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| SUMMARISED EDITION |

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ANNUAL REPORT ON THE SOCIOECONOMIC AND EMPLOYMENT SITUATION IN SPAIN, 2004

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meeting of the Economic and Social
Council on May 31, 2005

SUMMARISED EDITION

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INTRODUCTION

I have the honour to present our report on the socio-economic and employment situation in Spain in 2004. For the twelfth year running the Spanish Economic and Social Council has performed its duty, established in Law 21/1991 of 17 June, to draw up an annual report setting out the most notable data concerning the economic, social and employment situation in our country.

The main virtue of this report is that it is the most important assessment of the current Spanish economic and social position and the only one adopted with the consensus of the social partners. This year the representatives of employers, workers and other organisations making up the Council have again gone out of their way to prepare this important document which, over the years, has become a reference point for any analysis or study of the socio-economic situation of this country.

The structure of the report is also familiar (we might even say traditional), with three chapters: the first is a survey of the economic situation; the second deals with the labour market, industrial relations and employment; and the third addresses quality of life and social protection.

Special attention is paid in this assessment of Spain's socio-economic and employment situation in 2004 to the mid-term review and relaunch of the Lisbon Strategy. We also deal with two highly significant events in 2004: the accession to the European Union of ten new Member States and the adoption of the Constitutional Treaty. The effects of these two issues on the economic, social and employment situation in Spain are dealt with at several points in each of the report's chapters.

Generally speaking, we should be pleased with Spain's performance in 2004. The Spanish economy grew by 2.7%, 0.2 points more than the previous year. The employment rate rose by 1.1 points in relation to 2003, rising above 50% for the *first time ever. This rise was once again greater for women (female employment was up 1.1 points more than the rate for males, compared to 2003). In contrast, the unemployment level fell by 0.5 points, as against previous years where there was no reduction.*

Spain's gap with the European Union average in many labour-market indicators also narrowed. And the country's progress over the last five years makes it conceivable that some of the Lisbon Strategy's major targets for 2010 may, indeed, be met.

The report also notes the fresh impetus given to social dialogue and the implications of this for Spain's economic and social development. Thus on 8 July the Government and the social partners signed the 2004 Declaration for Social Dialogue, setting out issues, objectives and guidelines for promoting competitiveness, stable employment and social cohesion. The parties to the Declaration stressed the value of the Lisbon Strategy, which they regarded as a vital element for economic growth, development and competitiveness. As a result of this dialogue, three tripartite agreements were signed. There was also notable bipartite dialogue, with the signing of the new 2005 Inter-confederation Agreement for Collective Bargaining and the 3rd Agreement on Out-of-court Settlement of Disputes.

However, the report warns that the current pattern of economic growth is hardly sustainable. It expresses particular concern about productivity, which decelerated in 2004, widening the gap in this field between Spain and the European Union.

As to the labour market, its improved performance was chiefly due to economic growth above the European average and employment/GDP elasticity also above average.

This growth pattern also raises two worrying issues: the great unevenness in regional employment rates, and the fall in the educational level of young people, which is 14 points below the EU-25 level. So, although the general picture of the Spanish labour market is positive, there is much room for improvement.

The report also highlights the growing temporary employment rate which, in 2004, rose by 6.6%. A sizeable portion of this was due to poor performance by the public sector. The policies embarked on so far have been unquestionably ineffective in reducing the temporary employment rate, which in 2004 stood at 34.7%.

The report also warns that the prospect of an aging society with a large immigrant population will give rise to new requirements to adapt resources in health, education and social services, systems for preventing social exclusion, environmental *accessibility, housing and new technologies, environmental quality, and market goods and services.*

The report makes special reference to the current status of social protection, for despite a certain convergence with Europe, Spain's total expenditure per inhabitant was third from last in the EU-15, ahead only of Greece and Portugal. There were also negative indicators in relation to the European Union average in socio-economic aspects as important as the environment or the development of the information society.

I would like to take this opportunity to congratulate all those who have been involved in the preparation of this report on the socio-economic and employment situation in Spain, the Council members making up the Working Committee responsible for drawing it up, and the Council's Studies and Analyses Dept. for their rigorous approach and high-quality work. Their efforts and dedication have made it possible once again for the Spanish ESC to present an analytical, objective and shared view of the current socio-economic and employment situation in Spain. The chief added value of this view, as I said earlier, is precisely this opportunity for joint analysis and assessment of Spain's recent socio-economic position by the players involved in it, so that they may jointly continue to improve it, for what is not known cannot ever be changed.

Madrid, June 2005

JAIME MONTALVO CORREA
President of the Economic and Social Council

SUMMARY OF CHAPTER I: ECONOMIC OVERVIEW

1. INTERNATIONAL SCENARIO

The world economy and world trade recorded high growth rates in 2004, unprecedented in the previous decade, which affected all areas and countries to a greater or lesser extent. In effect, the slight economic recovery in the European Union and Japan was significantly offset by the growth in the United States and China. The emerging and developing countries in Africa, Asia and Latin-America benefited from the peak in American and Chinese demand and the rise in raw material prices.

Indeed, the high oil prices in 2004, which have not only failed to abate in the first months of 2005 but have become increasingly acute, are one of the elements of risk of a possible deceleration in the world economy and world trade. Preventing this deceleration from being too intense will depend on ironing out the persistent imbalances in the world economy, excessively dependent on growth in the United States and China. The sustainability of the increasing foreign trade imbalance in the US economy, its high tax deficit, and the tensions in the exchange markets due to depreciation of the dollar and China's exchange rate policy, are the other risks which largely dictate the future of the world economy. The continuous fall in the dollar, due to the increasing American trade deficit and a possible decision by the world's central banks to decrease their dollar reserves, could cause a hardening of US monetary policy. This would have negative repercussions on domestic demand in the United States, with the consequent adverse effects on the growth of the world economy.

China, the other country which had a determining effect on the growth of the world economy in 2004, was also the key player in the growth of world trade and became the third largest exporter after Germany and the United States, with the prospect of increasing its earnings from its world market share with the expiry of the textile export quotas on 1 January 2005. Within the process of greater liberalisation for world trade, in 2004 the Doha Round managed to unblock the negotiations which are directed at a successful conclusion at the end of 2005.

2. European Union

Within the scope of the European Union, 2004 was marked by two major events: the accession of ten new Member States on 1 May 2004, and the signing of the Treaty which establishes a European Constitution on 29 October 2004. In addition, 2004 was a year of institutional renewal, both in the European Parliament and the Commission, with Josep Borrell from Spain and Jose Manuel Durao Barroso from Portugal being elected as Presidents of each institution respectively.

The main subject of debate in the different European Councils held during the Irish and Dutch presidencies in 2004, and under Luxemburg for the first half of 2005, was the Intermediate Review of the Lisbon Strategy, particularly after presentation of the «Kok Report», which highlighted the fact that a major gap persists between the objectives set and the actual achievements made, in spite of the advances achieved, due to an excessively loaded programme; deficient coordination; contradictory priorities; and the absence of decisive political action.

Another subject of particular relevance was the negotiation of the candidate countries' accession to the European Union which, in the case of Bulgaria and Rumania, concluded positively in the month of December 2004. However, negotiations with Croatia were suspended in March 2005, given their lack of collaboration with the International Criminal Court. Meanwhile, in the case of Turkey, the Council considered that it fulfilled the Copenhagen criteria, thus opening the road to future accession.

