding skills through public and private sources and designing effective incentives for employers and individuals.

Providing good information for the public, businesses and policy makers.



OECD SKILLS STRATEGY DIAGNOSTIC REPORT SPAIN 2015

EXECUTIVE SUMMARY

Why a Skills Strategy? Better skills, better jobs, better lives

Skills have become the key driver of individual well-being and economic success in the 21st century. Without proper investment in skills, people languish on the margins of society, technological progress does not translate into growth, and countries are unable to compete in increasingly knowledge-based global economies.

The OECD Skills Strategy provides countries with a framework to analyse their strengths and weaknesses as a basis for taking concrete actions according to the three pillars that comprise a national skills system: 1) developing relevant skills from childhood to adulthood; 2) activating these skills in the labour market, and 3) using these skills effectively in the economy and society. An effective Skills Strategy strengthens a country's skills system by facilitating policy collaboration and coherence across these three pillars.



Building an effective skills strategy for Spain

Spain's economy is showing clear signs of recovery, after a protracted recession. Spain's economy returned to growth in 2014 and has started to create jobs in greater numbers. These positive developments were spurred, in part, by a broad range of government reforms to improve the functioning of the labour market, raise the quality of education system, enhance the fiscal framework, and boost the business sector.

Despite these positive developments significant challenges remain. Spain has amongst the highest unemployment rates in the OECD, for both adults and youth, and the Spanish economy was still smaller, and the income of Spanish people was still lower, in 2014 than it was in 2007. High debt levels inherited from the recent economic crisis, an ageing population and rising spending pressures in other policy areas, such as pensions, will oblige governments to make tough choices and make efficiency and effectiveness a cornerstone of policy design.

At the same time as Spain is grappling with these challenges the world itself is changing. Globalisation and advances in communication and transportation technologies are combining to reshape the structure of employment and the skill requirements of jobs. While the future is by definition uncertain, all signs point to a world in which higher levels of skills will be increasingly critical for people's success in the economy and society.

Skills are central to meeting the challenges of today and tomorrow. Skills improvements are an important driver of employment, productivity, economic growth, and higher living standards. Fostering better and more equitable skills outcomes also provides the foundation for building a healthier, more equitable, and more cohesive society.

The OECD Skills Strategy: defining the concept of “skills”

The OECD Skills Strategy defines skills (or competences) as the bundle of knowledge, attributes and capacities that can be learned and that enable individuals to successfully and consistently perform an activity or task, and that can be built upon and extended through learning. The concepts of “skill” and “competence” are used interchangeably in this report. The sum of all skills available to the economy at a given point in time forms the human capital of a country.

The OECD Skills Strategy shifts the focus from traditional proxies of skills, such as years of formal education and training or qualifications/diplomas attained, to a much broader perspective that includes the skills people acquire, use and maintain – and also lose – over the course of a whole lifetime. People need both hard and soft skills to help them succeed in the labour market, and a range of skills that help them to contribute to better social outcomes and build more cohesive and tolerant societies.

Source: OECD (2012b), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264177338-en>.

Spain’s skills challenges

This diagnostic report identifies 12 skills challenges for Spain. These challenges were identified through workshops with national and regional governments and stakeholders and through analysis of OECD, European Commission and national data. The challenges are described under each of the main pillars of the OECD Skills Strategy and are framed as outcome statements. The first eight challenges refer to specific outcomes across the three pillars of developing, activating and using skills. The next four challenges refer to the “enabling” conditions that strengthen the overall skills system. Success in tackling these skills challenges will boost performance across the whole skills system.

All of the challenges identified are strongly interlinked, and their connections with each other are identified throughout the report. Failure to look beyond policy silos will have implications for specific groups in Spain, such as youth, as well as for the economy and society’s ability to recover following the economic crisis and build a solid foundation for future prosperity.

