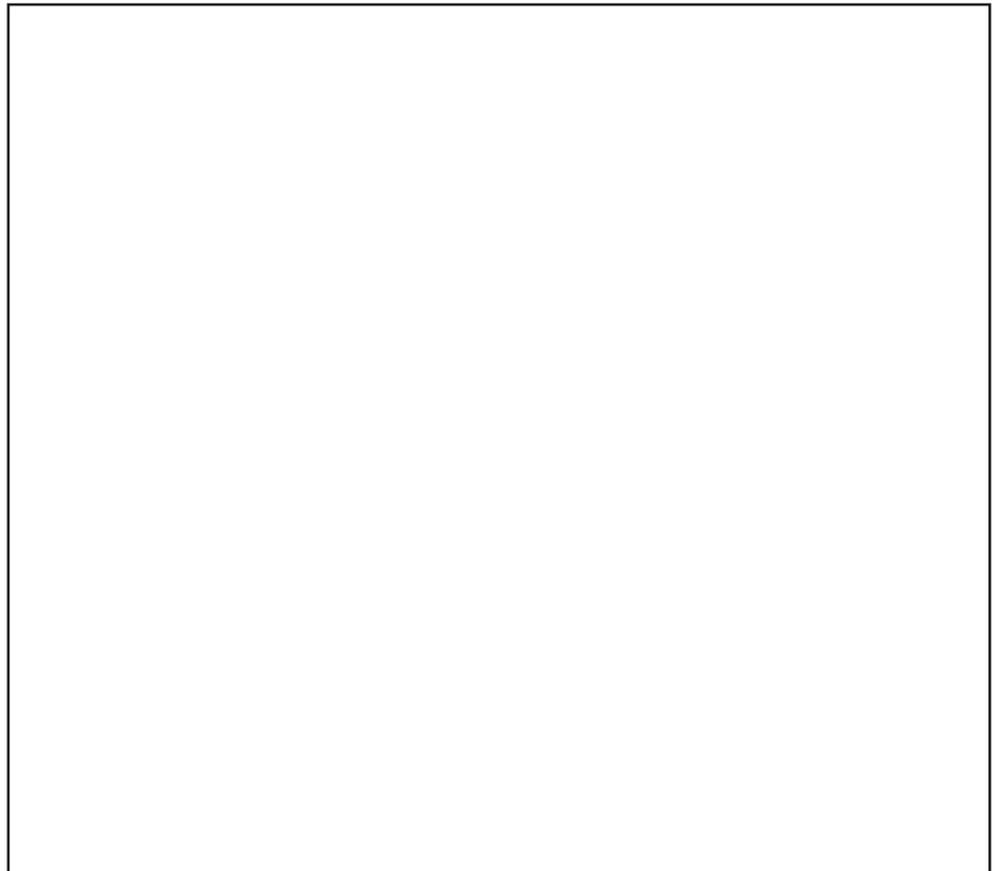




Eurofound

Impact of the recession on age management policies: Spain



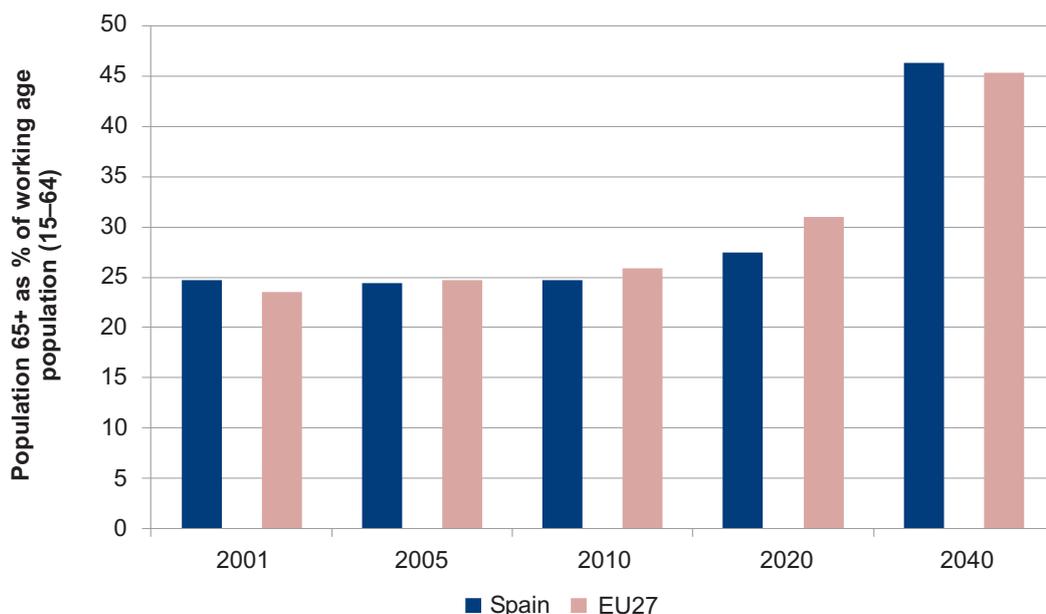
Labour market developments and the ageing workforce

Ageing population

Spain's population is ageing rapidly. In fact, based on current trends observed in relation to changes in fertility, mortality and migration,¹ the National Institute of Statistics (INE) predicts that the population growth will become negative in 2020. It is also predicted that the proportion of the population aged over 64 will double in 40 years' time, representing 30% of the overall population.

If current demographic trends continue, the old-age dependency ratio in Spain will not only increase but is likely to overtake the EU average by 2040 (see Figure 1). According to Eurostat data, in 2050, the ratio of people over 64 to those aged between 15 and 64, expressed as a percentage, is predicted to be 58.7%, contrasted with the 2010 ratio of 24.7%. This means that in 2050 there will be almost six people over 64 years of age for every 10 people of working age. This substantial increase is a direct consequence of the prevailing low fertility rates (an average of 1.44 children per woman in 2009) and increasingly high life expectancy (in 2009, 78 years for men and slightly over 84 years for women) (INE, 2010).