Although the European economy recovered a certain degree of dynamism in 2004, which was on a much greater scale in the new Member States and candidate countries, domestic demand continued rather sluggish, and growth in productivity and employment were very modest. During the year there was a transition from growth driven by foreign demand in the first half to growth based on a slight reactivation of domestic demand. This partially offset the major drop in exports, due to loss of competitiveness for the EU economy, linked to the persistent appreciation of the euro.

The uncertainty which affected the recovery of EU economic activity throughout the year, coupled with the appreciation of the single currency which, to a certain extent, cushioned the increase in oil prices, led the European monetary authority to maintain interest rates unchanged, which were at historically low levels in many countries in the Eurozone. This laxness in monetary policy was accompanied in some Member States, such as Germany, France and Greece, by tax deficits higher than the 3.0% of GDP laid down in the Stability and Growth Pact (SGP).

As a result of the difficulties arising over implementation of the Stability and Growth Pact in a context of weak growth, a controversial reform was approved in 2004. In spite of the ambiguity of some of its new rules, this reform will attempt to maintain the difficult balance between relaxing budgetary regulations to accommodate the specific circumstances of each country, on the one hand, and maintaining the general commitment to budgetary restraint, on the other. Thus, although maximum benchmark values for the deficit and public debt remain at 3.0 and 60.0% of GDP respectively, significant changes and reservations have been introduced, particularly with regard to the circumstances for determining whether or not the SGP is being observed. These include: potential for growth, cyclical conditions, the implementation of policies within the framework of the Lisbon Strategy, the development of R+D+i policies, the efforts towards tax consolidation made in periods of bonanza, the sustainability of the public debt and, in general, the quality of public finances. In addition, the level of contributions made to promote international solidarity will also be borne in mind, as well as meeting the objectives of European policy, particularly the unification of Europe.

Furthermore, during the first half of 2005 the new financial framework of the European Union of 25 members must be approved for the period 2007-2013. The proposal of the Commission is to maintain the ceiling of its own funds at 1.24% of gross national earnings, however strong pressure is being exerted by Member States which are net contributors to reduce this ratio to 1.0%. This, together with the increased expenditure needs as a result of enlargement, and the changes in expenditure priorities to fit the Lisbon Strategy, has given rise to an intense debate between Member States.

In fact, the confirmation that in recent years the gap between productivity and standards of living in Europe, as opposed to those of the United States, has not become any narrower, has led the Commission to reformulate the Lisbon Strategy and primarily orientate it towards growth and employment, placing special emphasis on the need to potentiate the engine of growth, that is to say: firstly, training human capital and training for research; secondly, innovation; and thirdly technological development.

Furthermore, the Spanish Government has expressed its disagreement with the proposal of the new financial framework —echoing the new design of EU regional policy— since this framework represents a remarkable loss of transfers charged to structural and cohesion funds. This framework, coupled with Spain's continuous increase in contributions to the EU budget, associated with the increase in this country's earnings, could imply the loss of its historical position of net beneficiary at the end of that period.

Although Spain will continue to be the greatest beneficiary of the former Fifteen in cohesion policy over the period of programming 2007-2013, it will lose almost 45% of the subsidies received in the previous period. The convergence undergone by the Spanish regions, due both to greater economic dynamism and the so-called statistical effect associated with enlargement of the European Union towards relatively poorer countries, will mean that the ten Spanish regions (Autonomous Communities) which maintained their position of less developed regions over the period 2000-2006, will now be reduced to three or four over the next programming period.

3. Spanish economy

The balance and assessment of what happened in the Spanish economy in 2004 would probably be different from what has been summarised below, if updated data from National Accounting, provided by the National Institute of Statistics on the 19th of May 2005, had been available in time.

As this was not the case, it can be said that the Spanish economy showed a slight recovery in 2004, as a result of the strength of domestic demand, which offset the unfavourable results for foreign trade: growth was 2.7%, which was two tenths of a point higher than growth the previous year, albeit once again below official forecasts. By regions, the Autonomous Communities which recorded greatest growth were Navarre, with 3.4%; followed by Andalusia, Galicia and the Basque Country which all grew at a rate of 3.0%. On the other hand, the Balearic Islands were the region whose economy showed least dynamism, with a growth of 1.7% of their GDP.

From the demand side, general results for the Spanish economy were a response to the strength of consumer spending, particularly private spending, which closed the financial year with growth of 3.5%, six tenths of a point higher than in 2003, and contributed 2.1 points to the growth of GDP. This dynamism in consumer spending responded to factors such as the higher level of employment, cheaper consumer credit, and the possible «wealth effect» produced by the revaluation of both stock-market and financial assets, as well as of property assets, which jointly offset the possible negative effect the increases in consumer prices would otherwise have had. Public consumption, on the other hand, advanced more than expected, up 4.9%. As far as investment expenditure goes, the vigorous pace of investment in construction was surprising, growing even more than the previous year. However, the most remarkable feature was the recovery in investment in equipment, which ended the last two quarters of the year with growth rates close to 10.0%.

The impetus in consumer spending and investment was choked by external demand, which once again contributed negatively to the growth of the economy in 2004. Foreign trade knocked 1.7 points off growth figures, which was much more than expected. This negative contribution to growth is attributable to the acceleration in imports, since exports recovered slightly with respect to the previous year. The significantly worse trade balance was partly offset by the surplus in tourism and travel, but on this occasion to a lesser extent, since this surplus fell 4.1%, through the combination of a 1.0% increase in earnings and 21.8% rise in payments.

From the supply, or sector side, it was observed that except for the primary sector, the remaining sectors of production contributed positively to business growth. Of particular note was the advance in the industrial sector, which appears to have consolidated the recovery it began in 2003, and the moderation in the rate of growth in construction, albeit still the most dynamic sector.

Thus, in 2004, and following the tone of previous years, production in agriculture and fishing fell 0.6% with respect to the previous financial year. Agricultural earnings, on the other hand, fell 0.2% in real terms, this being one of the key consequences of the rise in oil prices. This situation, which also affected the Fishing sector, led the Government to draft aid plans for the two sectors, to counteract increasing costs.

The year 2004 also saw the approval of reforms of the tobacco, oil and cotton markets' umbrella organisations. Spain's initial opposition to the content of these reforms gave rise to a later improvement in some of the conditions initially laid down, obtaining additional aid for the olive and cotton sector. Another two reforms underway, concerning the fruit & vegetables market and the sugar market, will foreseeably be resolved in 2005.

Looking at the Fishing sector, at the end of 2004 the EU Fishing Council sets limits on total permissible catches and fishing quotas for 2005. The final agreement was acceptable to Spain, since cuts announced for species such as anchovies or Norway lobster were reduced. On the other hand, the foreign trade balance once again recorded a loss, this time of 2.25 billion, for fish, crustaceans and molluscs.

The most significant growth rates were seen in the industrial sectors, which grew 2.2%, or 0.9% higher than 2003 figures, although this was not accompanied by growth in employment. Industrial production seemed to respond to the increase in demand, both domestic

—due to the remarkable advance recorded in gross formation of fixed capital on equipment— and also external demand, due to the recovery of the world economy. The most dynamic branch of industry was energy goods. Within industry, certain specific industrial activities stood out in growth terms, such as, firstly, car production, which broke a new record for new registrations, even in spite of the challenge which enlargement of the European Union poses from countries with a certain competitive advantage in this area; and, secondly, textile production, immersed in a liberalisation process backed by the WTO (World Trade Organisation). In recent years Spain has gone through continuous processes of adjustment in this area, to end with losses in production and employment.

