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**JOINT STUDY OF THE EUROPEAN SOCIAL PARTNERS
“THE IMPLEMENTATION OF FLEXICURITY AND THE ROLE OF THE
SOCIAL PARTNERS”**

NATIONAL FICHE:

Spain

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Preface

This national fiche is part of the EU Social Partners’ Study “The implementation of flexicurity and the role of social partners” carried out in the context of the EU Social Dialogue Work Programme 2009-2011, which includes “*Jointly monitoring the implementation of the common principles of Flexicurity, notably in order to evaluate the role and involvement of the social partners in the process and to draw joint lessons*”.

To implement this task in the best possible way and to involve national member organisations actively in the gathering of data and information, the study applies a methodology that consists of multiple levels of analysis using a variety of instruments to be implemented with the help of a team of experts:¹

- The expert team, with the advice of European Social Partners, agreed on a *set of selected statistical indicators* in the field of employment and economic and social development with labour market relevance.
- National social partners were asked to participate in a *questionnaire-based survey* focussing on the relevance of the flexicurity concept within national labour markets, the role of the social partners in policy implementation and their views of the flexicurity concept. To complement the research, the expert team visited a number of countries and carried out interviews with national social partners.²
- Based on the two sources above and a review of available written materials and information, the expert team prepared *29 national “fiches”* on the implementation of the flexicurity principles and the role of social partners in the respective national contexts.
- Results of the questionnaire survey and main findings of the national analyses were discussed at four “*country cluster seminars*” that were organised by the European Social Partners with the help of national sections in Warsaw (November 2010), Lisbon (December 2010), Paris (31st January-1st February 2011) and The Hague (8th February 2011).
- In the light of the overall study results and the comments received by national social partners in the contexts mentioned above, the expert team has prepared a *comparative synthesis report* on “Social Partners and Flexicurity in Contemporary Labour Markets” that was presented and discussed at a *EU-level synthesis seminar* on 31st March and 1st April 2011 in Brussels.

This national fiche aims to present a broad overview on the economic and social context and the state of play with regard to flexibility and security in the labour market and current social security arrangements (sections one and two). Secondly, the report describes the role of the social partners and social dialogue in the implementation of policies and practices that can be considered under the broad umbrella of “flexicurity” (section three), also summarising inputs provided by national social partners to the questionnaire, from interviews carried out and other contributions made in the context of the study. Section three also presents brief descriptions of cases of good practice as has been indicated by the national social partners.

The text was originally prepared as draft report in the autumn of 2010 in order to facilitate the discussion at the cluster seminar on 8th February in The Hague. The original dossier has been reviewed and revised to take into account the comments and discussions that took place during the seminar or received afterwards.

However, it should be stressed that this report is presented as an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively, of the social partners’ representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

¹ Expert team: Eckhard Voss (coordinator), Alan Wild, Anna Kwiatkiewicz and Antonio Dornelas.

² The following countries were visited in the context of the project between May and July 2010: Denmark, France, Ireland, Italy, Czech Republic, Poland, Germany, Portugal and the Netherlands.

1 The economic and social context

Economic crisis and recovery

The Spanish economy had experienced a period of economic expansion and growth lasting for more than a decade which was accompanied by large-scale job creation and an unsustainable real estate boom. Subsequently, Spain was hit particularly hard by the international economic and financial crisis which went along with a collapse of the Spanish construction sector. Significant external and sector imbalances were unveiled and since the second half of 2008, the economic activity – and the construction activity – contracted. In contrast to most other EU states that had entered into recession in late 2008 and that by now are experiencing economic upturns, the Spanish recession was projected to last into 2010. GDP continued to fall throughout 2009, with the contribution of domestic demand reaching record lows. Still, the decline has been moderating and for 2011 the economy is expected to grow again (+0.8%). Spain’s deficit, at 11.1% in 2009, should reduce slowly and a subdued recovery should be under way. At the same time, the general Government debt which at 53.2% was still comparatively low in 2009 is projected to increase to 69,7% in 2011.

Besides a worsening of the sustainability of public finances, the downturn heavily impacted on employment. Unemployment rose sharply from an already high, above-EU-average level of 11.3% in 2008 to 18.0% in 2009 and reached over 20% in 2010, stabilising at this level and remaining almost unchanged in 2011. This is the highest level since 1997, the second highest unemployment rate in the EU (just Latvia with almost 22% recording a higher rate) and more than double the EU average. Labour-intensive, low-productivity sectors like the construction sector and the manufacturing industry suffered the largest job losses and further, accelerated, structural adjustments in these sectors will take place.