Figure 1: Current and forecast old-age dependency ratio in Spain and EU27, 2001–2040



Source: Eurostat

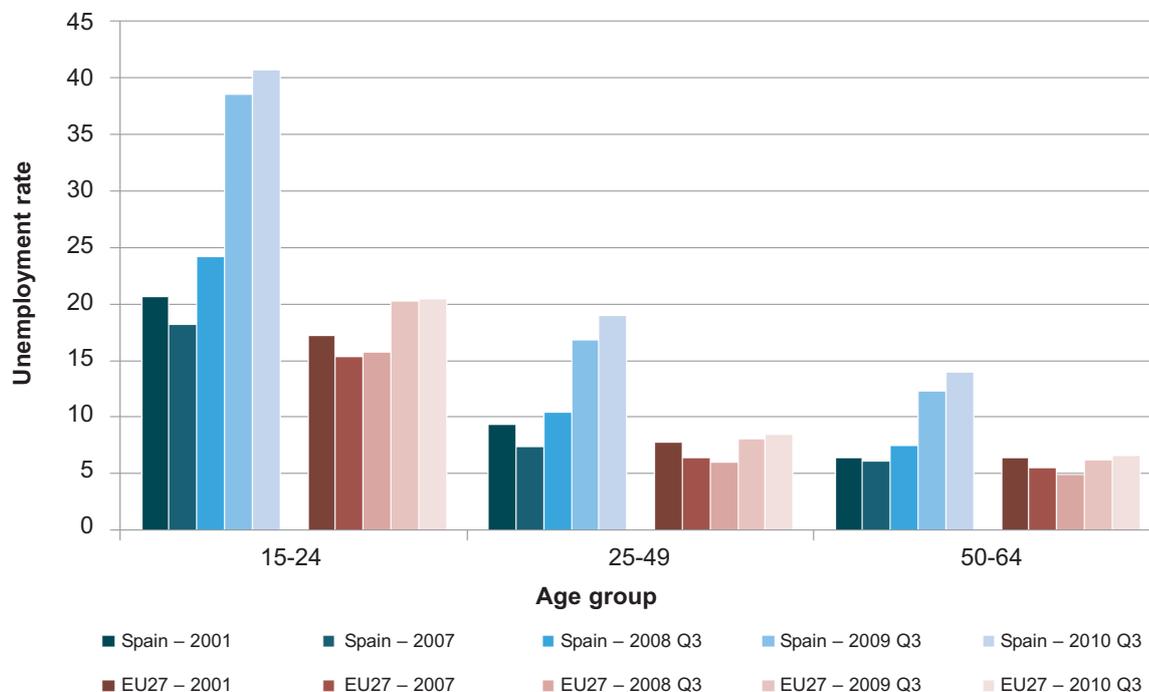
Unemployment rates

Unemployment in Spain has always been particularly high among those whose education ended below secondary level or before the age of 16 (Figure 2). Between 2008 and 2010, 68% of the jobs lost in Spain were concentrated among this section of the working population (Llopis and Rocha, 2010). Eurostat data also show that the unemployment rate for people with pre-primary, primary and lower secondary education (levels 0 to 2 according to UNESCO's International Standard Classification of Education 1997) increased from 10.5% in 2007 to 26.9% in 2010, an increase of just over 2.5 times in four years. During this period, unemployment also increased for people with upper secondary (ISCED levels

¹ As of 2019 the projections include a constant migration flow of 400,000 people.

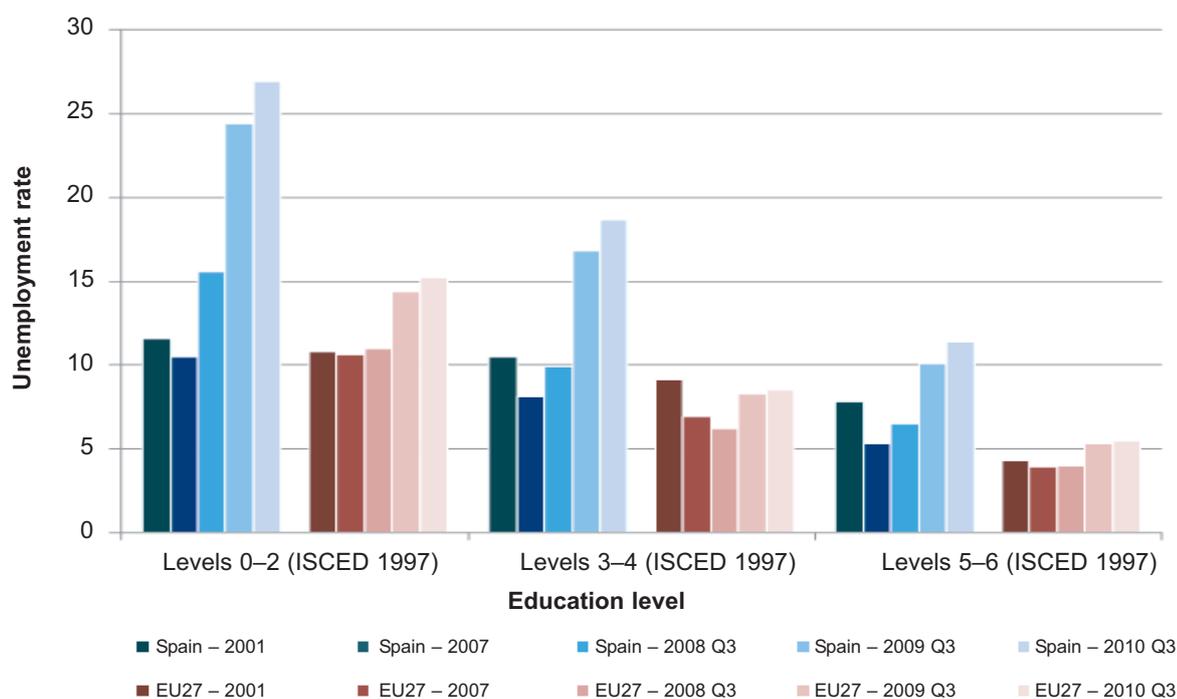
3–4) from 8.1% to 18.7% and with third-level education (ISCED levels 5–6) from 5.3% to 11.4%, more than doubling in four years (Figure 3).

