

SPAIN

Priorities supported by indicators

Improve educational attainment in secondary education (2005, 2007, 2009)

Recommendations: Introduce standardised school testing in all regions, raise school autonomy, and limit conditions on moving up to higher grades only for core competencies.

Actions taken: Skill requirements have been raised for new school teachers (2009, legislated in 2006), as well as for early-childhood education (ongoing). Some regions have introduced centralised testing. Legislation, introduced in 2006, is being implemented to give public schools more autonomy.

Limit the extent of administrative extension of collective agreements (2005, 2007, 2009)

Recommendations: Allow firms to opt-out of the compulsory application of collectively bargained wages. Eliminate indexation of wages to past inflation.

Actions taken: No action taken.

► **Ease employment protection legislation for permanent workers (2005, 2007, 2009)**

Recommendations: Reduce the gap in protection between permanent and temporary workers by lowering severance payments for permanent contracts and curbing the allowed use of temporary contracts.

Actions taken: The successive use of temporary contracts was limited in 2006. The duration of fiscal support was extended for hires on permanent contracts with lower severance payments for targeted groups in the same year.

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

Recommendations: Eliminate the numerous barriers to the establishment of new hypermarkets and shopping centres put in place by regional governments.

Actions taken: New legislation has been introduced to lower entry restrictions for large surface retailers.

Other key priorities

Remove distortions in the housing market (2005, 2009)

Recommendations: Shorten court procedures to resolve conflicts between landlords and tenants, and remove tax subsidies for owner-occupiers. Redirect assistance for low-income households away from social housing towards means-tested housing-related cash benefits.

Actions taken: The ceilings on tax subsidies were lowered slightly in 2006. Legislation is being considered to limit subsidies to low income households and equalise the tax treatment of owner occupied and rental housing. Fiscal support has been made available for rental contracts, and new courts and accelerated procedures have been introduced (with the most recent steps taken end-2009).

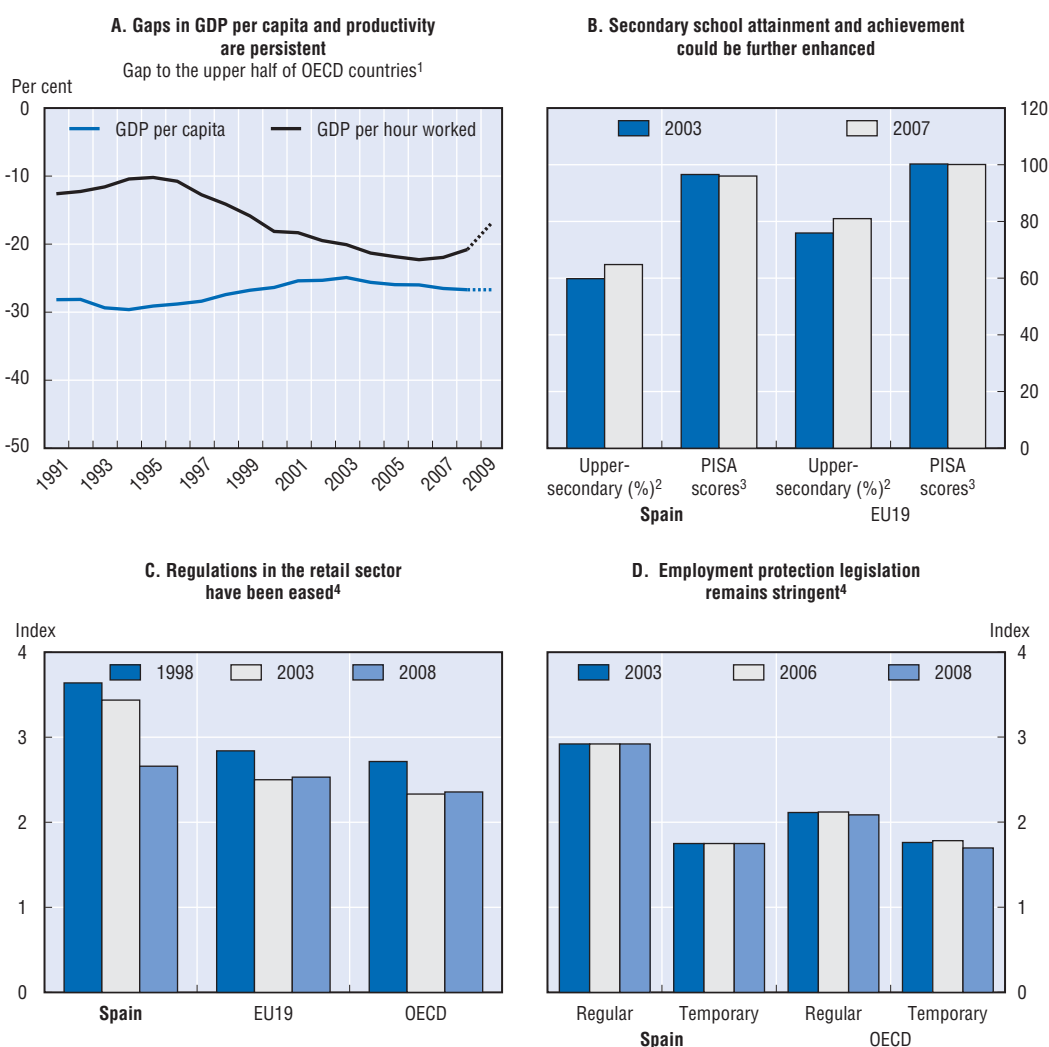
Reform the pension system (2005, 2007)

Recommendations: Pensions should become actuarially more neutral.

Actions taken: Partial retirement was restricted and the effective contribution period to acquire pension rights was increased modestly in 2007. Stronger incentives to extend work beyond the current age at which full pension rights can be acquired were introduced at the same time.

SPAIN

- Convergence in GDP per capita relative to the upper half of OECD countries has slowed though the picture is more favourable in current prices. Recently the productivity gap has begun to narrow.
- While significant progress has been made in most key priority areas, they remain core priorities. School dropout rates remain high and accountability is still weak. Housing market distortions and use of precarious employment contracts remain widespread. No progress has been made in reforming wage bargaining.
- In other areas, much progress has been made in making regulation in product markets more conducive to competition, including through a new competition law and reform in network industries.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gaps for 2009 are OECD estimates, based on the OECD Economic Outlook, No. 86.
2. Percentage of population aged 25-34 that has attained at least upper-secondary education.
3. Average mean score of student performance in mathematics, science and reading in 2006. Index OECD = 100.
4. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, *National Accounts and Economic Outlook 86 Databases*; Chart B: OECD (2009), *Education at a Glance* and OECD, PISA 2006 Database; Chart D: Venn, D. (2009), "Updating the OECD Employment Protection Indicators", *OECD Social, Employment and Migration Working Papers*, No. 89 and OECD analysis based on OECD *Employment Outlook* methodology.

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