

EMPLOYMENT PLAN 2014

SPAIN



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1. Employment and labour market outlook

The high unemployment rate in Spain (23.7%) finds its origins in both cyclical and structural factors. With regard to Labor market institutions the main elements that explain the high structural unemployment are rigid labor relations, including inadequate collective bargaining, marked duality (permanent vs. temporary workers), lack of mobility (functional and geographical), wage indexation, skills mismatch and training priorities dissociated from real firm's needs.

In this context, a profound and comprehensive labor market reform was launched in February 2012 to increase the internal flexibility, rationalize external flexibility, fight duality, modernize collective bargaining and spur structural change in activation policies. The 2012 labor market reform included profound changes in collective bargaining regulation, EPL, apprenticeship schemes, training for the employment and included some short term measures such as new hiring subsidies. The reform was followed by important regulatory developments in 2012, fine tuning measures in 2013 and two documents that have monitored its effects, elaborated by the Government (summer 2013) and the OECD (December 2013). At the same time, important developments in ALMP have been implemented such as private-public collaboration in matching services, a new Employment national portal and the youth guarantee.

The reform, together with the ongoing efforts to improve active labor market policies (ALMP) and measures regarding passive labor policies, is starting to bear fruit. After 21 quarters of uninterrupted employment losses in terms of seasonally adjusted quarterly growth rate, the fourth quarter of 2013 saw a slightly positive growth of 0,1% (Labor Force Survey, 'EPA'). In a similar vein, the number of workers registered in the Social Security System has grown continuously since July 2013 and the registered unemployed workers have decreased steadily since June 2013, all in seasonally adjusted terms. The 3Q2014 Labor force survey shows that Spain has created almost 300.000 jobs y/y (+1,6%) and unemployment was reduced by more than 500.000 (-8,7%) even if economic growth is still modest. Last results confirm the positive trend that started in the second half of 2013. Unemployment rate was reduced by 2pp in the last year to 23,7%. Spain used to need over 2% GDP growth to create employment and it is currently creating jobs with slightly 1% GDP growth.

The outlook for the Spanish labor market shows a gradual improvement along 2014 and 2015. According to the Spanish Government, employment in Spain is foreseen to grow by 0.9% in 2014 and 1.5% in 2015, in line with the forecasts made by international observers such as the IMF, the European Commission and the OECD. Accordingly, the unemployment rate will be 24.9% in 2014 and 23.3% in 2015. Several institutions have already upgraded their forecast for this year and 2015. Furthermore, a new round of social dialogue will follow a document of intentions agreed with social partners in July 2014.



Table 1: Economic and labour market conditions, 2008 (LHS) and 2013 (RHS)

	GDP growth		GDP per capita (USD terms ¹)		Employment Growth		Employment to population ² ratio	
Country	0.9	-1.2	33,130	32,765	-0.5	-2.8	45.0	36.7
G20 Average								
	Unemployment rate		Incidence of long-term unemployment		Youth ³ unemployment rate		Youth ⁴ unemployment to population ratio	
Country	11.2	26.1	21.4	58.4	24.5	55.5	11.8	20.9
G20 Average								
	Participation rate ⁵		Female participation rate		Informal employment rate		Collective bargaining coverage ⁶	
Country	60.1	60.0	50.9	53.9	-	-	90.0	90.0
G20 Average								
	Minimum wage (% of median wage)		Gini coefficient		School completion rate ⁷		Literacy rate	
Country	46%	-	31.9	-	68.0	73.0	98.6	98.4
G20 Average								

Sources: INE, CIS

Table 2: Labour market forecasts for 2014⁸

Employment growth	Unemployment rate	Participation rate
0.4	24.4	-

¹ Source: OECD² Total population³ Aged 15-25⁴ Idem⁵ Among population aged more than 15⁶ Approximation⁷ Attainment of at least first stage of secondary education or more⁸ Spanish Government

2. Employment challenges for Spain

The 2012 labor reform moderated job destruction during the second dip of the crisis, and it is already helping to create jobs from lower GDP growth rates: the Spanish economy started creating jobs in the fourth quarter of 2013 in seasonally adjusted terms, with the GDP only starting to grow.