SPAIN - MAIN ECONOMIC INDICATORS AND OUTLOOK

	2007	2008	2009	2010	2011
GDP – annual percentage change	3.6	0.9	-3.7	-0.2	0.7
Employment - annual percentage change	2.8	-0.5	-6.6	-2.3	-0.3
Unemployment rate (Eurostat definition)	8.3	11.3	18.0	20.1	20.2
General government balance (as percentage of GDP)	1.9	-4.2	-11.1	-9.3	-6.4
General government gross debt (as percentage of GDP)	36.1	39.8	53.2	64.4	69.7

Source: European Commission: Autumn 2010 Economic Forecast.

One of the Government’s first reactions to the crisis was the presentation of the so-called “Plan E” (*Plan Español para el Estímulo de la Economía y el Empleo*³), the Spanish Economy and Employment Stimulus Plan, in January 2009. It includes more than one hundred measures, above all support for families and companies (in terms of tax reliefs and facilitated access to credits), measures to stimulate economic activity and employment (complementary to the National Reform Programme), and expansionary fiscal measures in line with the European Economic Recovery Plan (EERP). Investments in rail and road projects

³ For further details see the following chapter and also the Eurofound EIRO article on “Plan E”: <http://www.eurofound.europa.eu/eiro/2009/11/articles/es0911019i.htm>

should create jobs in the construction sector. In 2010, a *State Fund for Employment and Local Sustainability* (FEESL) was introduced. Furthermore, in order to support the restructuring of the financial sector, a series of targeted measures was implemented. At the same time, in order to regain the confidence of economic agents and to reduce budget deficits, substantial cuts in public expenses, a civil servants’ hiring freeze, tax increases (e.g. VAT) and a shift of the retirement age from 65 to 67 have been announced. To that end, the Government has envisaged a fiscal consolidation plan for 2011-2013.

Labour market indicators and trends

The Spanish labour market was hit hard by the economic and financial crisis of 2008. The number of unemployed has doubled since 2007 and, in 2009, stood at around 18% - more than twice the eurozone average. Since the end of 2007 more than 2 million workers have lost their jobs and this is adding to the huge fiscal problem Spain is facing. In particular young people have to bear the burden: Already high in 2008 (with 24,6%), information as of October 2010 (see table) indicate an unemployment rate of around 37,8% of the labour force aged between 16 and 24 years in 2009.

SPAIN - MAIN LABOUR MARKET INDICATORS 2009 IN COMPARISON TO EU27

	Spain	EU27
Employment rate – % population aged 15 – 64	59.8	64.6
Employment rate older people – % population aged 55-64	44.1	46.0
Self employed - % total population	13.7	15.5
Employment in services - % total employment	71.4	70.4
Employment in industry - % total employment	24.1	24.1
Employment in agriculture - % total employment	4.4	5.6
Unemployment rate - % labour force 15+	18.0	8.9
Youth unemployment rate - % labour force 15-24	37.8	19.6
Long term unemployment rate - % labour force	4.3	3.0
Inequalities of income distribution (2008)	5.4	5.0

Source: Eurostat, *Employment in Europe Report 2010*.

In 2009, the overall employment rate of the Spanish population aged 15 to 64 was at 59,8%, slightly below the EU27 average. Although the female employment rate had increased from a low 38.5% in 1999 to 52.8% in 2009, it remained still below both, the EU27 average of 58,6% and the Lisbon target of 60%. In comparison, the male employment rate that had been at 73.5% in 2008 – both above the EU27 average and at the same time fulfilling the Lisbon target of 70% - fell to 66,6% in 2009, falling behind the EU27 average and the Lisbon target. Self-employment was at 13.7% in 2009.⁴

In the light of the economic and financial crisis, the Spanish employment rate had decreased drastically. With an unemployment rate of around 20%, approximately 4.6 million Spaniards have been unemployed in the first quarter of 2010 – compared to 2.2 million in the first quarter of 2008. The increase in unemployment hit all age groups, female as well as male employees, with unemployment rates doubling basically in all sub-groups. Still, youth unemployment seems to be especially problematic. It rose to more than 40% in the first two quarters of 2010 for those aged below 25.⁵

As a representative of the Spanish provincial employer confederation CEP highlighted in a presentation at the flexicurity cluster seminar in The Hague in February 2011 (the section on sources and references

⁴ Eurostat: *Employment in Europe Report* (2010).

⁵ Eurostat (2009), INE (2010).