More worthy of note from the supply perspective, however, is the strength still seen in production in the building sector. Although its growth flattened out with respect to 2003, it did so at the highest growth rate within production as a whole. This behaviour is surprising, particularly because traditionally construction has been a procyclical sector, a characteristic which in the last few years appears to be a thing of the past. The existence of major latent demand for housing, which has arisen thanks to a set of coincidental circumstances such as: low interest rates or the higher level of employment; the greater demand from non-resident foreigners and immigrants; or the use of this type of investment as a defensive security as opposed to alternative investments, would jointly explain this dynamism in the construction sector in general and the residential construction, in particular.

The fast pace in the building sector in recent years has given rise to a debate over the fundamentals of Spanish economic growth and its sustainability in the medium and long term. It may well be true that the leadership of construction in recent years may have diverted investment towards this sector from other sectors or activities in search of immediate returns. This fact may, indeed, jeopardize the general growth of the Spanish economy in the medium term, if finally it is seen that this has occurred at the expense of investment efforts in other areas of business which are catalysts of growth or which produce positive externalities, such as investment in R+D+i or capital equipment. These areas, in the short term, usually offer low returns but in the medium and long term are essential for sustaining business.

In fact, in spite of the efforts made in the field of R+D+i, Spain still holds a weak comparative position with respect to the other EU Member States. Consequently, in 2003 it devoted 1.1% of its GDP to expenditure in this area. Financing for research and development in Spain is mainly private —54.1%— but is below the average private effort of the Fifteen, which is 11 percentage points higher. In spite of this, most employment in this area is to be found in the public sector, compared with 43% for the private sector. The advances in this sphere in Spain come within the framework of the Fifth National R+D+i Plan 2004-2007, the objectives of which are, amongst others, to raise the standards of Spanish science and technology; increase human resources devoted to R+D+i in the public and private sectors; reinforce rights and guarantees for researchers; strengthen the international dimension of Spanish science and technology, especially in the European Research Area; and give an impetus to new action on major facilities, as well as to the role of basic research and the improvement in communicating advances made to the public.

As far as the evolution of the labour market is concerned, according to the estimates of the Survey of the Working Population (SWP) and following the existing methodology up to the first months of 2005, the unemployment rate fell by five tenths of a point in 2004 with respect to the previous year, to stand at 10.8%, after two financial years without any improvement in this indicator. Growth in employment reached 2.1%, three tenths of a point higher than the figure recorded for 2003. As analysed in detail in Chapter II, the new methodology of the SWP offers a different balance for the labour market: thus, the variation in employment in 2004 would stand at 3.9%, with unemployment at 11.0%.

In 2004, the growth of unit labour costs decelerated by one tenth of a percentage point, as a result of the moderate growth of average wage levels: 4.0% as opposed to 4.3% for 2003, and although productivity decelerated by one tenth of a point, this was fundamentally due to the growth in employment levels, which were up by 2.1%. If the effect of inflation is discounted, it can be seen that unit labour costs in real terms fell for another consecutive year across the economy as a whole by almost one percentage point. The biggest fall was seen in agriculture, industry and the energy sector, unlike services and construction which recorded slight increases.

The good performance of production, together with the above-mentioned moderate increase in labour costs, particularly wages, led to a very significant increase in company profits, so that the Gross Operating Surplus was up 7.3%, two points higher than the preceding year. Ordinary profits of companies included in the Balance Sheet Centre's sample increased by 21.7%, more than eight points higher than the figure recorded for 2003: a result which was favoured not only by moderate staff costs but also by the remarkable increase in financial income through the entry of dividends from foreign subsidiaries, the reduction in financial expenses associated to the drop in interest rates, and the reduction in depreciation as a result of a number of divestments.

Spanish business during 2004 developed within the framework of a fairly lax monetary policy which responded to the needs of other economies in the Eurozone. This gave rise to lower interest rates than perhaps would have been desirable in the Spanish case, given the major growth in domestic demand. Thus, monetary policy not only prevented a reduction in inflationary tensions in Spain but also contributed to the unbalanced pattern of growth in the Spanish economy.

In fact, the upturn in the growth of the CPI —3.2%, six tenths of a point higher than the inflation rate recorded for the previous financial year— once again widened the price differential with the Eurozone, with the consequent deterioration in price-competitiveness in the Spanish economy, coupled with the appreciation of the euro throughout the year.

On the other hand, government department accounts, on which there continues to be an absence of precise and complete information —particularly from Autonomous Community governments— closed 2004 with a budget deficit of 0.3% of GDP, which contrasts with the surplus of 0.3% recorded for 2003. A series of specific transactions weigh upon this result, particularly the Government's move to take on the Spanish national railway's (RENFE) historical debt, which represented 0.7% of GDP.

In 2004, there were few tax reforms, partly due to the repeal of the so-called Budget Support Law. However, a Tax Fraud Prevention Plan was approved in February 2005, primarily oriented towards the most reproachable conduct and the sectors where fraud risk is greatest, paying special attention to preventive action.

As far as structural action is concerned, the Government expressed the need to design a set of mainly structural measures to «ensure a pattern of balanced and lasting growth for the Spanish economy», in an attempt to «combine growth in employment and expansion in productivity». The low productivity, coupled with the persistent problems of competitiveness for the Spanish economy, led the Government to launch the so-called *Vitalisation Plan* in February 2005.

In fact, even before the methodology review, productivity decelerated in 2004 and this circumstance, coupled with little growth in recent years, is worrying. Average growth in apparent labour productivity over the last ten years in Spain stands at around 0.7%, whereas the average figure for the Fifteen was 1.0% growth. This growth differential has further widened the existing gap between Spain and the European Union in this area.

A needed boost for productivity, along with other commitments such as that of granting greater transparency to public accounts, budgetary stability and the strengthening of social cohesion were reflected in the General State Budgets for 2005.

The final objective, approved by the Declaration for Social Dialogue and signed in July 2004 by the two sides of industry, is nothing other than to alter the growth model, which is excessively based on construction and private consumption, and open the way to a model which is more balanced and based on the following: investment in capital equipment; the strength of exports; and providing impetus for investments in research, development and technological innovation. In this same vein, it is to be hoped that the recovery of investment in equipment seen in 2004 can be consolidated, and that exports are strengthened, although expectations in this last area are less favourable, due to the persistent inflation differential which has repercussions for the competitiveness of Spanish exports. This can be explained by the expected deceleration in the growth of the world economy in 2005, and the persistent strength of the euro against the dollar.

WORLD TRADE AND PRODUCTION, 1995-2005

(Year-on-year change in volume)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 (p)
World production	3.7	4.1	4.2	2.8	3.7	4.6	2.5	3.0	4.0	5.1	4.3
Advanced countries *	2.8	3.0	3.4	2.6	3.5	3.8	1.2	1.6	2.0	3.4	2.6
Developing countries	6.1	5.6	5.3	3.0	4.0	5.8	4.2	4.7	6.4	7.2	6.3
World trade	8.8	7.0	10.5	4.6	5.8	12.4	0.2	3.3	4.9	9.9	7.4
Imports											
Advanced countries	8.8	6.3	9.4	5.9	8.1	11.7	–0.8	2.6	3.6	8.5	6.5
Developing countries	19.5	10.8	11.8	0.1	0.3	15.2	3.4	6.1	8.9	15.5	12.0
Exports											
Advances countries	8.7	6.0	10.5	4.2	5.6	11.7	–0.7	2.2	2.8	8.1	5.9
Developing countries	8.0	9.3	12.8	5.9	4.3	14.4	3.4	6.7	10.7	13.8	9.9

(p) Forecast.