However, the recovery of the labor market remains a challenging task. Spain has lost 3.6 million jobs since the third quarter of 2008 and the unemployment rate, at 23,7% (over 50% in the case of youth), is the second highest in the EU. But the challenges go beyond job creation. The loss of jobs since 2008 affected chiefly temporary workers, the favored choice of contract before the 2012 labor market reform. And the relation of employed to retired workers is around 3, which compromises the sustainability of pensions if it was ignored.

In sum, the country still faces a deep structural change that should lead to a new more sustainable growth model. Important progress has already been made, but there are still important challenges.

CHALLENGE 1: STABILITY AND QUALITY OF EMPLOYMENT

The first and foremost challenge is a rapid and substantial recovery of employment in Spain. The millions of jobs lost represent the main source of concern for Spanish households. However, it will not suffice to restore the labor market to the situation previous to the crisis. Job creation in the recovery should be of a different nature than in previous recoveries, in particular with regard to their stability and quality. The stability and quality of jobs are important for both the wellbeing of workers and its positive effects on the productivity of workers and, hence, the economy as a whole. So the objective associated with this challenge is double, recognizing the need both to create jobs and to improve their stability and quality to foster structural change:

► OBJECTIVE 1: CREATION OF STABLE, QUALITY EMPLOYMENT

For the rapid and substantial creation of employment needed by the Spanish economy, the first pre condition, economic growth, is already underway: the Spanish economy has registered uninterrupted growth since the third quarter of 2013, after the economic reforms and fiscal consolidation carried out since 2012.

A second condition, a better functioning labor market, was met with the fundamental progress made by the 2012 labor market reform: not only did the reform make the labor market more responsive to economic growth, but it also set the conditions to ensure that the employment created is more stable and of better quality. In particular, one of the main sources of duality in Spain, namely, the difference in the costs of dismissal between temporary and permanent workers, was mitigated by the reform. Furthermore, the development of internal flexibility and the modernization of collective bargaining spur permanent contracts. Finally, it took steps to improve the allocation of public resources for vocational training for employment, a useful tool to contribute to the employability of workers and the quality of jobs.

However, the tools available for the public sector to foster job creation go beyond the measures already taken and the task is not completed as long as unemployment remains high, hence the need to maintain the pace of reforms. In particular, there is still room to make permanent contracts more attractive and improve the system of vocational training for employment.

CHALLENGE 2: INSTITUTIONAL SYSTEM OF ACTIVE LABOR MARKET POLICIES

As will be explained below, a powerful tool to overcome the previous challenge can be ALMPs. Spain, as most advanced countries, devotes significant resources to ALMPs. However, their effectiveness has proved to be limited. The activation of workers is essential because a portion of the existing unemployment has not to do with a lack of demand or a bad regulatory framework, but with aspects such as the effectiveness of the matching process or the skills mismatch between the companies' needs and the unemployed abilities.



The limited effectiveness of ALMPs in Spain can be explained by a combination of two factors: an obsolete institutional design of the system and an insufficient resort to the available options. Hence the following objective:

► **OBJECTIVE 2: REVAMP THE SYSTEM OF ACTIVATION POLICIES**

In Spain, the management of activation policies is decentralized, but central Government has a role in coordinating and financing them. Traditionally, each year, central Governments would design a set of active labor market programs and give the regions funds to finance them, regardless of the effectiveness of those programs or the degree of success of the regions in their implementation. This approach needs to be modernized if ALMPs are to be given any relevant role in Spain's labor market. The new model should be result-oriented and prove its effectiveness transparently.

As regards the second factor, two options have not been sufficiently exploited in Spain: the full potential offered by communication and information technologies in the matching process between workers and companies, and the synergies provided by public-private partnerships in the field of employment services. Besides, some tools such as the training system for employed and unemployed workers need deep institutional changes and a fully new design to increase their efficiency.