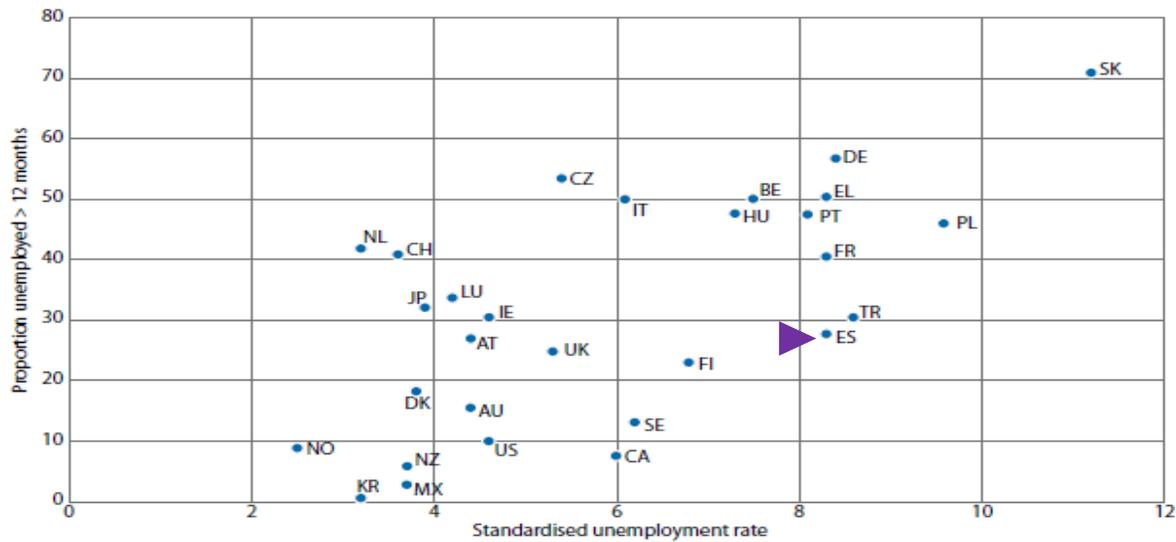
at the end of this report), the rapid deterioration of the employment situation is also resulting from an “extreme sensibility” of the Spanish labour market.

Spain’s economic structure is dominated by its service sector, accounting for almost 70% of GDP as well as being responsible for around 70% of total employment in 2008. Of particular importance is the tourism industry. The industry sector employed around a quarter of the Spanish labour force (27% of total employment), and the agricultural sector only around 4.3%.

In the first quarter of 2010, employment in agriculture grew by 52,600 to 835,200 while the number of persons employed in industry decreased by 81,100 persons to 2.6 million, with employment in the construction sector falling by 139,700 to 1.7 million compared to the last quarter of 2009. The number of people employed in services decreased by 83,600 to 13.3 million in that same period. Within a 12-month-period, employment losses were particularly large in construction (-15.9%) and in industry (-10.4%).⁶

While the incidence of long-term unemployment has been below the EU average in 2008, long-term unemployment has, besides youth unemployment, become a major issue during the crisis and increased from 2,0% in 2008 to 4,3% in 2009.⁷ The number of unemployed people looking for their first employment or having lost their last employment more than 12 months ago almost tripled from 755.000 in 2008 (Q1) to 2.2 million in 2010 (Q2).⁸

INCIDENCE OF LONG-TERM UNEMPLOYMENT AND THE UNEMPLOYMENT RATE 2007



Source: *Employment in Europe Report*, p. 73, based on OECD figures.

Flexicurity in the labour market and labour market policy

The Spanish approach to flexicurity is said to be exemplary for the Mediterranean system⁹: combining rather low flexibility with comparatively high security. Legislation traditionally prevails over collective agreements in setting the framework of terms and conditions in the labour market.

⁶ EU employment situation and social outlook, May 2010 (2010).

⁷ Eurostat: *Employment in Europe Report* (2010).

⁸ INE (2010).

⁹ European Commission/DG V: *Ten years of the European Employment Strategy (EES)*, Luxembourg. Besides Spain, Greece and Portugal have been assigned to the Mediterranean system (2007).

The Spanish labour market has been characterized by a high degree of segmentation partly reflected in some of the flexicurity indicators in the table below. Traditionally, permanent employment was well-protected in Spain with dismissal costs being very high, while for temporary employment the job security was lower and the external numerical flexibility higher. During the last years, several labour market reforms were aiming at reducing the share of temporary contracts – in favour of permanent contracts - and at increasing the overall external flexibility. Nevertheless, the incidence of temporary contracts still is clearly above the EU average. The share of fixed-term contracts decreased from a third of all contracts in 2008 to about of a quarter in 2009 indicating that temporary workers have been particularly affected by the employment adjustments related to the crisis. In 2008, the strictness of employment protection for regular employment but as well and particularly for temporary employment, had been clearly above average in Spain. Within the EU, only Portugal was scoring higher.