* As of April 1997, the IMF has included South Korea, Hong Kong, Israel, Singapore and Taiwán among the advanced countries contingent. All were previously classed as developing countries.

Source: IMF, *World Economic Outlook*, April 2005.

MAIN MACROECONOMIC INDICATORS OF MEMBER STATES AND CANDIDATE COUNTRIES, 2003-2005

(Percentage)

States	Growth in GDP			Inflation rate [1]			Growth in employment			Public deficit [2]		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Germany	–0.1	1.6	0.8	1.0	1.8	1.3	–1.0	0.3	0.7	–3.8	–3.7	–3.3
Austria	0.8	2.0	2.1	1.3	2.0	2.3	0.0	0.1	0.2	–1.1	–1.3	–2.0
Belgium	1.3	2.7	2.2	1.5	1.9	2.0	0.0	0.7	0.8	0.4	0.1	–0.2
Spain	2.5	2.7	2.7	3.1	3.1	2.9	1.7	2.1	2.1	0.3	–0.3	0.0
Finland	2.4	3.7	3.3	1.3	0.1	1.1	0.0	0.0	0.6	2.5	2.1	1.7
France	0.5	2.5	2.0	2.2	2.3	1.9	0.1	–0.2	0.5	–4.2	–3.7	–3.0
Greece	4.7	4.2	2.9	3.4	3.0	3.2	1.4	2.8	0.6	–5.2	–6.1	–4.5
Netherlands	–0.9	1.3	1.0	2.2	1.4	1.3	–1.0	–1.6	0.3	–3.2	–2.5	–2.0
Ireland	3.7	5.4	4.9	4.0	2.3	2.1	2.0	3.0	1.8	0.2	1.3	–0.6
Italy	0.3	1.2	1.2	2.8	2.3	2.0	0.4	0.8	0.4	–2.9	–3.0	–3.6
Luxembourg	2.9	4.2	3.8	2.5	3.2	3.1	1.8	2.4	2.6	0.5	–1.1	–1.5
Portugal	–1.1	1.0	1.1	3.3	2.5	2.3	–0.4	0.1	0.3	–2.9	–2.9	–4.9
Eurozone	**0.6**	**2.0**	**1.6**	**2.1**	**2.1**	**1.9**	**0.2**	**0.6**	**0.7**	**–2.8**	**–2.7**	**–2.6**
Denmark	0.4	2.0	2.3	2.0	0.9	1.4	–0.9	0.1	0.5	1.2	2.8	2.1
UK	2.2	3.1	2.8	1.4	1.3	1.7	0.9	0.9	0.4	–3.4	–3.2	–3.0
Sweden	1.5	3.5	3.0	2.3	1.0	0.4	–0.2	–0.4	0.5	0.2	1.4	0.8
UE-15	**0.9**	**2.3**	**1.9**	**2.0**	**2.0**	**1.8**	**0.3**	**0.6**	**0.7**	**–2.8**	**–2.6**	**–2.5**
Cyprus	2.0	3.7	3.9	4.0	1.9	2.3	1.1	1.5	1.2	–6.3	–4.2	–2.9
Slovenia	4.5	5.5	4.9	8.5	7.4	3.7	1.8	0.3	0.6	–3.7	–3.3	–3.8
Estonia	5.1	6.2	6.0	1.4	3.0	3.3	0.8	0.2	0.6	3.1	1.8	0.9
Hungary	3.0	4.0	3.9	4.7	6.8	3.8	1.3	–0.5	0.5	–6.2	–4.5	–3.9
Latvia	7.5	8.5	7.2	2.9	6.2	5.0	1.7	1.0	0.8	–1.5	–0.8	–1.6
Lithuania	9.7	6.7	6.4	–1.1	1.1	2.9	2.3	–0.3	0.5	–1.9	–2.5	–2.4
Malta	–1.8	1.5	1.7	1.9	2.7	2.4	–0.7	1.4	0.6	–10.5	–5.2	–3.9
Poland	3.8	5.3	4.4	0.7	3.6	2.1	–1.2	0.0	1.0	–4.5	–4.8	–4.4
Czech Republic	3.7	4.0	4.0	–0.1	2.6	1.9	–0.1	–0.5	–0.1	–11.7	–3.0	–4.5
Slovakia	4.5	5.5	4.9	8.5	7.4	3.7	1.8	0.3	0.6	-3.7	-3.3	-3.8
UE-25	**1.0**	**2.4**	**2.0**	**1.9**	**2.1**	**1.9**	**0.2**	**0.5**	**0.7**	**–2.9**	**–2.6**	**–2.6**
Bulgaria	4.3	5.7	6.0	2.3	6.2	4.0	3.5	3.1	2.0	0.6	1.4	–0.5
Croatia	4.3	3.7	4.0	1.8	2.1	2.7	0.1	1.5	1.0	–6.3	–5.0	–4.4
Romania	5.2	8.3	5.5	15.3	11.9	8.2	–0.1	–0.1	–0.1	–2.0	–1.4	–2.4
Turkey	5.8	7.7	5.0	25.3	10.6	8.7	–1.0	2.0	2.0	–9.7	–3.9	–3.9

(1) Harmonised index of consumer prices or Annual Average of National Consumer Price Index if the first is not available.
(2) Financing capacity (+) demand (-) of the general government as a percentage of GDP.

Source: European Commission, *Spring Economic Forecasts*, 2005.

MACROECONOMIC VARIABLES, 2001-2004

(Year-on-year change)