Figure 2: Unemployment in Spain and EU27 by age group, 2001–2010 (%)



Source: Eurostat

Figure 3: Unemployment in Spain and EU27 by education level, 2001–2010 (%)



Note: Educational levels are as defined by UNESCO’s International Standard Classification of Education (ISCED 1997).
Source: Eurostat

Employment rates

At the same time, employment rates also differ between workers in particular age groups, over time and compared to other Members States. The highest employment rates in recent years have been among people aged 30–34, with relatively similar employment rates for people up to the age of 49. Starting at 50 years of age, employment rates tend to fall significantly. For example, in 2010 the employment rate for people aged between 45 and 49 years was around 71%. For those between 50 and 54 years, the rate fell to around 66% and between 55 and 59 years fell even further to 54.6%. Interestingly, although the employment rate of people in the pre-retirement age group of 60–64 has historically been higher in Spain than the EU average, for all other age groups average employment rates have been higher in the EU (Table 1).

Table 1: *Employment in Spain and EU27 by age group, 2001–2010 (%)*

Year	2001		2007		2009 Q3		2010 Q3	
	Spain	EU27	Spain	EU27	Spain	EU27	Spain	EU27
15–19	14.2	20	17	19.1	10.0	18.0	7.3	17.1
20–24	49	54	57.2	54.8	44.5	52.4	42.6	51.7
25–29	70.7	73.1	78	75.4	66.7	73.3	65.3	72.4
30–34	72.6	77.9	80.2	80	72.7	78.4	71.9	77.9
35–39	72.2	79.3	78.7	81.5	72.5	80.4	71.7	79.5
40–44	71.2	79.5	77.7	82	72.6	81.1	70.7	80.9
45–49	67.1	77.2	75	80.4	71.4	80.1	70.8	80.3
50–54	60.1	69.9	68.7	74.6	65.8	75.2	66.5	75.7
55–59	47.3	51.2	55.1	57.5	54.5	60.3	54.6	61.3
60–64	29.5	23.4	33	29.3	32.1	30.4	32.1	30.8
65–69	4	8.8	5.3	9.5	5.4	10.1	5.3	10.4
70–74	1	4.9	1.7	4.9	1.2	4.9	1.5	5.0

Source: Eurostat

Employment rates for men have been consistently higher than for women. Furthermore, the gap between employment rates of men and women widens, starting in the 30–34 age group and continuing all the way to retirement age. Over the age of 65, employment rates start converging again, with very similar rates between men and women (Table 2). However, the gap has been decreasing since 2001.

Table 2: *Employment in Spain by gender, 2001–2010 (%)*

Gender	2001		2007		2009 Q3		2010 Q3	
	Male	Female	Male	Female	Male	Female	Male	Female
15–19	18.6	9.6	21.2	12.6	11.5	8.5	8.3	6.2
20–24	56.2	41.5	63.1	51.0	46.0	42.9	43.5	41.6
25–29	80.0	61.0	83.7	72.0	67.9	65.5	66.6	63.9
30–34	87.4	57.3	89.1	70.7	77.4	67.6	76.6	66.9
35–39	89.2	55.0	90.1	66.7	78.6	66.1	78.7	64.3
40–44	89.3	53.1	89.4	65.7	79.8	65.2	78.4	62.8
45–49	87.5	46.7	87.9	62.2	80.7	62.2	79.3	62.3
50–54	83.6	37.0	84.5	53.1	77.5	54.3	76.3	56.9
55–59	69.5	26.0	72.8	38.1	68.3	41.3	68.0	41.8
60–64	43.9	16.3	45.6	21.3	42.3	22.6	40.6	24.1
65–69	6.0	2.3	7.7	3.2	7.0	4.0	6.3	4.3
70–74	1.6	0.5	2.7	1.0	2.0	0.6	2.2	1.0
75+					0.6	0.3	0.5	0.3