12 SKILLS CHALLENGES FOR SPAIN

Developing relevant skills

1. Improving the skills of students in compulsory education
2. Ensuring that tertiary students develop high quality and job-relevant skills.
3. Improving the skills of low-skilled adults

Strengthening Spain's skills system

9. Improving and expanding access to high quality learning and labour market information
10. Strengthening partnerships to improve skills outcomes
11. Financing a more effective and efficient skills system
12. Strengthening governance of the skills system

Activating skills supply

4. Removing regulatory and tax barriers to hiring and worker activation
5. Reintegrating unemployed people through targeted activation strategies
6. Improving the transition of youth from education to stable employment

Using skills effectively

7. Making full use of skills in the workplace to strengthen productivity and competitiveness
8. Leveraging highly skilled individuals and universities to foster innovation and increase productivity and growth

Pillar 1: Developing relevant skills:

1. ***Improving the skills of students in compulsory education.*** Spanish youth need strong skills for success in further learning, the economy and society. Spain has made a number of reforms, and is introducing further reforms, aimed at improving quality, equity and efficiency in secondary schools. These include introducing skills-based curricula and modernising vocational education and training (VET).

Early school leaving, grade repetition and late school completion remain high and costly despite the fact that more youth are now completing upper secondary education. In Spain, a quarter of students leave school early, a third repeats a grade, and almost a quarter completes school as much as 2 years later than the rest of their Spanish peers. All three rates are considerably higher than the OECD average. Grade repetition alone is estimated to cost an amount equivalent to almost 8% of the total expenditure on primary and secondary education. While a number of Spanish regions are performing at the level of peers in high performing OECD countries in reading, mathematics and science, the performance of Spanish students overall is below the OECD average. Only few Spanish students are performing at the highest levels. Sustained effort is needed to improve quality, equity and efficiency in compulsory education.

2. ***Ensuring that tertiary students develop high quality and job-relevant skills.*** Tertiary attainment in Spain has grown rapidly and is now at the OECD average. In 2012, the share of Spanish 25-34 year-olds with tertiary education was almost 40% as compared with just under 20% among 55-64 year-olds. This 20-percentage point difference was surpassed in only six OECD countries.

However, too few tertiary graduates are developing the high levels of skill needed for success in the economy and society. While the skills of Spanish tertiary graduates are showing improvement over time, they still rank near the bottom of the OECD countries who took part in the Survey of Adult Skills (PIAAC). Furthermore, only around 12% of tertiary-educated adults perform at the highest level of proficiency in literacy, about half the OECD average. Higher levels of skills will be needed to power a knowledge-based economy and for individuals to thrive in their personal and professional lives. Many students are graduating from fields of study that are not well aligned with the needs of the labour market. Ensuring that Spain has the necessary skills to respond to rising skill needs and to boost economic growth in the future will require immediate efforts to improve the quality and relevance of skills and continued expansion of participation over the long term. This notwithstanding, the fact remains that many graduates today struggle to find a job.

3. ***Improving the skills of low-skilled adults.*** Close to ten million adults in Spain have either a low level of literacy or of numeracy. Roughly two-thirds of these low-skilled adults will still be in the labour market ten years from now and over one-third of them will still be working twenty years from now.

Low-skilled adults in Spain are less likely to participate in education and training than their more highly skilled Spanish counterparts and also their similarly skilled peers in other OECD countries. This is despite the fact that Spain has a relatively comprehensive and flexible adult education system, that adult participation in education has risen in recent years, and that recent reforms have aimed to make the professional training system more responsive to labour market needs. As the skill requirements of jobs continue to change and increase, more will need to be done to encourage and help low-skilled adults to upskill and reskill to keep their current jobs or find new ones.

Pillar 2: Activating skills supply:

4. ***Removing regulatory and tax barriers to hiring and worker activation.*** Many working-age adults in Spain are not realising the full benefits of investments in their skills. In 2014, Spain had the second highest unemployment rate and third lowest employment rate in the OECD. And almost a quarter of workers in

Spain are employed on temporary contracts, a share only exceeded by Chile and Poland among OECD countries. Youth and low skilled adults are particularly at risk of being hired on temporary contracts.

High rates of unemployment, low rates of employment and labour market duality have long been features of the Spanish labour market. Spain has introduced a large number of labour market reforms since 2012 to boost hiring and employment and decrease employers' reliance on temporary contracts. Nonetheless, the labour market continues to be characterised by high unemployment and labour market duality. Further efforts are needed to ensure that labour market regulation and tax policies provide incentives, and not disincentives, to hire and work.