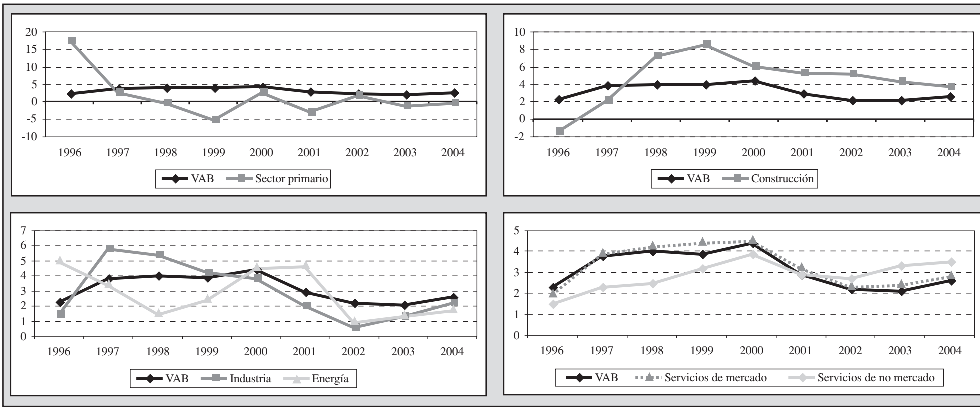
	2001	2002	2003	2004(e)
GDP and aggregates (1)				
Gross Domestic Product	2.8	2.2	2.5	2.7
Private domestic consumption	2.8	2.9	2.9	3.5
Government consumption	3.5	4.1	3.9	4.9
Gross fixed capital formation	3.0	1.7	3.2	4.6
Equipment	–1.2	–5.4	1.0	5.8
Construction	5.3	5.2	4.3	4.4
Domestic Demand (2)	3.0	2.8	3.3	4.4
Exports of goods and services	3.6	1.2	2.6	4.5
Imports of goods and services	3.9	3.1	4.8	9.0
Pro memoria				
GDP at constant prices (baseline 1995) (million euros)	544,496	556,652	570,556	585,876
GDP at current prices (million euros)	653,928	698,588	744,756	798,672
Prices and costs				
Change in employment	4.2	4.5	4.0	4.4
Consumer prices (December)	2.7	4.0	2.6	3.2
Nominal unit labour costs	—	3.4	3.5	3.4
Labour market (3)				
Change in employment	2.4	1.5	1.8	2.1
Unemployment rate	10.5	11.4	11.3	10.8
External sector (as % of GDP)				
Trade	–5.6	–5.0	–5.1	–6.5
Current account	–2.8	–2.4	–2.8	–5.0
Current and capital account	–2.0	–1.3	–1.6	–3.9
General government deficit/surplus (% of GDP)				
General government	–0.4	–0.1	0.3	–0.3
Central government (State and agencies)	–0.6	–0.5	–0.3	–1.3
Social Security	0.8	0.9	1.1	1.0
Territorial governments	–0.5	–0.4	–0.4	0.0

(e) Estimated.
(1) 1995 baseline. On May 19, 2005 the National Statistics Office (INE) presented the GDP forecasts on the new 2000 baseline, with GDP growth of 3.1 per cent for 2004 and a different structural composition of GDP aggregates.
(2) Contribution to growth.
(3) In order to mantain consistency with the other macroeconomic magnitudes, this information is taken from the Labour Force Survey produced by the National Statistics Office (INE) before the methology was changed in 2005.

Sources: National Statistics Office (INE) and Finance and Treasury Ministry, *Synthesis of Indicators*.

GROSS VALUE ADDED BY SECTORS, 1996-2004

(Year-on-year change)



Source: INE, *Spanish National Quarterly Accounts.*

COMPENSATION PER EMPLOYEE, PRODUCTIVITY AND UNIT LABOUR COSTS BY SECTORS IN 2004

(Euros and year-on-year change)

Sectors	A. Compensation per employee		B. Productivity (1)		Unit labour costs		Real unit labour costs (2)	
	Euros	Var. %	Euros	Var. %	A/B %	Var. %	A/B %	Var. %
Agriculture and fisheries	11,050.0	2.3	22,617.3	1.6	48.9	0.7	46.7	–3.7
Energy	46,480.5	5.3	185,820.9	3.4	25.0	1.8	23.9	–2.6
Industry	29,124.3	3.7	35,135.0	3.0	82.9	0.6	79.3	–3.8
Constrution	25,226.8	4.3	24,721.5	–0.2	102.0	4.5	97.7	0.1
Services	27,797.9	4.3	30,648.7	–0.2	90.7	4.5	86.9	0.1
Market data	28,302.3	2.9	34,109.5	–1.5	83.0	4.5	79.5	0.1
Non-market data	26,938.8	6.6	23,038.6	2.7	116.9	3.7	112.0	–0.7
Total	**27,376.7**	**4.0**	**34,468.8**	**0.6**	**79.4**	**3.4**	**76.0**	**–0.9**

(1) Apparent labour productivity is the ratio between real GDP at market prices and the number of employees. With the new 2000 baseline, apparent productivity of the labour factor increases by 0.4 per cent, less than with the previous baseline. According to these new forecasts, this result, together with the lower growth in employee remuneration, gives lower growth of unit labour costs than with the 1995 baseline.

(2) Real unit labour costs are the result of deducting the effect of price growth, measured by the GDP deflator, which went up to 4.4 per cent in 2004, from unit labour costs.

Source: INE, *Spanish National Quarterly Accounts.*

SUMMARY OF CHAPTER II: LABOUR MARKET, EMPLOYMENT POLICIES AND LABOUR RELATIONS

1. Employment scenario

The latest reform of the Survey of the Working Population (SWP) has brought a major change in the view of the Spanish labour market, as a result of one of the main sources for its study. The review quotes the figure of nearly 18 million employed and more than 2.2 million unemployed for 2004, which is almost 855,000 more employed and 140,000 more unemployed (all of whom are foreigners) than in the original data. The examination of a number of results after the changes indicates that the new data for 2004 is surely a more accurate picture of reality. However, it also indicates that an in-depth study is required, contrasting the information from the different sources, in order to define the effects of the statistical change for the period 1996-2004 with a certain degree of precision.

According to the new SWP, the employment rate in 2004 passed the 50% mark for the first time, with a growth of 1.1 points on the previous year. The unemployment rate fell 0.5 points to 11%, whereas in the two previous years no reduction had been achieved. The highest growth in employment was in Aragon, La Rioja and Madrid, these last two being perhaps the most remarkable cases, since this went hand in hand with an increase in the total population which was above the average for the country as a whole. The employment rate was also up for Murcia, Andalusia and the Valencian Community, while Asturias, Galicia and the Basque Country were remarkably below average. Unemployment, on the other hand, was down in thirteen communities, amongst which Andalusia stands out, where the unemployment rate was 1.5 points lower than in 2003. Thus, for the first time, it ceased to be the worst affected region as far as unemployment rates are concerned.

The change in the SWP has affected employment figures in the sectors to different degrees over the last four years. In construction and services this would be interpreted as much more sustained growth, however in industry this implies a change from red back to black figures and from a loss of nearly 70,000 workers between 2001 and 2004 to a positive balance of 30,000 jobs provided over the same period. In accordance with these new figures, industry closed 2004 with a certain degree of recovery, after five successive quarters with continuous job losses. This result, along with the progressive rise in employment in construction in the last two quarters, brought an improvement in the total numbers employed at the end of 2004, with the exception of the lower rate of job creation in services, where the year closed with notably lower year-on-year growth.

Looking at the reviewed series, it is probable that the growth in sectors throughout the period 1996-2004 responds partly to factors other than the performance of employment. The adoption of longer-term prospects for temporary work indicate that industry is going through a prolonged stage of stagnation as regards employment levels, clearly in contrast to the service sector but also to construction, which has been contributing very significantly to the overall speed of job creation, and which holds greater weight in total employment figures in Spain than in the European Union.

The increase in the employment rate in 2004 was once again greater in the case of women (38.4%, 1.6 points higher than in 2003). In contrast, male employment was up by 0.5 points to reach 62.5%. The gap between men and women in this indicator continues to be significant, however the greater increase in female employment over the last four-year period has reduced this appreciably. Also, although the female employment rate in Spain continues to be one of lowest in the EU, the increasing progress over the last years has been more than noticeable, especially in the age groups from 25 to 49 years.

In unemployment the reduction in the gender gap has not been so appreciable over these last eight years. In 2004, the male unemployment rate was 8.2% and female unemployment stood at 15%. Female unemployment, which continues to be one of the highest rates in the Union, is higher than the male rate at any age in Spain, with a clearly greater gender gap in the case of young people. Job creation in recent years has been benefiting women more in relative terms, however not rapidly enough to absorb their rate of entry to the labour market. Thus, the problem of unemployment is progressively centring on women and young people.