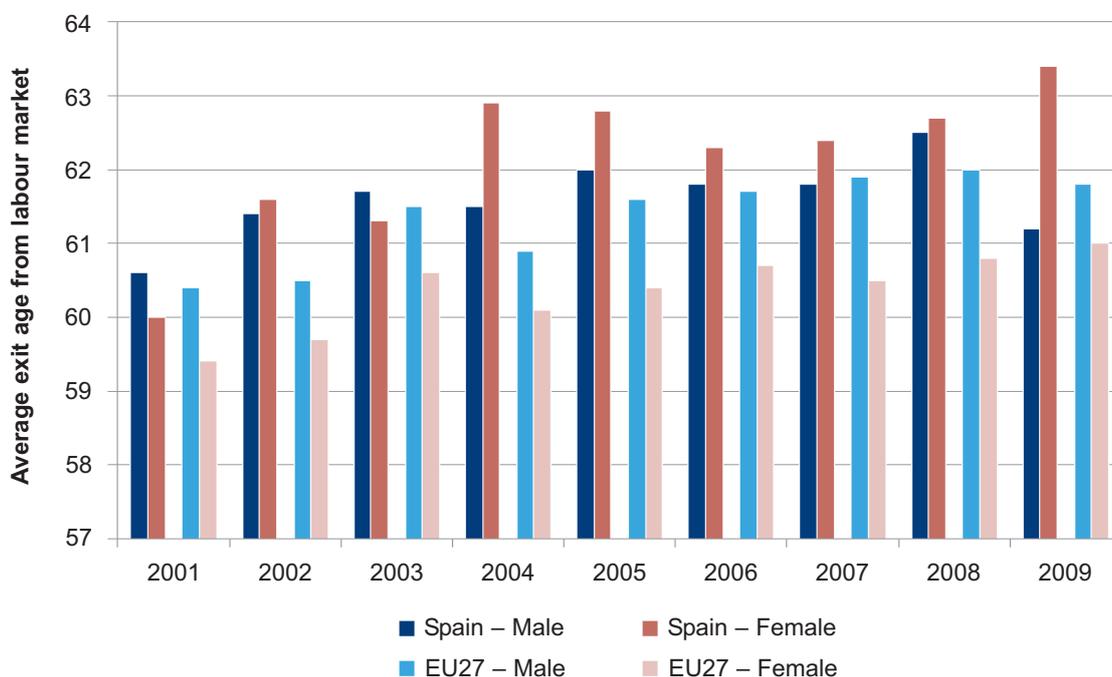
Source: Eurostat

Exit from the labour market

The trends in the average exit age from the labour market by gender are significantly different in Spain from in the rest of the EU. In Spain, women exit the labour market later than men² while the overall EU average suggests women generally leave the labour market first (see Figure 4). According to Eurostat data for Spain, the average exit age for all workers in 2009 was 62.3 years (increasing from 60.3 in 2001), just under a year over the EU average of 61.4 years (59.9 in 2001) (Figure 5). Considering the average life expectancy is around 81 years in Spain, people are effectively retired for an average of approximately 20 years, putting significant pressure on the welfare system.

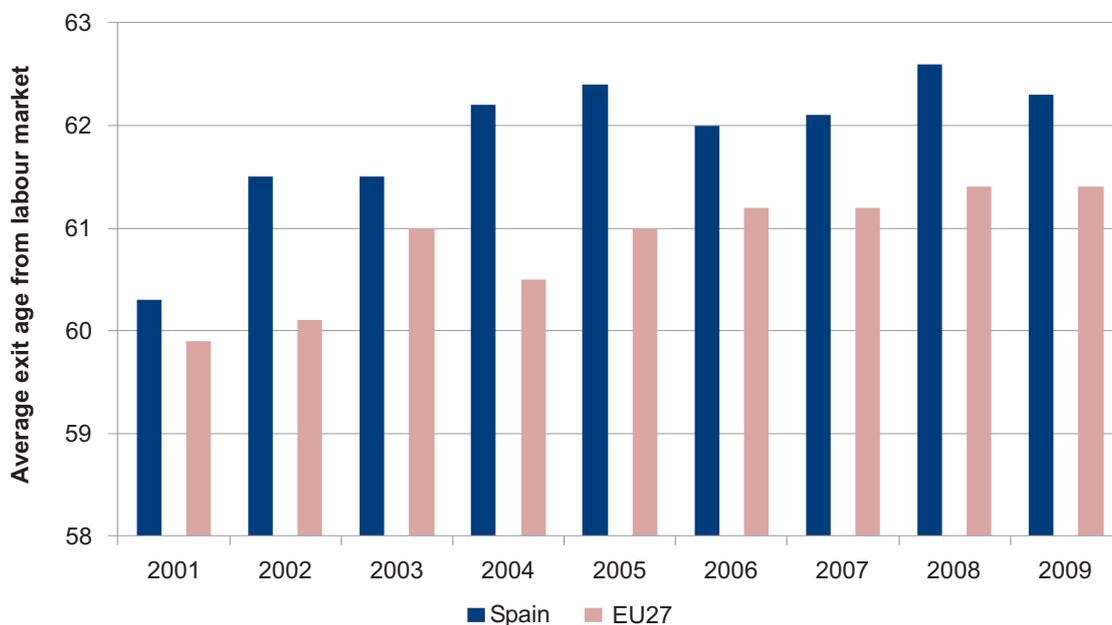
² Note that the exit age in this case refers to exit from the labour market (in other words, covering all economically active workers whether employed and unemployed), and not to definitive exit from employment into retirement. This point needs to be emphasised for Spain because as already indicated the employment rate of older women in the 60–64 age group remains low.

Figure 4: Average exit age from the labour market in Spain and EU27 by gender, 2001–2009



Source: Eurostat

Figure 5: Average exit age from the labour market in Spain and EU27, 2001–2009



Source: Eurostat

As a result of this pressure on the welfare system, there has been much media coverage of the issue over the last few years. The debate has focused on the need to prolong working life by delaying the average exit age from the labour market, increasing participation of older people in the labour market, and maintaining the employment of those who have jobs. The following sections discuss how these objectives have translated into specific policies.

Direction of policy development (2000–2008)

To understand older people's decisions to stay in or exit the labour market, it is crucial to understand how the pension system works, and what labour market policies have been put in place. Having a good understanding of these two policy areas will provide a clear picture of the incentives created for the ageing workforce to stay in or leave the job market.

Pension system

The Spanish pension system is defined under the Toledo Pact (*Pacto de Toledo*), which has been in place since 1995. The Pact is the written approval by the House of Deputies of a document where all relevant partners (government, trade unions and employer associations), and all political parties in Spain agree to ensure the sustainability of the public pension system. Through the Toledo Pact framework, the pension system is closely monitored and evaluated. Furthermore, any recommendations emerging from these periodic evaluations of the Pact are closely followed by the government and the relevant partners.

The public pension system includes a compulsory contributory insurance scheme, administered by the National Institute of Social Security (*Instituto Nacional de la Seguridad Social*) and the central government, based on a pay-as-you go contributory system, and a non-contributory income-based scheme for those not entitled to the contributory scheme. The income-based scheme provides a flat-rate benefit to those on low incomes – defined as an income lower than 75% of the minimum wage³ – who are either over the age of 65 or disabled, and who are not entitled to access a contributory pension system.

Before the reform in 2011, the official age of retirement was 65 for both men and women. To qualify, workers should have been making social security contributions for at least 15 years. Those who qualified were entitled to earnings of 50% of the regulatory base.⁴ This rate increased by 3% for each additional year of contribution between 15 and 25 years, and by an additional 2% for each additional year of contribution above 26 years. Only those who had made 35 years of social security contributions received 100% of the regulatory base (OECD, 2009b).

Early retirement was available from the age of 61 before the 2011 reform. The final regulatory base varied depending on the number of years difference between actual retirement and the legal retirement age, and on the number of years' contributions made to the social security system. Under law 25/2002, people who continued working beyond the age of 65 benefited from a 2% increase in the coefficient applied to the regulatory base for each extra year of work, with no age limit. Under law 40/2007 dealing with partial pensions, people aged between 60 and 64 can combine partial pension receipt and a part-time job, if the following conditions apply:

- working hours are reduced by between 25% and 75%;
- another employee is hired to fill the working hours left by the partial pensioner;
- the partially retired worker must have been six years or more with the last employer and made 30 years' contributions or more.