CHALLENGE 3: YOUTH UNEMPLOYMENT

Overcoming the previous challenges would be an extraordinary help in reducing youth unemployment in Spain. As a matter of fact, the ratio of youth unemployment compared to aggregate unemployment is very stable in Spain and traditionally stands at around 2. This fact implies that the high youth unemployment rate in Spain is explained, to a large extent, by the same factors underlying the aggregate unemployment rate. Moreover, the European average is slightly higher.

However, the mere fact of its stability or its similarity to the ratio in other European countries is not an excuse for inaction: some European countries perform significantly better. Youth unemployment can be especially worrying, since the evidence shows that a failure to make a successful and quick access to the labor market can have “scarring effects” throughout the life of a young worker. Early intervention in the transition between formal education and the labor market should be a key objective to avoid negative long term effects of youth unemployment. Some countries have proved the effectiveness of providing young individuals with quick and personalized assistance to decide about their steps in their access to the labor market. Spain is resolved to implement such an approach:

► **OBJECTIVE 3: IMPLEMENT A YOUTH GUARANTEE SYSTEM**

As explained above, public employment services, as others ALMPs are a regional competence, so the achievement of the previous objective (revamping the system of activation policies) is complementary with that of implementing a youth guarantee system. As part the European Union, Spain will count on an important source of funds, since more than 1.8 billion euros will be available to help with the implementation.



CHALLENGE 4: PRESERVING AN EQUITABLE SOCIAL PROTECTION SYSTEM

Modern systems of social protection rely on a sufficient level of economic dynamism to finance income redistribution. In Spain, pensions, unemployment benefits and other income redistribution tools are financed mainly by contributions made by workers to the Social Security System and they have been key to maintain social cohesion during the crisis. Therefore, success with the previous challenges is essential to preserve Spain's system. Nevertheless, this would not suffice. In particular, the Spanish social protection system needed reform even before the crisis, due to factors such as the ageing of its population or the need to build strong linkages between active and passive labor policies. In accordance, the fourth objective is set as:

► OBJECTIVE 4: SUSTAINABILITY AND STABILITY OF SOCIAL PROTECTION

Fortunately, Spain has a life expectancy among the highest in the world. For a system of social protection mainly financed by workers, this entails both that workers can work longer and that pensioners live longer.

Secondly, the incidence of the informal economy, represents not only a threat for the sustainability of the system, as it does not contribute to the Social Security System, but also a source of inequity, since there is a certain relation between the amounts contributed during an individual's working life and the future pension to which she is entitled.

Finally, some additional equity issues needed to be addressed in Spain's system of social protection, such as the fact that no law forced government to increase pensions each year. Beyond pensions, another source of concern was unemployment benefits, especially those devoted to long term unemployed.



3. Current policy settings and new commitments

As explained above, a profound and comprehensive labor market reform was launched in February 2012, in the context of the deep economic crisis that started in 2008 and that revealed profound weaknesses in the Spanish Labor market that required a major structural change. The results of the labor market reform so far are encouraging. However, time will be needed for its full potential to unfold as economic growth picks up, and the context requires additional tools to address the challenges outlined before: activation policies.

The current policy settings are marked by the incipient recovery of the Spanish economy that follows three years of intense reforms. Chief among these is the labor reform of 2012, that is already enabling a rapid translation of GDP growth into job creation. However, the strategy of the Government is wider. Since 2012, it is designed according to four axes:

1. The improvement of labor market regulation
2. The revamp of active labor market policies
3. Active ageing and social security sustainability
4. Fight against undeclared work and fraud

The main steps have been made in areas 1 and 3, while currently the focus is more concentrated on areas 2 and 4. The commitments to execute and introduce new policies are outlined in the following categories:

► 1 CREATION OF STABLE, QUALITY EMPLOYMENT

The 2012 labor reform continues to spread gradually its effect on the Spanish labor market. Once job destruction has been reversed, the Spanish Government focuses on fostering a high quality job rich recovery amidst a deep structural change of its economy. Education, training and a more job friendly regulation are key elements in the current strategy.