Immigration has contributed to the continuous increase in the employment rate for women of average working age. In 2004, almost 35% of the growth in the number of employed at that age corresponds to non-EU female workers. In the case of men, that category accounted for nearly 79%. Immigration has also affected the evolution of unemployment, particularly in the last two years, contributing to a greater increase in the number of unemployed. It is very probable that these impacts will be greater in the future, and not only in quantitative terms. Over the last four years the presence of non-EU foreigners in total employment figures has more than doubled, reaching 7.9% for the total of men and 8.3% for women in 2004.

According to the SWP, salaried employment in 2004 grew by more than 593,000 workers: a 4.2% rise. For the first time in the last five years there was also an appreciable increase (84,000) in self-employment.

Within wage-earners, permanent employment grew by 306,00 —a 3.2% rise— and temporary jobs by 286,000, up 6.4%. Combined with this, the proportion of wage-earners on a temporary contract increased by 0.7 points to 32.5% in 2004. For men, permanent employment grew considerably less than in the previous year, whereas temporary jobs saw a bigger increase, so that the rate for temporary employment in general increased 0.7 points to 30.6%. For women there was a less pronounced drop in the growth of permanent employment, and temporary work stood at 35.2%, 0.6 points higher than for 2003.

Putting aside the not insignificant obstacle of the public sector's poor performance in achieving a greater reduction in the total rate of temporary employment, and even ignoring the poor result for 2004, it seems unquestionable that the policies adopted up till now have had a clear but insufficient effect on the reduction of temporary employment in the private sector: from 39.5% in 1996 to 34.7% in 2004. On the other hand, as was explained in the previous edition of this Report, some results from European Commission studies indicate that these policies have, indeed, also been able to reduce the persistence of temporary employment.

Inter-confederation agreements are now including the objective of stability in employment and proposing a series of actions to strengthen the role of collective bargaining in this area. These emphasize the need to boost stable part-time employment, due to the opportunities this formula offers in combining stability in employment and meeting companies' production needs. Additionally, if it offers suitable working conditions, part-time work may be a useful option in reconciling work with family life. In spite of this, we should reiterate that part-time employment still remains to be effectively promoted for three reasons: its low frequency in Spain in comparison with the European Union as a whole; the high rate of temporary work it is associated with; and the minimal willingness there is to provide this type of working day in Spain.

Part of the explanation may be found in the under-development of some sectors in Spain, such as Health and Social Services, which provide a major proportion of part-time work in the European Union as a whole. Among other factors also to be considered would be the general time-table structure of jobs; the lower employment rates for women and young people; or the requirements for access to social benefits. The objective would thus be not so much to act on hiring but rather on these factors we have just described.

The employment scenario in Spain is completed with information on the figures for the continuous entry and exit to and from the labour market which involves two key aspects: firstly hiring which is, moreover, one of the main instruments of Spanish employment policy, and secondy dismissals.

In 2004, 15.7 million new employment contracts were recorded; 1.6 million more than in 2003. This significant increase surpasses 1994-2000 results, until now the highest, which had produced an annual cumulative average of 1.2 million contracts. The three highest figures for temporary hiring: construction work or services, seasonal employment, and temporary postings, accumulated 14.4 million contracts —1.5 million more than in 2003— which is an increase of 12.1%. Permanent hiring was up for the first time in the last three years, producing the largest relative growth of 12.6%, and contributed nearly 800,000 new contracts to the total for 2004. In addition, temporary contracts which became permanent contracts amounted to more than 613,000, an 11% increase on the 2003 figure.

The study on dismissals is restricted by the lack of undisputed data which would be able to assess its evolution and compare the costs associated with each method of dismissal with its frequency. The various statistical sources present a remarkable difference: figures on the newly unemployed who «signed on» for unemployment benefit in 2004 indicate more than 418,000 people, as opposed to the figure of nearly 236,000 cases resolved by dismissals, conciliation and authorised redundancy proceedings in the corresponding statistics. These discrepancies confirm the need for a clear and accurate source of figures in order to effectively tackle the study of dismissals in Spain.

The signatories of the Declaration for the Social Dialogue of July 2004 gave added weight to the value of the European Strategy on Employment, within which they considered development and competitiveness to be a central element for economic growth.

For the period 2000-2004, the differential with respect to the average for the Union is visibly smaller for many indicators. This, moreover, indicates greater relative progress in Spain towards the strategy's objectives. However, the better performance of the Spanish labour market is basically a response to a higher level of economic growth than the EU average, and also a high degree of employment-GDP elasticity. In contrast, the composition of economic growth indicates a smaller investment effort, very low expenditure on research and technological development, and an increase in the intensity of energy use, which makes the economy more vulnerable in a scenario of sustained increases in energy inputs.

There are two worrisome elements which also weigh upon this pattern of growth: the high degree of dispersal in regional employment rates; and the drop in the indicator on the educational level of the young population which, according to the latest data available, places Spain more than 14 points below the average for the EU-25. These circumstances indicate that although the quantitative balance of the Spanish labour market is positive, there is ample room for improvement.

2. Active employment policies

The objectives of the National Action Plan on Employment, 2004, mark down an employment rate for the 16-64 age group of 61.1%; a female employment rate of 48.5%; and a rate of 41.7% for the 55-64 age group overall. Consequently, employment policies must attend to priorities such as the increase in employment levels and decrease in temporary contracts, as well as closing the existing employment rate gap between women and men in Spain.

Regardless of particular considerations on each of the Plan's employment guidelines, the two sides of industry generally gave a positive assessment of the advances in quantifying some high-priority objectives, while noting the lack of any specific objectives laid down for other areas, such as education. They also noted th Plan's short-term nature, since it did not reflect substantial innovations or those for the future which may arise from negotiations which the two sides of industry are currently involved in, within the framework of the July 2004 Declaration for Social Dialogue. On the other hand, there is broad consensus on the advisability of defining a stable, periodic and ordered subject-based working method which will make it possible to monitor the processes of drafting, implementing and assessing these policies.

The Autonomous Communities, in turn, have undertaken a great deal of action of their own, as regards the following: prevention; job activation policies; training; the reduction of inequalities; and job promotion, all a result of implementing the set of measures on employment envisaged in the National Employment Action Plan (PNAE 2004) or the development of their own regional competences. However, labour market results taken by Autonomous Community continue to show broad differences, although an analysis of the prevention and job activation programmes, as a whole, has identified a certain compensatory effect for regions with lower levels of per capita income and higher levels of unemployment.

In spite of the importance of lifelong learning for employment, set down clearly in the Lisbon Strategy, Spain is still far from contributing to the benchmark level. This will require increasing the participation rate for adults in continuing education in the Union as a whole to 12.5%.

After signing the 3rd ANFC (National Agreement on Continuing Education), a series of events took place which made it necessary to pass a new regulation on the subsystem of continuing vocational training in 2003. The opposition which this new model is meeting and the disagreement expressed by some Autonomous Communities with respect to the regionalisation of funds, has led to the Panel on Social Dialogue for continuing education deciding, in 2005, to continue analysing the proposal to transform the subsystems of continuing and vocational training into one single system of «training for employment» in 2005.