³ The minimum monthly wage in Spain in 2011 was €641.40. See: <http://www.usoib.es/index.php/es/uso-balears/172-salario-minimo-interprofesional-2011.html>.

⁴ Before the 2011 reform, the regulatory base is calculated by dividing the contribution base, which is the average over the 15 years prior to retirement divided by 210.

This option is not often used in Spain. This may be because it does not result in a decrease of the total workforce, which may be the goal of an organisation when encouraging people to retire earlier.

In addition to the public pension system, people have an option of setting up their own private pension. There are no plans to make this option mandatory. In fact, special tax advantages apply when setting up and contributing to a private pension fund up to a certain limit each year. Despite the tax advantages, only a small number of people have private pension funds. People with low wages may not be able to afford to contribute to a private pension plan, and they often do not have an incentive to do so, given that the current public pension system is relatively generous if one has contributed to the system over a number of years.

Labour market 2000–2008

It is important to highlight some important characteristics of the Spanish labour market affecting all social groups, including the ageing workforce.

Duality of the labour market

Two major factors affect the duality of the labour market. One is the industrial structure. A significant proportion of Spanish companies produce low added-value products by competing globally with low salaries. They employ mainly low-skilled workers in industries such as construction and retail.⁵ Furthermore, the majority of these companies are particularly sensitive to economic cycles. As a result, a large proportion of Spanish companies have incentives to contract workers for limited periods of time, which often leads to management models that have little incentive to train people. Promoting and investing in innovation and higher added-value products, such as technology, would contribute to changing production and hence to altering incentives. Nonetheless, employment legislation in Spain has also had a significant influence on the development of the ‘labour market duality’ between those on permanent and temporary contracts. Workers with permanent contracts are very difficult to dismiss because the legal and economic costs to businesses are high, whereas dismissing people on temporary contracts is far less costly.⁶

Table 3 shows the number of permanent and temporary contracts created each year. For example, in 2010 there were a total of 14,417,150 contracts with workers 16 years and older, of which 17.6% were held by workers over 44 years old. These figures are high because job turnover in Spain is high. The majority of new contracts are temporary, with permanent contracts often given after the maximum legal period a worker can work on a temporary contract for one company has been exhausted. The figures also show that the total numbers of contracts created started to decrease in 2008 before showing an increase again in 2010. Despite the efforts by the government to promote the creation of permanent contracts, temporary contracts have been increasing since the crisis compared to the creation of permanent contracts. However, we must keep in mind that these figures refer to ‘flow’ of recruitment rather than total headcount.

⁵ The construction sector represented at the beginning of 2008 17.9% of the Spanish gross domestic product (GDP) and gave employment to 13% of the active population. If we add both the construction industry and construction-related industries (for example, intermediate goods, real estate services and banking service linked to mortgage service), we see that around 30% of the Spanish GDP was produced directly or indirectly by the construction industry (Artus, 2010).

⁶ In case of unfair dismissals, the employer needs to pay 45 days of salary per year worked, up to 42 monthly instalments (a maximum 3.5 years) plus potential legal expenses. For fair dismissals (for economic, technical and/or organisational reasons), compensation would be 20 days of salary per year worked up to a maximum of 12 monthly instalments.

Table 3: *Split of permanent and temporary contracts by age, 2007–2010*

	2007	2008	2009	2010
Permanent contracts				
16 or more years	2,220,384	1,902,605	1,312,414	1,228,214
> 44 years	329,751	287,993	224,825	217,025
>44 years as a % of all permanent contracts	14.8	15.1	17.1	17.6
Temporary contracts				
16 or more years	16,401,724	14,698,632	12,709,423	13,188,936
> 44 years	2,489,122	2,416,028	2,265,598	2,399,419
>44 years as a % of all permanent contracts	15.1	16.4	17.8	18.1
Total contracts	18,622,108	16,601,237	14,021,837	14,417,150

Source: SEPE (*Servicio Público de Empleo Estatal*)

Steep age-profile of earnings

Compared to countries such as the UK (OECD, 2003), the profile of earnings is closely related to age in Spain. Wages tend to increase more sharply with age and show little tendency to decrease when a worker is approaching the retirement age (Villosio et al, 2008). One factor explaining the steep wage patterns is the collective agreement system, which often provides for the automatic linking of seniority and wage determination, and many agreements also have clauses about retirement provisions. The majority of workers in Spain are part of a collective agreement. This means that since wages are not necessarily linked to employee productivity, employers often have a higher incentive to encourage early retirement. At the same time, the generous early retirement benefits that people may receive also lowers the incentive to keep working.

Decentralised nature of employment system

The Spanish National Employment System (*Servicio Público de Empleo Estatal*, SPEE) is composed of the Central Public Employment Service and, at the regional level, the public employment services of the autonomous communities. The process of decentralisation of the employment services in Spain started in the 1990s. Law 56/2003 meant that the great majority of responsibilities were transferred to the autonomous communities (UGT, 2003). Passive employment policies (mainly payment of benefits) are still managed at the central level. The old model was criticised at the time for being excessively bureaucratic, too centralised and not capable of responding to the regional variations in Spain, especially in its responsibilities to match labour demand and supply through training, or to offer adequate incentives for businesses to recruit people. Another important criticism was that although it was the only agent of intermediation in the labour market (private agencies were banned until the 1990s), it had a role in only 10% of employment contracts drawn up (Suárez Cano and Cueto Iglesias, 2009).

The biggest challenge under the new decentralised system is that public employment services at both vertical and horizontal level need to work in cooperation to ensure the mobility of workers across the entire national territory, and to facilitate information and data collection relevant for developing national policies. The development and implementation of the Public Employment Services Information System (*Sistema de Información de los Servicios Públicos de Empleo*, SISPE) has improved coordination between employment services, especially when measuring registered unemployment (Toharia Cortés and Malo Ocaña, 2005).