Improvement of labor market regulation

The Spanish Government will continue its ongoing analysis of the effectiveness of the labor market reform that has already generated two in depth impact analysis by the Spanish Government and by OECD (2013). Many regulatory developments were launched already in 2012 and two fine-tuning adjustments have followed in 2013: one regarding collective procedures, in August 2013, and another regarding working time and part-time contracts, in December 2013.

Hiring subsidies to fight duality

Indefinite contracts made between 25 February 2014 and 31 December 2014 will benefit from a reduction in Social Security contributions, consisting of a fixed monthly contribution of €100 for any kind of full-time indefinite contract (or €50 or €75 for part-time indefinite contracts, based on the hours worked). This "flat rate" replaces contributions for the largest item that companies must face, the common contingencies contribution, which is equivalent to 23.6% of a worker's wage. Temporary contracts converted to permanent ones are also eligible. This reduction is applied during the first 24 months of duration of the indefinite contract. The incentive will serve both to mitigate the labor market duality and to spur the rapid creation of quality jobs. It will also help to change habits of firms and foster the use of permanent contracts in the new legal framework that arises from the 2012 labor market reform.

Education and vocational training

Improving the quality of vocational training for employment is among the strategic objectives of the Spanish Strategy for Employment Activation 2014-2016. In 2014, a new training-for-employment model will be launched, based on the principles of greater transparency and control in public resource management, competitive concurrence, and

assessment of the training quality. The ultimate goal is to make the best possible use of public resources. In accordance with goals defined in the Annual Employment Policy Plan, priority has been given to training actions targeting people under 30 and the long-term unemployed, as well as to actions leading to an official professional qualification. Furthermore, there is an ongoing apprenticeship VT strategy that follows regulatory changes and the development of a new catalogue of training professional certificates.

► 2 REVAMP THE SYSTEM OF ACTIVATION POLICIES

The new labor market regulation based on flexisecurity must be complemented by efficient activation policies so as to reduce unemployment periods, soften transitions, support productivity growth and structural change and supply high quality activation services that help workers to find a new job. Once labor regulation changes are on track, the Spanish priority is to modernize its activation policies. There is an ongoing deep structural change of the institutional framework as well as important regulatory changes that affect existing tools. Furthermore, new activation tools based on private sector collaboration and the use of new technologies are being developed.

A new framework for ALMPs: the Spanish Strategy for Employment Activation 2014-2016

A new Spanish Strategy for Employment Activation 2014-2016 has been approved in September 2014. It completes the transition to an evaluation and result-based system for active labor market policies, initiated with the 2012 and 2013 Annual Employment Policy Plans.

The Strategy constitutes a multi-annual framework for programming and coordinating ALMPs nationwide. In particular, it sets both strategic objectives and long-term goals for active policies in the different public employment services, and the funds distributed by the central Government in order for the regions to implement these policies will increasingly depend on their degree of compliance with the established common goals. In 2014, 40% of the funds distributed have been linked to compliance with the goals set forth in the 2013 Plan. In 2015, 60% of the funding will be conditioned. Given the key role played by the regions, the Strategy is being designed taking into account their views.

New tools that modernize PES

During 2014, workers and companies will count on new tools for a more effective response of the public employment service to the challenges in the labor market:

- Firstly, the new framework agreement for PPP in intermediation services has been launched. It has been designed for both regional and national PES to collaborate with intermediation agencies under a common architecture. The tendering process for participant agencies has already come to an end. The participating regions, as well as the National Public Employment Service, will shortly close contracts with them depending on their specific needs, under a common set of rules.
- Secondly, a new National Jobs Portal is already in place. It brings together the vacancies of relevant stakeholders from both the public and private sectors (including the regional and national PES), as well as providing enhanced opportunities and guidelines for self-employment. The potential of the Portal will also be increasingly exploited by incorporating information about training opportunities, more elaborate profiling and personalized counseling tools, a smart-phone app for easier access and geo-localization of vacancies amongst other functionalities.
- Thirdly, a full revision of the training for the employment system will be developed in the second half of 2014. Ongoing social dialogue has already set the essential principles of the new system: selection of providers through competition, better monitoring and supervision and contents of training closer to firms' needs.
- Fourth, a new common services catalogue will be launched in the third quarter to increase coordination with regions and to set a common national framework for activation services.