SPAIN- FLEXICURITY INDICATORS IN COMPARISON

	Spain	EU27
Total population having completed at least upper secondary education (population aged 25-64, %), 2009	51.5	72.0
Part-time employment - % total employment, 2009	12.8	18.8
Fixed-term contracts - % total employees, 2009	25.4	13.5
Access to flexitime, % total employees aged 15-64, 2004	15.3	31.3
Percentage of employees (all enterprises) participating in CVT courses , 2005	33.0	33
Lifelong learning participation – percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey, 2009	10.4	9.3
Job satisfaction – percentage of workers that are either very satisfied or satisfied with working conditions in their main paid job (EWCS 2010)	83.1	84.3
Strictness of employment protection – regular employment, 2008	2.46	2.11*
Strictness of employment protection – temporary employment, 2008	3.83	2.08*
Strictness of employment protection – collective dismissals, 2008	3.13	2.96*
Public expenditure on <i>passive</i> labour market policies (categories 8-9) - % of GDP, 2008	1.86	0.96
Public expenditure on <i>active</i> labour market policies (categories 2-7) - % of GDP, 2008	0.53	0.46
Persons at-risk-of-poverty after social transfers - % of total population, %, 2009	19.5	16.3

Source: Eurostat; *Employment in Europe Report 2010*; Eurofound (*European Working Conditions Survey 2010*); OECD. *OECD average

As the table illustrates, educational attainment, access to flexitime (working flexible hours) and the incidence of part-time employment used to be comparatively low in Spain while the participation rates in continuous vocational training (CVT) and lifelong learning as well as public spending on labour market policies were above the EU average.

The collective bargaining coverage, finally, at 83% in 2006 was relatively high in Spain – and it had even increased since the year 2000 when it was at 81.4%. The high collective bargaining coverage despite relatively low – though in recent years increasing - trade union density with less than 20% can be explained by the legal extension of collective agreements. Employer density was at more than 70% in 2008.¹⁰

¹⁰ European Commission: *Industrial Relations in Europe* (2010).

2 Flexibility and security in recent labour market and social policy reforms

Introduction and overview

The following information is based mainly on the replies of Spanish social partners to the questionnaire survey on the role of social partners in the implementation of the flexicurity principles, as well as further material, particular reports of the Spanish Government in the context of the implementation of the Lisbon National Reform Programme and the Spanish Economy and Employment Stimulus Plan (*Plan E*). It should be noted that the information presented here is not intended to provide a comprehensive overview of all policy measures and reform initiatives, but concentrates on major aspects and trends as identified by and in the above mentioned sources. It is also important to remember that social partners' questionnaire replies have been given before and therefore without consideration of the effects of the package of labour market reforms that was introduced by the Spanish government in June 2010 (see for more details below).¹¹

Pillar 6 of the Spanish National Reform Programme relates to the labour market and social dialogue. The 2008 progress report on NRP concluding the first cycle of implementation of the renewed Lisbon Strategy pointed among others on the following labour market policy priorities: “*continue to modernise protection for employment, including legislation, with a view to reinforcing flexicurity in the labour market to fight segmentation and make part-time work more appealing*”.

With the crisis, the situation drastically changed and further reform programs were needed. The *Economy and Employment Stimulus Plan* (“Plan E”) was basically the most important policy instrument in addition to the NRP until the June 2010 reform package. Apart from supporting economic activity and promoting employment, *Plan E* was supposed to foster productivity and to increase the growth potential of the Spanish economy. At the same time, the role of social dialogue for employment and labour market policy was underlined. Important measures in context with *Plan E* are measures that stimulate transitions to employment, increase mobility and shorten periods of unemployment, incentives for hiring, measures stimulating part-time employment, and encouraging training.

The Autonomous Communities (regional governments) in Spain are empowered to draft agreements and to implement their own employment policies within the national legislative framework using their regional budgets and adapting to their individual needs. The Catalan Government, for example, is currently working on a new law that includes specific measures to promote gender equality in the labour market, to promote collective bargaining and to improve the systems of health and safety at work.

Lifelong learning and the mobility of workers

One of the Government's objectives in the NRP is to “*strengthen vocational training, making it more visible and socially prestigious, and adapt it to the needs of the labour market*”. Professional training has been identified as a key element for economic growth and it is a priority area within the context of social dialogue. Reform initiatives include the Vocational Training Roadmap of 2008, the expansion of a network of National Reference Centres and Integrated Professional Training Centres, training initiatives for workers and employers in the frame of the professional employment training subsystem and online training modules.

¹¹ It should be noted here, that after months of negotiations between trade unions and employers, the social partners were not able to produce a common reform agreement and/or proposal.

According to the Government’s Progress Report, in 2008, more than 3 million people participated in lifelong learning programmes, 38% more than in 2007. Furthermore, around 200,000 employers directly developed lifelong learning programmes that were eligible for funding through social security rebates.

Special training measures for civil servants were offered through the implementation of the *IV Agreement for Continuous Training in the Public Administrations* for 2006-2009.

In April 2008, an *Extraordinary Plan for Orientation, Professional Training and Labour Insertion* was approved. Among others, it should facilitate the transition of workers from industries involved in adjustment processes to other sectors with better business prospects. This plan has been prolonged for another two years focusing particularly on the improvement of public employment services (PES) in terms of hiring more staff (1,500 counsellors) in order to offer better employment orientation advice to the unemployed.