Unemployment benefits for an ageing workforce

Everybody who has contributed to the social security system has the right to claim the contribution-based unemployment benefits. In addition, the ageing workforce can claim specific income-based non-contributory unemployment benefits.

- Subsidies are available for people over 45 years who have exhausted their contribution-based unemployment benefits with no dependants. These apply when a person registered with the employment office is actively looking for work and whose income is less than 75% of the minimum wage. Those claiming this type of benefit receive 80% of the minimum income (*Indicador Público de Renta de Efectos Múltiples*, IPREM)⁷ for a maximum of six months. This subsidy can be claimed up to four times (up to a total of 24 months).
- A special subsidy is available for workers over the age of 45 who have exhausted their 24 months of unemployment benefits. Again, the main condition is that people's earnings are below 75% of the minimum wage. The allowance consists of the equivalent of between 80% and 133% of the minimum income (IPREM), depending on the number of dependants in the family. The allowance ends after six months;
- Income-based/means-tested unemployment benefits are available for people over the age of 52 (Law 200/2006). To be eligible, a person must be actively looking for a job and registered with the employment office. Furthermore, the individual must have made social security contributions for at least six years and have an income of less than 75% of the minimum wage. The benefit they receive is 80% of the minimum income (IPREM) until the legal age of retirement. Beneficiaries who take a job lose these benefits.

The protection of the unemployed is completed with the *Renta Activa de Inserción*, an income-based allowance. To be eligible for this allowance, people must be registered for more than 12 months at the employment office and have an income of less than 75% of the legal minimum wage (SMI). This allowance can currently be claimed for an unlimited period of time. Table 4 shows how many people claim income-based unemployment benefits by age groups. Interestingly, the data show us that the percentage of people over the age of 44 years who have been receiving income-based benefits has decreased significantly since the crisis. From this data it is possible to further infer that older people have not been affected by the crisis to the same extent as workers below the age of 44.

Table 4: *Unemployment benefits in Spain by age group, 2007–2010*

	2007	2008	2009	2010
People on income-based unemployment benefits				
16 or more years	400,367	442,431	603,100	1,243,485
> 44 years	225,094	244,533	297,230	453,343
% of means-tested unemployment benefits given to >44 years	35.9	35.6	33.0	26.7

Source: *SEPE (Servicio Público de Empleo Estatal)*

⁷ This reference index is used to calculate the income threshold for the purpose of determining things like unemployment benefits, housing benefits, free legal advice, etc. The minimum wage (*salario mínimo interprofesional*, SMI), is only used in the labour market realm. The monthly IPREM for 2011 is €532.51, whereas the monthly SMI for 2011 is €641.40. Source: <http://www.iprem.es/blog/>

Disability benefits

Under the social security system, people can claim disability benefits from the date the disability occurred until the legal age of retirement. These benefits were used widely during the 1970s–1980s as a way of exiting the labour market. Spain's employment rate of older workers with disabilities is the lowest in the countries of the Organisation for Economic Co-operation and Development (OECD). This figure can be explained by the fact that there are relatively few active policies in place – training, ensuring employability, placement in public sector employment – to keep people with disabilities actively involved in the workforce. Also, there are few incentives to work given that people might risk losing their disability entitlements on finding a job. At the same time, the costs borne by employers when a worker takes sick leave are relatively low by comparison with the rest of Europe. Finally, a disability rate of just 33% makes the sufferer eligible for the benefit, again low compared to many other European countries. This may make it difficult to deny access to benefits to those with moderate disabilities (OECD, 2003).

Active labour market policies

So far we have described passive labour market policies that convey a paternalistic message, and ensure a minimum level of income support for individuals and families rather than an incentive to work or prolong working life. There are, however, some active labour market policies (ALMP).

The Employment Promotion Programmes (*Programas de Fomento de Empleo*) have two main objectives. The first is to maintain employment of the ageing workforce. One way of improving employment prospects for older people, especially the unskilled, is typically by providing subsidies that reduce the costs of retaining older workers. The following measures were introduced in 2006:

- encouraging maintenance of the permanent contracts of people aged 59 or over who have worked for four or more years in the same company, by reducing the employer's social security contributions by 40% for up to a year;
- encouraging maintenance of the permanent contracts of people aged 60 or over by reducing the employer's social security contributions by 50% when a worker reaches 60 years of age, and this reduction increases each year by 10% until reaching 100% when the employee turns 65.

The second objective is to increase employment rates among the ageing workforce. To do this, the government promoted the creation of permanent contracts by reducing dismissal compensation from 45 days per year worked, with a maximum of 42 monthly instalments, to 33 days per year worked, with a maximum of 24 monthly instalments. The government also offered employers a reduction of €1,200 per year in social security contributions when hiring a worker on a permanent contract.

Other active labour market policies have focused on the employability of the workforce. Given that unemployment particularly affects people with lower levels of education, vocational training has been considered a key tool to create stable and long-term opportunities for such workers, with the potential to decrease the vulnerability and social exclusion often suffered by this group. More specifically, a decree passed in 2007 had the objective of promoting vocational education among both employers and employees. The results of this decree have been analysed and both positive and negative points have been identified (Llopis and Rocha, 2010).

The most positive results include the realisation that it is necessary to improve the quality of training by integrating *occupational* vocational education (directed to unemployed people) and *continuous* vocational education (directed to employed people and managed by the government and all social partners), in order to facilitate recognition of accreditation and enforce continuous learning. There has been a gradual increase in the flexibility of the supply of vocational training programmes, greater adjustments of these programmes to the reality of the labour market and the creation of a qualifications inventory in order to map capabilities.

On the negative side, there are still some issues affecting vocational education. It is perceived in Spanish society as being of poor quality and having little prestige. Participation of employees in training and ongoing development activities at the workplace is still insufficient and, unfortunately, training and development is often perceived in Spain as a cost rather than an investment.