► 3 IMPLEMENT A YOUTH GUARANTEE SYSTEM

As pointed out above, one of the collectives that need special attention are the young. A Youth Guarantee Implementation Plan for Spain was presented in December 2013 to the EU. It sets out the roadmap for all young people below 25 to be offered a quality employment offer, training or apprenticeship, within 4 months of becoming unemployed or finishing their formal education. This European initiative has been framed in the Spanish Strategy for Youth employment and entrepreneurship launched in February 2013. This initiative has already given opportunities to over 400 young workers a day.

In accordance to the Implementation Plan of the Youth Guarantee, the information system, administrative application procedure and profiling tools as well as the information sharing agreements and the single database that the Youth Guarantee requires has been developed in 2014. In July 2014 personalized systems have been launched (IT instruments, databases, etc.) to advise, inform and guide young people about job and training offers, in accordance with the Youth Guarantee system, coordinating the action of the different levels of public administration.

The young are not the only disadvantaged collective that benefits from special attention. The Spanish Strategy for Employment Activation 2014-2016 recognizes as one of its strategic objectives fostering the employability of those especially affected by unemployment, such as people over 55, disabled workers and the long-term unemployed, is another of its strategic objectives.

The Youth Guarantee will be part of the Entrepreneurship and Youth Employment Strategy 2013-2016. An evaluation of this Strategy will be presented in the near future. These initiatives are complemented by the new regulation of the apprenticeship contract and the Strategy to develop in job training (vocational education).

► 4 SUSTAINABILITY AND STABILITY OF SOCIAL PROTECTION

Spain has introduced an important set of measures since 2011 to transform its social security system in order to guarantee its sustainability in an ageing population environment. The Strategy includes the promotion of active ageing. It is complemented with measures that tackle undeclared work and fight fraud and with administrative transformation to increase efficiency and reduce red tape. Furthermore, Spain has put in place important changes in passive labor market policies.

Pensions

From 2019 onwards, a sustainability factor that ties the amount of the pension to life expectancy will be applied. The sustainability factor was introduced in the Law regulating the Sustainability Factor and Pension System Revaluation Index, which came into force in January 2014. It also established a Revaluation Index that guarantees the annual pension rise, with a minimum (+0.25%) and a maximum level (the CPI rate for the previous year plus 0.5% in a favorable economic environment). This revaluation index automatically links pension growth to the financial situation of the social security system that depends on the general economic situation and forecasts. There will also be a gradual increase in the retirement age (from 65 to 67 years; it is possible to retire at 65 with 38.5 years of professional career), as well as of the number of considered years when determining the benefit. The number of required years in order to reach the 100% of the accrued pension will also gradually rise.

Active ageing

A whole set of measures to foster active ageing and increase effective retirement age has been launched in 2012-2013. It includes penalties for including older workers in collective dismissals, a revision of early and partial retirement schemes and incentives to work after retirement age.



Subsidies

In addition, it is worth recalling that the Prepara Plan will be automatically extended until the unemployment rate descends under 20%. Last extension was approved on August 2014. The Prepara Plan offers monetary aid for the unemployed who do not have anymore the right to obtain unemployment benefits. It is restricted to certain collectives with special difficulties to find a job and it is associated with the compliance of personalized activation services. Only citizens with limited wealth and income have access to this subsidy. This automatic extension confers stability to the measure and includes a reinforcement of access requirements and the accomplishment of an activation agreement by the unemployed.

Informal economy

As explained above, the incidence of undeclared work represents a challenge in Spain. In 2014, an evaluation of the 2012-2013 Plan of Fight Against Fraud has been carried out (July). The Plan was accompanied by regulatory measures to improve monitoring and enforcement and the evaluation has shown its success. Furthermore, the law of the Labor Inspection will be reformed to make norms more homogeneous across regions and provide inspectors with better tools to fight fraud. Finally, the Labor anti-fraud unit will be reorganized through regulatory measures in order to improve cooperation and coordination between the Labor Inspection and the rest of inspection bodies (such as tax inspectors).