- 5. *Reintegrating unemployed people through targeted activation strategies.*** Active labour market programmes are an important means of activating people who are inactive or unemployed and promoting employment. Following the economic crisis, the large increase in the number of jobseekers put considerable pressure on capacity of the public employment services (PES), especially given its comparatively small size. Enhancing the performance of PES is important for supporting the rapid reintegration of the unemployed and of the long term unemployed. Expenditures on active labour market programmes are not high compared to other OECD countries, particularly when considering the numbers of unemployed people in Spain. Focus on training should be reinforced, building on recent reforms to increase efficiency, targeting and relevance to labour market needs.

Increased monitoring and better enforcement of job search compliance and better targeting towards those most in need could support quicker returns to work. Removing, or mitigating, barriers to labour mobility together with improved labour market information and guidance support could also boost employment.

- 6. *Improving the transition of youth from education to stable employment.*** Youth in Spain face difficulties in making smooth transitions from school to work. Youth unemployment and long-term unemployment rates rank amongst the highest in the OECD. The share of youth neither in employment, education nor training (NEET) (20%) also ranks near the top of the OECD, surpassed only in Mexico, Greece and Italy. Youth NEET are at risk of becoming long-term unemployed and more difficult to integrate in the future.

Helping more young people to find their first jobs will require, among other things, better performance of PES in assisting and orienting youth to make the transition into employment, in particular through early intervention tailored to individual needs. In addition, as many unemployed youth have low levels of education and skills, they will need training and further education.

Pillar 3: Using skills effectively:

- 7. *Making full use of skills in the workplace to strengthen productivity and competitiveness.*** Today, Spain is not making full use of the skills of its workforce. The use of skills in the workplace is only about average and many workers have skills that exceed the skills requirements of their jobs which places Spain second among OECD countries who participated in the Survey of Adult Skills (PIAAC). Despite having higher levels of skill on average, young workers are even less likely to use cognitive skills at work than their prime-age peers. Young workers in Spain are also less likely to use computers at work than their peers in other OECD countries surveyed. Workplaces in Spain rank poorly on a number of measures of the adoption of innovative workplace practices.

The comparatively low use of skills in the workplaces and low take up of innovative workplace practices implies a waste of talent that might otherwise be used to improve firm competitiveness and productivity. Making full use of the skills of Spain's workforce will require greater efforts to raise awareness among firms about the importance and means of making the effective and intensive use of skills in the workplace a central component of their business strategies.

- 8. Leveraging highly skilled individuals and universities to foster innovation and increase productivity and growth.** Highly skilled workers, entrepreneurs and universities are central to a country's innovation system. Spanish firms are less actively engaged in innovation activities than many of their foreign competitors. This lack of innovation is reflected in low levels of investment in Knowledge-based Capital (KBC), including research and development. Additionally, graduation rates at the doctoral level are well below the OECD average and few doctorates holders are employed in the business sector. In Spain, only 15% of doctorate holders work in the business sector as compared with well over 30% in countries such as Belgium, Denmark, the Netherlands, the United Kingdom and the United States. Spanish universities could do more to support innovation and growth through the transfer of research and knowledge to the private sector.

Spain needs to do a better job of leveraging highly skilled workers and universities to foster innovation, productivity and growth. This would involve reducing barriers to innovation and entrepreneurship and creating incentives to invest in KBC. It would also mean making the use of highly skilled workers engaged in innovation central to the business strategies of Spanish firms.

Strengthening Spain's skills system:

- 9. Improving and expanding access to high quality learning and labour market information.** Evidence of current skills mismatches as well as uncertainty about future skill needs in the context of technological advances, globalisation, demographic changes and other pressures all point to the importance of having good data and information on current and future skill needs. Learning and labour market information allows a broad range of actors to make better choices that facilitate a better alignment between skills supply and demand.

While a range of information on current skill needs is already available in Spain, there are information gaps and room for improvement in the design and dissemination of information products. Existing information in Spain is often available only in the form of dense, technical reports, which may be difficult for many users to interpret without guidance. Furthermore online information is scattered across multiple websites, making information hard to locate and cross-reference. Spain also does not conduct national forecasts of future skill needs.