Crisis effects on recent policy initiatives

The crisis has triggered some important policy changes, all agreed under the Social and Economic Agreement (*Acuerdo social y económico*) signed by all social partners (government, trade unions and employers) in February 2011. The most important policy change has been the reform of the pension system, which is intended to make the system more sustainable for future generations. However, the agreement also includes reforms of labour market policies and the basic criteria for reform of the collective bargaining system.

Reform of the pension system

To respond to the demographic forecasts, in the Social and Economic Agreement the government and social partners agreed to reform the pension system. The changes introduced will be gradually implemented from 2013 to 2027. The most significant changes are:

- an increase of the retirement age from 65 to 67 years, with the exception of those who have already contributed to the social security system for 38.5 years;⁸
- the period for calculation of the regulatory base will increase gradually from 15 years to 25 years by the end of 2022, with a transition period of 10 years;
- individuals who have already contributed for 15 years to social security will continue to be entitled to 50% of the regulatory base, as before, but for the remainder this percentage will increase proportionally each year by 1.68% until reaching 100% when a person has contributed for 37 years to social security. The effect of this is shown in Table 5.

Table 5: *Pension increase linked to contributions in Spain*

Years of social security contributions	Age	% yearly pension increase
Less than 25 years of contributions	Starting at 67	2
Between 25 and 37 years of contributions	Starting at 67	2.75
38.5 years of contributions or more OR between 37 and 38.5 years of contributions	Starting at 65 or 67	4

Source: *Social and Economic Agreement (Acuerdo Social y Económico)*

Since the financial crisis, the incidence of early retirement has decreased. People cannot afford to retire earlier, particularly given that salaries in Spain have decreased over time. Official data from the Ministry of Employment show that early retirement, when expressed as a percentage of all retirements, was 44.8% in 2007, and 40% in 2010. With the implementation of the new pension system, this percentage is likely to decrease further.

⁸ Women who have had to interrupt their professional careers because of birth or adoption will be able to start retirement before 67 years of age, taking a further nine months per child up to a maximum of two years, if the person has contributed for the minimum number of years. People who work on hazardous, toxic or physically demanding jobs may choose to go into early retirement only after other alternatives have been tried, including changing labour conditions, or changing job position (relocation).

The new pension system regulates provisions in relation to early retirement as follows:

- voluntary retirement starts at 63 years of age (61 years before the reform) with a minimum of 33 years of contributions and a reduction coefficient (*coeficiente reductor*) of 7.5% for every year retirement is brought forward;
- early retirement starts at 61 years in crisis situations, just as before the reform, although retirees must have made social security contributions for at least 33 years. Again, the reduction coefficient is 7.5% for every year retirement is brought forward;
- the partial retirement mechanism for people above 61 years of age also remains unchanged under the new reform.

The intention is that the reforms will encourage more people to work beyond the legal age of retirement. The reforms are expected to cut pension spending by the equivalent of 3.5% of gross domestic product (GDP), with spending remaining close to that of the OECD average. Nevertheless, the pension replacement rate – in other words, pension relative to pre-retirement earnings – is expected to decrease from 81.2% to 73.9% (OECD, 2011).

Reform of the collective bargaining system

The Spanish collective bargaining system has been characterised as rigid, preventing wages from adjusting in response to the economic shocks or technological changes, and not establishing a sufficiently close relationship between effort and reward (Estrada et al, 2011). As a result, the adjustment mechanism in Spain has been through layoffs or non-renewals of temporary contracts in 69% of cases (de la Dehesa, 2011). In contrast, across Europe the usual adjustment mechanism was through salary reduction and non-wage related adjustments such as reduction of working hours (60%), and an average of only 30% through job losses, terminating of temporary contracts or layoffs.

The rigidity of wage determination partly reflects the complex collective bargaining structure consisting of different levels (sectoral, provincial and company level) and the poor coordination between these levels. However, other significant issues in the bargaining system lead to rigidities. They include the absence of internal staffing flexibility within companies such as flexible working hours, the fact that collective bargaining does not clearly reflect differences in the productivity of businesses and between sectors,⁹ and the high percentage of collective agreements that include inflation-indexed wages.¹⁰

In 2011, the Spanish parliament ratified the reform of the collective bargaining system (Law 7/2011). Estrada et al (2011) summarise the main changes.

- The reform extends the range of working conditions for which businesses can temporarily opt out of collective agreements.
- With the new reform, agreement between the concerned parties is sufficient to opt out of collective agreements.
- The option of arbitration is now available, rather than only the judicial pathway, when the parties cannot reach an agreement.

⁹ Currently, wage increases are very homogeneous across sectors, even though productivity between sectors (for example, between manufacturing or services) is significantly different, with salary increases responding only to 10% of the variability in productivity at the sectoral level (de la Dehesa, 2011).

¹⁰ Spain is one of the countries in the EU with the highest number of collective agreements with clauses adjusting for inflation, at 78.5% (de la Dehesa, 2011).

The government hopes these reforms will make the bargaining system more flexible. However, the trade unions believe the new reform increases the power of corporations to the detriment of workers' rights (Gorriz et al, 2011).

Labour market reforms

The government has recognised that policies geared towards the ageing population focus on paternalistic measures that guarantee a minimum level of income until the worker reaches the legal retirement age. They therefore recognise that active labour policies should be directed at extending working life and reintegrating people back into the labour market.

In 2010, new measures were approved as part of the labour market reform (Law 35/2010 of 17 September). On the one hand, the subsidies to encourage the employment of people aged 60 or over have been retained. On the other hand, however, the government has extended the existing economic benefits and targeted these at the most affected groups.

Subsidies for social security contributions for workers over 45 years old who are given permanent contracts now include:

- reductions in employers' social security contributions of €1,200 per year if the employer hires a man older than 45 years of age on a permanent contract and €1,400 if hiring a woman;
- a social security contributions subsidy of €4,100 for a man and €4,700 for a woman who is 45 years or older and disabled, and offered a permanent contract.

Unemployment has increased year-on-year and the social partners in Spain have increasingly recognised that the problem needs immediate attention. The Economic and Social Agreement of 2 February 2011 established urgent measures to reform the current active labour market policies. To tackle the problem of the ageing workforce, the government promised to develop a global employment strategy for this group by October 2011 that would include employment and vocational education measures, as well as develop policies on labour conditions that might prolong working life and promote a return to work for those who have lost their jobs.