The number of students entering in-house vocational training (FPO) improved in 2004 for the second consecutive year after three years of downward trend. This increase is fundamentally due to the improvement in the rate of women entering the labour market, although the gender disparity continues to favour men. On the other hand, the assessment of this type of programme (including FPO, crafts school workshops and linked work and training centres) indicates that their results are amongst the best, although at a certain distance from those directed at encouraging stable employment. FPO programmes take the protagonism here, since they generate more relevant positive differences in the later work experience of their participants.

The culmination of the process of devolution to the Autonomous Communities of competences in public employment services had created a lack of clear and complete information for analysing the degree of effectiveness of these services, which constitute the major part of Autonomous Communities' active employment policies. For this reason, it is of maximum interest to mention the start-up of the Public Employment Services Information System (SISPE), which has already taken place in 2005. This system is a necessary instrument which will ensure more effective management of the labour market and employment policies in Spain, and better guarantee the rights of the unemployed.

3. Social dialogue and labour relations

A social dialogue with European scope was developed in 2004 within a context of political landmarks, such as the enlargement of the European Union and the approval of the treaty establishing a European Constitution. However, in particular this dialogue was once again conditional upon the economic situation and employment, which are still far from the Lisbon Strategy's objectives. With eyes set on the need to fulfil these objectives, the key role which European workers' and employers' organisations must play in the search for commonly agreed solutions became more important.

In this context, there were two meetings of the Tripartite Social Summit for Growth and Employment, which constitutes the permanent framework of agreement between the unions and employers' organisations. The two sides of industry at EU level offered the results of their joint work since 2002 on high-priority areas, such as skills development qualifications throughout life, where they have embarked upon a substantial series of sector, branch and company-level initiatives in all the EU States, with the purpose of promoting training and the capacity for permanently adapting professional qualifications to the changes which occur. This is an excellent contribution to the objectives on competitiveness and employment laid down in the Lisbon Strategy and the result of dialogue and collaboration in areas where there is a convergence of interests. In addition, the European Commission undertook an overview of the results of bipartite social dialogue in recent years, which shows major progress and greater autonomy in this field, although it does, indeed, call for improving mechanisms for implementing and monitoring the texts agreed upon.

A new step forward in the development of European independent bipartite dialogue was the signing of the Framework Agreement on Stress at Work, aiming to provide employers and workers with a framework for identifying and preventing —or managing— problems of stress at work.

Withn the sphere of consultations with the two sides of European industry, those regarding a possible review of the Directive on working hours and the Directive on European Works councils are worthy of mention.

In Spain, the signing of the 2004 Declaration for Social Dialogue: «Competitiveness, stable employment and social cohesion» placed social dialogue as the priority for this Government and established its commitment not to carry out labour market and labour relations reforms without the consensus of the social partners. The main new feature of this stage is the working method adopted at the start of the Government's term, which fuses within one single document the intentions and commitments to advance in finding a commonly agreed solution to problems, as well as the strategic direction, which is oriented towards reaching a model of balanced and lasting economic growth. This growth must be based on improving companies' competitiveness and increasing productivity in order to achieve more quality jobs

The method, objectives and strategy make this stage an ambitious programme of commonly agreed reforms over the coming years, although the first results could already be seen after its start-up. One of the most significant results relates to the development and implementation of labour-related and labour market aspects of Organic law 4/2000 on the Rights and Freedoms of Foreigners in Spain.

The Government and social partners also reached an agreement to reintroduce the legal basis which will give total legal protection to the possibility of agreeing retirement clauses for employment-related reasons within collective agreements, after the repeal of the additional tenth provision of the Workers' Statute (WS). Also, an agreement was signed to draft proceedings to extend the collective agreements regulated in article 92.2 of the WS.

Turning now to bipartite social dialogue and conciliation, we should pause to mention the signing of the Inter-confederation Agreement on Collective Bargaining (ANC) in 2005. The extension of the previous Agreement of 2003 upheld, for 2004, its recommendations on: wage matters, employment, internal flexibility and professional qualifications, equal treatment in the workplace, equality of opportunities for men and women, tele-working, health and safety at work, and bargaining procedures. The new ANC 2005 goes further in its strategic objective of boosting lasting growth through a more competitive and innovative production system, and a clearer definition of the relation between flexibility and secure employment.

Another result of the bipartite social dialogue in 2004 which should be commented on is the signing of the 3rd Agreement on Out-of-Court Settlement of Disputes (ASEC III) in the month of December. In addition to revising the previous agreement and its implementing regulation, it has introduced wide-ranging improvements to foment and clarify the use of the procedures envisaged, in particular in the case of collective disputes.

The result of the ANCs and, more recently, the initiatives to create sector-based industrial observatories —through the signing of a framework agreement on collaboration between the Ministry of Industry and the most representative workers' and employers' organisations at state level— are a new instrument for joint analysis and communication between employers' and workers' organisations.

At 31 March 2005, 4,647 collective agreements had been registered with effect from 2004 in economic terms. These agreements affected 1,051,000 companies and 8,745,700 workers. Over the period 1997-2004 there was a noticeable and continuous increase in the number of both agreements and workers affected in the years after closure of the statistical records. This would link up with both the signing of new agreements and the increase in employment figures. Bearing in mind the limited statistics on collective agreements, coverage of collective bargaining may be calculated at between 80 and 85% of the wage-earning population in Spain.

The structure of collective bargaining remains based on company and sector-based agreements at province level, although it can be said that the methodology of the statistics in fact reinforces the importance of province-level agreements in its data. In 2004, 74% of agreements were at company level, affecting 10.2% of workers, while 26% were above individual company level, affecting 89.8% of workers.

The most representative trade unions nationwide have been present at the majority of negotiation tables which signed or reviewed their agreements during 2004: at 31 December, 2004 both CCOO and UGT had participated in 65.4% of the negotiating tables which affected 97% of workers, with a registered collective agreement at 31 December that year.

Since the signing of the ANC 2002, there has been a slight reduction in agreed wage increases, with the average standing at 3.6% in 2004. Increases in signed collective agreements were higher than those of revised agreements, although the difference after applying escape clauses is less than 0.1%. In addition, looking at the functional scope of the agreements, the general trend of higher increases in the case of sector-based agreements than those at company level has continued in recent years. In the former case, salary increases through national collective agreements are also usually lower than those at province or regional (Autonomous Community) level.

The majority wage model consists of wage tables linked to professional categories, as opposed to the gross wage model. As regards calculation, the most frequent is hourly wages, although a gradual increase has been observed in collective agreements which refer to new models of work organisation based on worker output.

The number of agreements in 2004 which lay down productivity-related wage supplements is relatively low —23.8%— this being more frequent in company agreements: 30.8%, than those at other levels: 13.2%. Amongst the agreements analysed which contain target-based pay clauses, the most frequent are as follows: those based on the individual productivity of each worker; those which link these supplements to the overall results of the company; and those based on the productivity of specific sections or groups within a company.

The average working day agreed on in 2004 was 1,757.9 hours/year, 5.1 hours/year longer than in 2003. This is the first increase since 1997, reflected in both company-level agreements and those at other levels. However this is due, to a great extent, to the delay in negotiating agreements in two sectors with a lower annual total: «education» and «public government, defence and compulsory social security». It is foreseeable, therefore, that as agreements are gradually signed in those subsectors, the average annual total for working days agreed through collective bargaining in 2004 will fall.