The approval of the Royal Decree 1124/2009, laid the foundation for the *National System for Qualifications and Vocational Education and Training* which has been progressively implemented. It should facilitate the recognition, assessment and accreditation of professional competences acquired through work-experience or any other type of informal learning.

External/internal flexicurity and contractual arrangements

In Spain, fixed-term contracts accounted for almost a third of employment contracts in 2008 while the external flexicurity of regular, indefinite, contracts was low and dismissal costs were high. Incentives to invest in human capital were particularly low in temporary employment relationships. Part-time employment was low.

In 2006, an *Agreement for Improved Growth and Employment* between the Government and the social partners included the following policy measures: the promotion of permanent contracts through a new subsidy scheme and incentives to transform fixed-term contracts into permanent contracts with reduced obligatory severance pay, targeting in particular disadvantaged groups of workers.

In the light of the crisis, the Government introduced several reforms. Some of them are described under the headings of “active labour market policy” or “supportive social security systems” (see below). For example, in 2009, changes related to the contractual arrangements of the self-employed have been implemented. Indefinite, part-time employment contracts were promoted by offering reductions in social security contributions to employers who were hiring new employees under these conditions. This measure was particularly targeted at disadvantaged groups.

In 2010 the Spanish Government, following the increased pressure from the European Commission and the International Monetary Fund, introduced a package of labour market reforms that has an important impact on the balance of flexibility and security in the Spanish labour market (see box below).¹² As mentioned before, it has not been possible to reach an agreement with the social partners on the major aspects of the reform which – according to commentators – “left both trade unions and employer associations dissatisfied”.¹³

According to a representative of the Spanish employers’ confederation CEP, the reform package had in particular three objectives:

- Reduce the duality of the Spanish labour market
- Enhancing internal flexibility in companies
- Stimulate companies to hire a specific group of employees

¹² Law 35 /2010, 17 September 2010 (RDL 10/2010, 16 June 2010).

¹³ See EIRO article of 23.09.2010: <http://www.eurofound.europa.eu/eiro/2010/07/articles/es1007011i.htm>.

The strong disapproval with many aspects of the reform resulted, in particular, in the strong opposition of the trade unions which organised a general strike at the end of September.

According to the statement of the trade union federation CCOO on flexicurity, the June 2010 reform and the introduction of further restrictive measures (e.g. freezing of pensions, limited access to support programmes) to a rupture in social dialogue. It stood for a step back that was neither going to solve the problems of the Spanish economy nor the intense destruction of employment nor the serious situation of unemployment. It rather reduced workers’ rights and introduced many elements of flexibility and little elements of security.¹⁴

The June 2010 Labour Market Reform Package

After the European Commission has urged the Spanish government for budgetary measures, reforms addressing structural imbalances and the ‘duality’ of the Spanish labour market and barriers of job creation, the government has implemented a reform package that was approved by the Spanish Parliament (Law 10/2010) that increased in particular contractual flexibility:

First, flexibility in the area of dismissals will be increased by making it cheaper for employers to make workers redundant, i.e. lowering the obligation of redundancy payments and compensations to be paid by the employer. A further measure that was strongly rejected by the Spanish trade unions is the promotion of internal flexibility as negotiated at the company level. According to the new law the modification, by means of collective bargaining at company level, of the conditions established in multi-employer agreements is now allowed. The conditions that can be modified are salary levels, working hours and working time distribution. To minimise the possibility that this change may weaken collective bargaining, especially in the case of companies with no workers’ committee, it has been decided that, in the absence of workers’ legal representatives, employees will be able to confer representation on a commission made up of a maximum of three members belonging to the most representative trade unions of the sector.

With regard to security, the government introduced measures that will increase the protection of workers on temporary employment: The duration of binding temporary contracts will be reduced and restricted to 24 months for workers who are taken on more than once by the same company or group of companies, even if the job they do changes. At the end of this period, the contract must be made permanent. In addition, compensation for dismissal will rise gradually for temporary contracts. Contracts ‘for a specific job or services’ will be limited to a maximum period of three years. This may be extended for a further year through sectoral collective bargaining.

The law also introduced a number of measures aiming at the promoting of employment of young and unemployed people in particular by tax benefits

Further measures of the reform are addressing the issue of job transition and the role of temporary employment agencies: Private agencies will be allowed (in certain ‘risk sectors’ to compete for public sector contracts for training and work placement.

Finally, particular attention should be paid to a measure relating to the implementation of the Austrian model of severance payments, i.e. the creation of a lifelong individual capitalisation fund for workers, after consultation with the most representative trade union and employer organisations. According to this model, the worker will be able to make use of the fund in cases of dismissal, transfer to another area, or on reaching retirement. It may also be used for training purposes. The fund must come into force on 1 January 2012.

For further information see: “Government approves law proposing urgent labour market reform”, EIRO article, 23.09.2010.