Other active labour market policies in the Social and Economic Agreement do not directly target the ageing workforce but do affect them indirectly through initiatives aimed at the long-term unemployed, the majority of whom are over 45 years old. In the short term, the most important temporary measures for the period 2011–2012 affecting the ageing workforce have included those outlined below.

- The implementation of Decree Law 1/2011, 11 February, to establish measures to improve the employability of specific social groups, including the long-term unemployed over the age of 45. These measures basically consist of carrying out individual and personalised employment itineraries and identifying their professional and training needs to increase their chances of reentering the labour market.
- Another short-term measure has been the introduction of the 'Professional requalification programme for people who have exhausted their unemployment benefits', the majority of whom are older people. This new programme will last six months and will give participants the right to take part in individualised and personalised employment itineraries, obtain requalification training while receiving 75% of IPREM in benefits. The 'Temporary programme of unemployment and reintegration' (*Programa temporal de proteccion por desempleo e insercion*) preceded the new programme and was approved under Law 14/2009, 11 November. It was extended twice, in February 2010 and in August 2010. Under this initiative, unemployed people did get a subsidy equivalent to 80% of the IPREM for six months. This subsidy was aimed at all unemployed people who had exhausted all other unemployment benefits, including those over the age of 45.

In addition to short-term active labour market policies, the agreement includes long-term and structural policies. However, again these are not specifically targeted at the ageing workforce, although they might be affected indirectly. One of the policies relates to the strengthening of the Public Employment Service (public sector employment). In 2011, a total of 1,500 new personal job advisors have been contracted in addition to the 1,500 that were hired in 2010. Measures to improve planning, management and evaluation of labour market policies were also planned.

Employability is another aspect of the structural reform that has been initiated. However, policies that address this issue are again aimed at the overall population rather than any specific group.

Under the G'OLD project (research carried out by partners from Spain, Italy, Denmark and Romania about the inclusion of seniors in the labour market¹¹), one of Spain's major trade unions, the Trade Union Confederation of Workers' Commissions (CCOO), proposes a series of measures to improve employability among older people:

- the formulation of preventive measures for employed and unemployed people over 45;
- the implementation of personal itineraries that go from orientation, training and development through to job placement programmes;
- the establishment of specific programmes for the unemployed over 45 years old;
- the promotion of programmes that combine employment and development, such as ways in which people can work while they acquire knowledge and skills through practical experience;
- the adjustment of the training programmes and employment itineraries offered by the Public Employment Service to the requirements of employers, and working more closely with employers.

Evaluation of programmes

The Spanish National Employment System (SPEE) collates monthly statistics about the evolution of the different forms of recruitment, whether temporary or permanent contracts. Furthermore, statistics are compiled every trimester, based on the Active Labour Force Survey of the National Institute of Statistics, and the Labour Survey of the Ministry of Labour and Immigration.

In relation to the evaluation and monitoring of different employment policies, the main study was carried out in 2009. Luis Toharia, Professor of Economics at the University of Alcalá, led a study for the Central Agency for Evaluation of Public Policies and Quality of Services. The objective was to evaluate the system of subsidies to social security contributions when hiring people on a permanent contract. The results of this study were taken into account in the labour market reform of 2010.

The evaluation study showed that the system of subsidies to social security contributions was positive, but limited. Employers got reductions on social security contributions per person hired on a permanent contract. However, this policy did not specifically favour hiring those groups hardest hit by unemployment, the youngest and oldest workers, because the policy was being applied to the overall workforce. The policy thus had a positive impact but was also accompanied by a significant deadweight element because, in some cases, new workers would have been hired regardless of the existence of any subsidy.

¹¹ See the Forum for International Cooperation (FIC) website: <http://www.fic.dk>.

All social partners recognise that the effectiveness of active labour market intervention needs to be properly evaluated. Therefore, the Social and Economic Agreement signed in February 2011 includes a commitment to improved evaluation of the various employment policies included within it. This philosophy has also been included in the reform of active labour market policies created under Decree Law 3/2011.

Summary

Unemployment in Spain has traditionally been lowest among older people. However, older workers are also at the highest risk of becoming long-term unemployed. The government has traditionally offered fiscal and economic measures to assist this group. An important set of economic policies has been created to ensure a minimum income for the unemployed over 45 whose income is less than 75% of the minimum wage.

The government has also offered employers subsidies on their social security contributions when they keep older people at work. Important subsidies are also offered for social security contributions to encourage the hiring of workers on permanent contracts. Initially these subsidies were offered with the purpose of reducing the percentage of temporary contracts but, since the recent labour reforms, these fiscal incentives have been directly targeted at specific social groups, including those over 50 who are also long-term unemployed.

The labour market in Spain has been affected severely by the global economic crisis, resulting in an unemployment rate of more than 20% in 2010. The most important outcome of the crisis has been the Social and Economic Agreement, negotiated and signed in 2011 by all the social actors in Spain, including the government, employer associations and trade unions.

The agreement has five pillars.

- Reform of the pension system, creating a new retirement age of 67 (starting in 2027) and making early retirement possible only from the age of 63 onwards.
- Labour market reform, initiating important short- and long-term active labour market policies targeted at all social groups to improve their employability, including the development of a personalised employment itinerary, orientation, training, development, job placement programmes, and enhancement of the Public Employment Service.
- A commitment to develop a strategy specifically for the ageing workforce before the end of 2011.
- Reform of the production model to promote more innovation, as a way of driving economic growth and stimulating the creation of better quality jobs.
- A commitment to change the collective bargaining system.

The agreement is clearly a response to the challenges that Spain needs to address in the next few years. Although it has been introduced only this year, some of the commitments made by the social partners have already been translated into policies and actions. Others, such as the national strategy for the ageing workforce, are still being developed. This means that evaluation of some aspects of the agreement will only be possible at a later stage.

List of interviewees

Ascensión Maravall, Ministry of Employment and Immigration

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