- 10. Strengthening partnerships to improve skills outcomes.** Effective partnerships are critical for developing and implementing effective skills policies. In Spain, governments are already working with the private sector to increase the number work placement opportunities for VET graduates and for workers on training contracts.

However, there are few formal partnership arrangements for facilitating dialogue and co-operation between governments and stakeholders on skills-related issues. For example, the private sector is not actively engaged to provide input into decisions related to seat allocation and course design of tertiary education programmes. This lack of collaboration may come at the cost of a poor alignment between the skills being developed in education and training and the skills needed in the economy. Partnerships that facilitate dialogue and foster co-ordinated action will be critical to address Spain's skills challenges and build a responsive and resilient skills system.

- 11. Financing a more effective and efficient skills system.** As it emerges from the recent recession, Spain is burdened with high levels of public debt and high budget deficits. Overall per student spending on compulsory and tertiary education is around the OECD average. The share of spending on tertiary education that is financed by the public sector in Spain (78%) exceeds the OECD average (69%).

Spain could do more to align government spending and taxation policies to encourage greater skill development, activation and use. Higher private contributions could permit new investments that strengthen the quality and relevance of skills development. The tax system could be used to incentivise more private spending on skills and to encourage firms to hire and individuals to supply their skills in the labour market. Given Spain's decentralised administrative structure, financing a more efficient skills system requires an integrated strategy shared between the national and regional governments.

12. Strengthening governance of the skills system. Effective governance structures are needed to ensure that skills policies are implemented coherently across the many ministries and levels of government that have an interest in, or impact on, the development, activation and use of skills.

While high-level inter-ministerial committees exist, at both the state and regional level, more formal and regular dialogue is needed, especially at the mid-management level, to ensure that policies are complementary and reinforcing. Sectoral conferences – a mechanism used to co-ordinate action among the state and regional governments – are often seen as ineffective. Recognition, financial support and accountability for the results of shared initiatives can help foster meaningful collaboration among different ministries within and across all levels of government.

From diagnosis to action

The main goal for this joint project between the OECD and the Spanish government on “Building an effective Skills Strategy for Spain” was to provide a strategic assessment of the national skills system in Spain and the way skills are developed, activated and used. This analysis is needed when designing effective skills policies and strategies to meet Spain's future skill needs and to improve the match between supply and demand for skills.

Now is the time to focus on improving skills outcomes to boost productivity and innovation while removing a bottleneck to Spain's future economic growth. This diagnostic report represents one input to future action in Spain to improve skills outcomes. Of equal importance to future success are the ‘intangible’ assets generated by the Skills Strategy project through sustained inter-ministerial and national-regional dialogue and co-operation as well as stakeholder engagement over the course of 2014-15.

The results presented in this diagnostic report can be put to use in many ways, including as a basis for raising public awareness, fostering broader public debate about the skills challenges currently facing Spain and encouraging social partners and national and regional governments to work together to tackle these challenges in the future. The OECD stands ready to support Spain in its ongoing efforts in designing and implementing better skills policies for better jobs and better lives.

This paper is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

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Better skills policies help build economic resilience, boost employment and reinforce social cohesion. The OECD Skills Strategy provides countries with a framework to analyse their skills strengths and challenges. Each OECD Skills Strategy diagnostic report reflects a set of skills challenges identified by broad stakeholder engagement and OECD comparative evidence while offering concrete examples of how other countries have tackled similar skills challenges.

These reports tackle questions such as: How can countries maximise their skills potential? How can they improve their performance in developing relevant skills, activating skills supply and using skills effectively? What is the benefit of a whole-of-government approach to skills? How can governments build stronger partnerships with employers, trade unions, teachers and students to deliver better skills outcomes? OECD Skills Strategy diagnostic reports provide new insights into these questions and help identify the core components of successful skills strategies.

This report is part of the OECD's ongoing work on building effective national and local skills strategies.

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- www.pisa.oecd.org for the Programme for International Student Assessment (PISA) data
- skills.oecd.org for OECD work on skills

Further reading

OECD (2012), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, OECD Publishing.

OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*, OECD Publishing.



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