Active labour market policy

In 2009, active labour market policies were strengthened within the *State Fund for Employment and Local Investment* and the Special Fund to stimulate the Economy and Employment. Active employment policies should be reorganised, structured and rationalised. The aim of the reform is to improve the National Public Employment Services (PES) and to strengthen professional guidance services.

Other policies focussed on measures targeted at specific, disadvantaged groups, for example, the *Employment Strategy for Persons with Disabilities* and the support for hiring beneficiaries of unemployment benefits making passive policies active.

Apart from the provisions included in the June 2010 reform package on labour market policy (see above), also the tripartite “Economic and Social Agreement” of February 2011 (see below) contained a number

¹⁴ CCOO: Seminario conjunto de los interlocutores sociales sobre flexiguridad, La Haya (Holanda). Flexiguridad en Espana, 8th February 2011, see: <http://www.resourcecentre.etuc.org/>.

of measures that are aiming to improve the labour market situation and active labour market policies in Spain. In particular the following aspects should be highlighted:

- The development of *individual employment agreements (APE)* for jobseekers in which the person concerned commits to take an active role improving skills and qualifications by training, job searching or moving to self-employment or business start-up;
- *Strengthening public employment services* by measures that should make better use of the local and regional situation and its human and technical resources;
- *Reviewing and strengthening active employment policies* and implementing a stronger territorial autonomy within the national framework;
- Encouraging a *better link between active employment policies and the system for the protection of jobseekers*

Supportive social security systems

Generally, unemployment benefits amount to around 65% of the reference year wages and are paid for a period up to 24 months. The regulations for self-employed persons are less generous than those for employees.

In January 2008, a *Social Security Measures Act* based on previous social dialogue agreements came into force, focusing in particular on retirement provisions. Also in January 2008, the social protection framework for self-employed farmers was brought in line with other self-employed workers.

In order to stimulate hiring, employers' social security contributions was reduced by a fixed annual amount per employee hired over a period of four years (and for the entire duration of the employment contract for those employees older than 45 or disabled employees).

In response to the current crisis and the related job destruction, social policies have been strengthened and further reforms were introduced in 2009:

- A temporary protection programme for unemployment and insertion in order to temporarily protect those unemployed people that normally are no longer entitled to subsidies and unemployment benefits but are still in need of economic support. For a period of up to six months, they can receive benefits (80% of the IPREM –*Public Income Indicator of Multiple Effects*) on condition of participating in an active labour insertion programme. In February 2010, this programme was extended until August 2010;
- A temporary measure protecting, on the one hand employees that had to reduce their working time or temporarily had to suspend their contract due to downsizing plans (*Expedientes de Regulación de Empleo, ERE*) guaranteeing that their eligibility for unemployment benefits was not affected and, on the other hand, reducing employers' social security contributions in this case by 50%. However, employers had to guarantee further employment of the affected persons for at least one more year after suspension of the working time reduction in order to qualify for this measure;
- The removal of a one-month waiting period for accessing unemployment benefits in order to avoid periods where people are not protected (until the end of 2009);
- A reduction of employers' social security contributions for the first two years of employment when hiring unemployed persons with dependent family members on a permanent full-time basis in 2009 and 2010;
- A 50% rebate on employers' social security contributions for self-employed who create stable employment by hiring their first employee on an indefinite basis;

- A reduction of social security contributions for young people or disabled persons who start-up businesses as self-employed;
- An increase of the minimum pension by between 3% and 6%;
- An increase of the minimum wage by 4% to 624 Euros per month.

In February 2011, the Spanish government, employer’s federations CEOE-CEPYME and the Spanish trade unions UGT and CC.OO agreed on an “Economic and Social Agreement” that included a number of reform measures on pensions, active employment policy as well as other issues. An important measure agreed between the Spanish government and the social partners was the increase of the retirement age from 65 to 67 years. However, it will still be possible to retire at the age of 65 if workers have paid social security contributions for 38.5 years. Early retirement will be possible on a voluntary basis if contributions have been paid for at least 33 years. In case of company crises early retirement is possible at the age of 61 and in case of contributions paid for 33 years.

High quality and productive workplaces

The Spanish Government agreed, within the context of social dialogue, on a Strategy for Workplace Health and Safety (2007-2012), in line with the respective EU Workplace Health and Safety Strategy. The implementation of the related action plan is ongoing and according to the Government’s Progress Reports, the number of accidents declined substantially over the past years. In concrete terms, the workplace accident rate was reduced by around 10% in 2008 and was on course for the 15% reduction target by 2010.

Gender equality

While progress regarding women’s access to work has been achieved, there remains still room for improvements in terms of gender equality.