Monitoring of Social security contributions

In the following months a new administrative system to monitor obligations with regard to social security contributions will be launched. Several trials with larger enterprises have already been developed in 2014. The new system will help on supervision duties and will reduce red tape. Firms should supply with all the information to the Social Security in the current system. In the new one, the Social Security will send a draft declaration following Income tax declaration scheme.

Social dialogue

Following a first meeting early this year (March), social partners and the government announced last July 2014 a new round of social dialogue on the basis of a comprehensive document agreed by the three parties. Social partners should agree on a new collective bargaining agreement this autumn and several issues will be analyzed with the Government such as social protection, training for the employment, youth unemployment, female discrimination or corporate social responsibility.



4. Monitoring of commitments

Labor market reform: its evaluations and its adjustments

The main commitment adopted by Spain in the area of employment was to introduce reforms to increase employment and increase labour force participation, such as skills development (Los Cabos, 2012). As explained above, a profound labor market reform was adopted in February 2012.

In 2013, two evaluations were conducted, one by the Ministry of Employment and Social Services, presented in August 2013, and another external, carried out by the OECD and published in December 2013⁹.

The principal conclusion of the MEYSS report is that, despite a highly negative economic situation, the reforms had a positive impact right from the start, as the destruction of employment was halted and the growth rate of unemployment, slowed. Companies use internal flexibility mechanisms more intensely, as an alternative to redundancies. After the reform package, collective dismissals have ceased to play a prominent role, to the benefit of other existing collective measures. The end of "ultra-activity", introduced by the reform has favoured the negotiation of agreements that are better adapted to the economic situation. Thus, agreements incorporate clauses linking salaries to the company's performance, or making it possible to institute flexible work schedules. Furthermore, the priority given in the reform package to agreements at company level now makes it possible for working conditions to be adapted to the situation of each company. The use of "opt-outs" emerged as the preferred method of adapting employment conditions (particularly salaries) in order to avoid redundancies. An important process of wage moderation was started after the reform, improving the Spanish economy's competitiveness.

The reform has fuelled dual vocational training through training and apprenticeship contracts. The reform package also introduced a new indefinite entrepreneurs contract for SMEs, which has proved speciall successful among young workers.

The evaluation by the Ministry inspired the adjustment adopted in August 2013, consisting of measures to reduce the uncertainty caused by the probability of collective redundancy proceedings being declared null and void in court. In particular, the new measures regulated with greater precision the information that companies must provide to workers' representatives. It showed that, after the reform process, there was some.

As advanced above, a second adjustment was made in December 2013. Measures were taken to allow companies to resort to a greater extent to part-time work, with a new system providing greater flexibility in working hours, as the appropriate mechanism for designing staff levels adapted to economic and productive circumstances. Furthermore, these measures made easier for companies and workers' representatives to agree on a more flexible distribution of the working day, adjusted to the productive needs of a given moment (agreements on pool of hours).

Regarding the OECD evaluation, their report analyzed the labor reform programme's potential for making the labor market more flexible, using econometric techniques. The findings of the OECD show that the reform process has substantially loosened the straitjacket of employment regulations, making collective bargaining more flexible. The reform package has achieved more positive labour market figures, despite the bad economic moment. Hiring has been 8% higher than it would have been without the reform programme, and the probability of an unemployed person's finding a job with an indefinite contract is 24% higher thanks to the reform. The report also concludes that at least 25,000 indefinite contracts a month can be attributed to the labour reform, in companies with fewer than 100 workers.

⁹ The documents can be found in the following links:

http://www.empleo.gob.es/es/destacados/home/impacto_reforma_laboral/Report_evaluating_the_impact_of_the_Labour_Reform.pdf

<http://www.oecd.org/els/emp/SpainLabourMarketReform-Report.pdf>

According to the findings of the OECD, the reform has the potential to increase productivity by 0.25% a year in the private sector. This would result in a 0.15% rise in potential GDP, which would in turn facilitate job creation.

Educational reform

Measures to comply with the Los Cabos 2012 commitment were adopted in the field of education, too. In particular, 2013, measures were adopted for the educational and vocational training system to better match the training demands and needs of the labor market:

- An educational system reform aimed at improving youth employability (law 'LOMCE'). It changes the structure, the contents and the functioning of the educational system, to improve its quality and adapt training to the needs of the labor market. For example, it brings forward the age at which students choose their learning itinerary, improving the alternatives, and most specifically, vocational training. Furthermore, it establishes a new educational level consisting in basic vocational training, reinforcing its contents and duration. A professional qualification is thus guaranteed for those who have dropped out of obligatory education. Finally, it introduces curricular content to promote entrepreneurship and the acquisition of the necessary skills to set up and develop companies
- Measures aimed at combating early school-leaving, such as the introduction of evaluations for detecting learning difficulties earlier than before, and implementation of personalized programs.
- Promoting the efficiency of scholarships and grants for students, introducing criteria of students' academic performance, to encourage academic effort and dedication.
- Developing the dual vocational training model. On the basis of the legislation approved in 2012, progress has been made in the development of this model, with actions in the framework of a strategy being implemented between 2013 and 2015. Noteworthy actions carried out in 2013 include the expansion and update of the list of professional qualifications and of vocational training qualifications accrediting training and experience gained through dual vocational training, ensuring that it is adapted to the needs of the productive sectors; raising awareness of dual vocational training among companies and the public; and public-private collaboration to develop dual training experiences.

Boosting female participation

Spain has been very successful in promoting female participation in the workforce. Since 2002 the gap with men has halved, from 24.5pp to 12.15pp. Current female participation stands at 53.7% while men's participation rate is 65.9% (average in the last 4 quarters, 3Q2014). Younger generations show a much narrower gap than older generations and early school drops is lower for female students. Thus prospects are positive and demographic trends help to narrow the gap.

Nevertheless Spain has introduced recently several hiring subsidies that are more generous to women in order to foster higher quality employment for women (permanent contracts). Female entrepreneurs can benefit from lower social security contribution in older ages (until 35y while males only until 30y). Social awareness campaigns to close gender gaps are continuous and there is an ongoing strategy to tackle sexist violence that includes activation policy measures. Gender policies are coherent with EU strategies in this area.



Undeclared work

The Spanish Government approved on 27 April 2012 a Plan against irregular employment and fraud to the Social Security for the period 2012-2013, that gave rise to the approval of the Act 13/2012 of 26 December, on fight against irregular employment and fraud to the Social Security, and the Organic Law 7/2012 of 27 December modifying the Criminal Law.

The Plan includes concrete measures in two main areas:

- Measures of coercive nature, which are the ones directly derived from the Plan to fight fraud and which mean a tougher social reproval of this type of behaviour, as well as an improvement of the mechanisms available to the Labour and Social Security Inspectorates to require this social reproval.
- Measures of not coercive nature, which mean a flexibilization of the working relation and a decrease of the social security costs, in order to promote not only the creation of employment but also the increase in payment of contributions to the Social Security.

During the period of validity of the Plan (2012-2013), 157,159 undeclared jobs have emerged, compared to 143,580 during the period 2010-2011, an increase of 9.46%. Likewise, in the fight against fraud in the unemployment benefits, 21,141 workers who unduly worked while perceiving unemployment benefits, or who had unduly obtained the benefits, have been detected. Regarding the fight against fictitious enterprises (setting up enterprises with no activity with the purpose to ease an undue access to benefits), the number of fictitious inscriptions made null and void (false work contracts to obtain benefits) were 48,214, compared to the 20,559 detected in the previous period. Therefore, the number of detected simulated contracts has increased by 134.52%. The total amount for clearing proceedings reached during the validity of the Plan amounts to over 2bn€, an increase of 2.3% in the last two years.

Finally, it should be highlighted the setting up within the Directorate General for the Labour and Social Security Inspectorate of a Special Unit for Collaboration and Support to the Courts and to the Public Prosecutor to fight irregular employment and fraud to Social Security, in order to continue promoting the fight against fraud. This measure fosters coordination and improves efficiency.