In March 2007, a Law on Equality (LO 3/2007) was approved that obliges companies to eliminate situations that lead to discrimination. At the same time, it allows companies to develop and to implement some of the provisions of the Law through collective bargaining. Furthermore, within the frame of the Law on Equality of 2007, fathers were entitled to go on paternity leave for the first time; this being part of the measures to facilitate work-life balance. Moreover, improvements in terms of childcare facilities and programmes to promote nursery schooling for children aged 0 to 3 were advanced.

Currently, the Government is implementing the Strategic Plan 2008-2011 for equal opportunities. Main elements of this Strategic Plan are the following:

- Technical assistance and advice for companies with over 250 employees to draft and implement equal opportunity plans;
- Subsidies for voluntary implementation of equal opportunity plans in SMEs;
- Measures to promote female entrepreneurship and self-employment;
- Special training measures for women favouring their access to the labour market and professional promotion through cooperation agreements with institutions and government agencies;
- Implementation of LO 3/2007 (the Law on Equality) in order to promote the implementation of equality policies in companies, including the Royal Decree 1615/2009 and the equality badge for companies. This equality badge is supposed to be linked to certain benefits for companies in terms of public contracts, subsidies or others.

Financial sustainability

The *State Fund for Local Investment*, creating jobs for around 400,000 people, had a budget of 8 billion Euros in 2009 and the State Fund to stimulate the Economy and Employment had a budget of around 3 billion Euros for investments in strategic sectors and environmental, social and public infrastructure improvements that were estimated to create or maintain around 100,000 jobs.

According to the Government’s Progress Reports, there were plans for the creation of a fund in order to finance activities that foster progress towards a new sustainable economy model, financed jointly with public and private funds, and amounting to at least 20 billion Euros for 2009 and 2010.

Conclusion: Strengths, weaknesses and challenges

In 2009, the Council of the European Union stated among others that: *“In light of the Commission's assessment of progress made, the Council recommends Spain to pursue the implementation of structural reforms. In particular, it is recommended that Spain [...] promotes a swift transition into employment, further encouraging mobility, upgrading skills and countering segmentation in the labour market [...].”*

Social partner opinions on the strengths and weaknesses in implementing the flexicurity principles as expressed in the replies to our questionnaires differed quite a bit between trade unions and employers’ organisation. While there was consensus on gender equality policies being rather a strength and active labour market policies and measures aimed at greater internal flexicurity being rather a weakness, there was disagreement on the evaluation of contractual arrangements, social security systems, external flexicurity, lifelong learning and the mobility of workers and on the promotion of high quality and productive workplaces. Contractual arrangements and greater external as well as internal flexicurity seem to be the most important challenges and the Spanish government has addressed this issue in the Labour Market Reform package 2010. The step to implement the reform package unilaterally resulted in strong opposition, in particular, from the trade unions’ side that culminated in the general strike at the end of September 2010.

3 The role of social partners

General remarks on the role of social partners

At least until recently (i.e. the conflict over the labour market reform package), social dialogue has proven to be important for labour market reforms and progress in terms of flexicurity. Social partners are consulted by the government in the design of economic, social and employment policy reforms although the relatively strong legislative regulation of the labour market limits the role of social partners in Spain.

According to the Government’s Progress Report on the NRP, *“the Government views progress in the Spanish model of flexicurity as a cornerstone of employment and labour market policy which must be further developed [...]”*. It underlines its *“firm commitment to Social Dialogue as the most balanced and efficient instrument for tackling employment issues and improving the labour market, including the elements of flexicurity.”* Overall, the Spanish employer organisations have not opposed the flexicurity concept, while the trade unions have been more sceptical in terms of agreeing on flexicurity as offering a balanced approach for both, workers and enterprises.

The two largest trade union confederations in Spain that are considered to be institutionally representative at national level are *Union General de Trabajadores* (UGT) and *Comisiones Obreras* (CCOO). On the employers’ side, the *Spanish Confederation of Employers’ Organisations* (CEOE)

consolidates smaller member organisations, as for example, the organisation for SMEs (CEPYME) and several regional organisations.

On 29th of July 2008, the Government and the social partners signed a tripartite *Declaration of principles for the promotion of the economy, employment, competitiveness and social progress*. The six common areas of social dialogue identified within this declaration were: employment policy, employment-oriented immigration policy, employment equality, training and investment in human capital, collective bargaining, and the sustainability and the improvement of the social welfare system.

The following social dialogue agenda focused on: job creation and the establishment of conditions necessary for the development of a new growth model based on the knowledge economy. This includes among others the modernisation and improvement of public employment services (PES), the rationalisation of active employment policies, and the development of the self-employed statute.

Main instruments and levels of influence

As already mentioned, the collective bargaining coverage in Spain is relatively high with more than 80% (see table below). Collective bargaining in Spain was subject to a decentralisation process towards the company level in the last decades. Still, inter-sectoral, sectoral and provincial agreements continued to play an important role. In the framework of social dialogue, confederate trade union and employers' organisations (UGT and CCOO on the one hand, and CEOE and CEPYME on the other) have signed successive *Interconfederate Agreements on Collective Bargaining* (ANC), which are extended annually since 2002. These agreements, for example, refer to internal flexicurity and the need for exchange between functional flexibility and job security. Throughout 2008, there was a commitment to foster job creation and review wages in accordance with the ECB's medium-term inflation target of 2%, including a wage review clause.

SPAIN - MAIN SOCIAL DIALOGUE INDICATORS

	Spain	EU27
Collective bargaining coverage, 2006	83%	63%
Trade union density, 2005	15%	25%
Employer organisation density, 2006	~ 65%	n.a.

Sources: Eurofound EIRO Country profiles, EU Industrial Relations Report 2008.

Recent changes and challenges

In the light of the crisis and recession, the decentralisation process of collective bargaining towards the company-level basically stopped and generally, collective bargaining slowed down during 2009 and came to a standstill. Many collective agreements were not renewed or re-negotiated. At the end of 2009, social partners finally started to negotiate a framework bargaining agreement that brought this deadlock situation to an end. In February 2010, CEOE and CEPYME on the employers' side and CCOO and UGT on the trade union side signed an *Agreement for Employment and Collective Bargaining* valid for the period 2010-2012. The agreement seeks a balance between wage contents and employment, with agreeing on wage increases of 1% for 2010, 1 to 2% for 2011 and 1.5 to 2.5% for 2012, including a wage review clause and exemptions for companies going through economic hardship.

The regulation of contracts and dismissals proved to be a major challenge for the social partners since there is wide disagreement on this topic. While employers were calling for greater flexibility and less costly dismissal provisions, UGT and CCOO are strongly opposing these demands and the respective aspects of the June 2010 reform package.

The social partners’ assessment of their importance and of the importance of tripartite dialogue in the aftermath of the 2008 global financial and economic crisis differed in the respective questionnaire replies. It is important to stress that their replies have to be seen in the light of developments *before* the Labour Market Reform package of June 2010: the trade unions perceived their role as having increased in the light of the crisis – in contrast to the employers’ organisation. Still, related to concrete policy fields and measures, both sides agreed on the fact that the influence of social partners and social dialogue in the context of measures adopted by public authorities in response to the crisis has increased, and that their influence has not changed during the last five years in the context of collective bargaining (agreements) at national, sectoral or company levels.

Cases of good practice in the field of labour market flexibility and security

In terms of concrete measures, the employers’ organisation PIMEC has described the introduction of internal flexibility measures in collective bargaining at sectoral and regional level as a case of good practice and employers’ initiative.

However, from the point of view of the author of this report, also the above mentioned tripartite *Declaration on the promotion of growth and employment* and the *Declaration for Social Dialogue 2008* could be seen as cases of good practice in terms of social dialogue in the field of labour market flexibility and security.

4 Key points arising

- *According to the Spanish government the most important challenge and task of flexicurity policy in Spain was not so much to move from unemployment to employment, which is indeed a challenge, but above all, to see how to manage to maintain employment in good conditions.*
- *How do the Spanish social partners assess the labour market reforms carried out before the crisis from the point of view of flexicurity?*
- *Which effects will the financial and economic crisis have on the Spanish model/pathway of flexicurity – how is the most recent reform package assessed in this context?*

Sources and references

Replies to the questionnaire survey, interviews and other contributions

Questionnaire replies were received from the trade unions CCOO and UGT (joint reply). A reply to the questionnaire survey was also received by the Catalan association of SMEs – PIMEC, member of UEAPME.

At the Cluster seminar in The Hague (February 2011), the provincial employers’ confederation CEP delivered a presentation on “Flexibility and Security in the context of crisis and recovery in Spain” and the trade union federation CC.OO presented a statement on flexicurity. Both documents are available at the European Social Partners’ resources centre and the documentation of the cluster seminar.¹⁵

Further resources

Council of the European Union: Country-Specific Integrated Recommendations - Report from the Council to the European Council (March 2009).

Eurofound: Eiro Industrial Relations Profile Spain

European Commission: EU employment situation and social outlook. February 2010 and May 2010 (2010).

European Commission: Spring Economic Forecast 2010 (2010).

European Commission: Industrial Relations in Europe (2008, 2010).

Eurostat: Employment in Europe Report (2009, 2010).

FAOS: Flexicurity and Collective Bargaining. Balancing Acts Across Sectors and Countries (2009).

Instituto Nacional de Estadística (INE): Encuesta de Población Activa (August 2010).

Spanish Government: Plan E; URL: <http://www.plane.gob.es/> (August 2010).

Spanish Government: Spain National Reform Programme. 2008 Progress Report (October 2008).

Spanish Government: Spain National Reform Programme. 2009 Progress Report (October 2009).

¹⁵ See: <http://www.resourcecentre.etuc.org/> & <http://www.erc-online.eu/Content/Default.asp>