One of the most important contents in the qualitative arrangement of working hours is the way of calculating the working day. Most of the agreements recorded in 2004 choose to annualize total working hours per day. One must also mention the improvement recorded in these years in regulating the irregular distribution of the working day, in particular in country-level bargaining. Overtime work figures in three quarters of collective agreements that affect the same proportion of workers; in most cases these are financial compensation clauses with a value which is higher than an ordinary working hour.

Employment has been the subject of major consideration and recommendations in the ANC. Nevertheless, these have not been carried over sufficiently to collective bargaining. Collective agreements that include this type of clause have risen very little, from 42.8 to 43.3%, in the period 2001-2004. The clauses referring to job creation through partial early retirement were the only ones that have really increased in this period. These clauses merely describe the legislation currently in force in sector-based collective agreements i.e. company collective agreements. Nonetheless, they are more specific, establishing in most cases the percentage of reduction in the working day and the compulsory age of workers eligible to reduce their working day from full time to part time.

Clauses on hiring show an upward trend, increasing from 36.8% of agreements in 2001 to 40.4% in 2004, with greater use at sector level than in companies. This type of clause usually accurately identifies jobs or tasks that can be covered through works contracts or service agreements, either by extending the limits of duration which figure in the Workers' Statute for temporary work contracts, or regulating wages in training contracts. There has also been an increase in clauses which envisage setting down a specific trial working period, as stated in article 14 of the WS.

Out-of-court settlement of disputes in Spain shows a positive balance. Since the Inter-confederation Mediation and Arbitration Service (SIMA) began functioning in 1998, up to 2004, this body has mediated in more than 900 disputes, amongst which those referring to the company sphere take pride of place, these generally originating in controversies arising from the interpretation or implementation of regulations. Most of these disputes were dealt with through mediation procedures, an agreement being reached in 30% of the cases processed.

As in the case of SIMA, the systems of independent settlement of disputes in the Autonomous Communities recorded many cases in 2004. This would confirm the consolidation of confidence of the economic and social partners in these bodies in settling their collective and, in some cases, individual disputes.

In 2004, 637 strikes were recorded, 5.5% fewer than in 2003, and the number of workers involved was down by 30%. Most of these disputes had causes arising from collective bargaining. The major increase in the number of working days lost was due to one single dispute related to the collective agreement on rural employment in the province of Seville. This strike alone accounted for 75% of total working days lost due to strikes in Spain in that year.

Government departments transacted 394,000 individual conciliation processes —13.5% fewer than in 2003— and 793 collective conciliation processes, numbers that on the whole would confirm the trend towards a progressive reduction in disputes handled by these bodies. This runs parallel with the successive increase in cases monitored by independent autonomous community bodies dealing with out-of-court disputes. Looking at types of settlement, there was a marked decrease in the number of cases which ended with agreement of the parties (47%, 8 points lower than in 2003) or collective conciliation (11.2%, 2 points lower than in 2003).

In 2004 the industrial courts resolved a total of 278,265 cases, 4.4% fewer than in 2003. Around 70% of cases concerned individual disputes, while more than a third of cases were settled with a ruling favourable —either totally or partially— to the worker, practically an identical percentage to that of 2003.

4. Prevention of occupational hazards

At community level, 2004 was the intermediate year for the implementation of the new EU policy on health and safety at work 2002-2006, in close relation with the qualitative aspects of the employment guidelines adopted in the Lisbon Strategy. Consequently, we should mention a number of the initiatives adopted, some of which attempt to face the challenge of enlargement, given the worse position of workers in the ten new EU countries. Others are related to the building sector, such as the European inspection campaign 2003-2004, or the Declaration of Bilbao, subscribed by the leading organisations in this sector in the European Union. In addition, two especially notable advances were made in legislation: Directive 2004/73/EC on the labelling of dangerous substances, and Directive 2004/40/EC on exposure to risks arising from physical agents (electromagnetic fields), which fixes exposure limits beyond which action would be taken. The initiatives of the two sides of industry at EU level in the field of occupational hazard prevention are also of special interest, amongst which we should emphasize the already mentioned adoption of the European Framework Agreement on stress at work.

In Spain there have also been some notable new regulations, such as Royal Decree 171/2004, of 30 January, which implements article 24 of Law 31/1995 on Occupational Hazard Prevention (LPRL) which coordinates the activities of employers, and the new regulation on the risk of falling from heights, through Royal Decree 2177/2004 of 12 November. Implementation in Spain of the abovementioned European campaign on inspection in construction was reflected in a specific campaign in this area, run by the Labour Inspection authorities.

Some matters agreed within the framework of the Agreement from the Panel on Social Dialogue on Prevention of Occupational Hazards, December 2003, still remain pending, such as, firstly, the development of the *bonus-malus* system; secondly, the amendment of the Regulations on Prevention, in response to changes in the production system, and thirdly; the review of the information system on occupational diseases. After the change of government a series of points were laid down to reinitiate the dialogue on Occupational Hazards, and a programme and specific schedule of initiatives has been set for 2005.

For the third consecutive year the number of accidents during working hours with resulting absence from work dropped in 2004 (2.6%), particularly in the case of serious (8.1%) and fatal (7.6%) accidents. This evolution encourages us to continue efforts to introduce a accident prevention culture which was started up through Law 30/1995. This drop may be related to improvements in the organisation of the accident prevention system identified by the 5th National Survey on Working Conditions (ENCT). This Survey reflects approximately the same proportion of workers who consider they are exposed to the risk of accident (74%) as in the previous survey in 1999, however this percentage must be interpreted within the context of the results of training and prevention work which has gone on over the last few years. This has resulted in a greater knowledge amongst workers themselves of working conditions associated with health and safety. Thus, «excess confidence or habit» continues to be the cause most often quoted by workers as far as the origin of risks are concerned, although this has been losing strength in successive surveys, in favour of other explanations that point to safety shortfalls or more specific aspects of management. This seems to indicate a greater consciousness of avoidable occupational hazards, although, objectively, these have decreased in parallel with greater compliance with regulations, and the adoption of specific preventive measures by more and more companies.

Changes in the evolution of other variables related to working conditions are also observed from a preventive perspective, such as: the decrease in the number of workers subjected to «very disturbing» noise and the greater frequency of «not high volume but disturbing noise»; the increase in exposure to dangerous or toxic substances due to inhalation or handling; the decrease in split shifts and the correlative increase in shift work; the perception of inadequate aspects of workplace or work station design, and the greater proportion of workers who report discomfort related to psycho-social aspects, the speed of work, and intellectual overload.

LABOUR MARKET POPULATION IN SPAIN, 1996-2004
(Reviewed series. Annual averages)

Year	Economically active population			Occupied population			Uneployed population			Active	Employed	Unemployed
	Number	Year-on-year variation		Number	Year-on-year variation		Number	Year-on-year variation		(% population aged 16 and above)	(% population aged 16 and over)	(% population aged 16 and over)
	,000	,000	%	,000	,000	%	,000	,000	%			
1996	16,517.8			12,871.5			3,646.3			51.3	40.0	22.1
1997	16,809.7	291.3	1.8	13,345.6	474.1	3.7	3,464.1	–182.2	–5.0	51.6	41.0	20.6
1998	17,081.0	271.3	1.6	13,904.2	558.6	4.2	3,176.8	–287.3	–8.3	52.0	42.3	18.6
1999	17,412.1	331.1	1.9	14,689.8	785.7	5.7	2,722.2	–454.6	–14.3	52.5	44.3	15.6
2000	18,002.3	590.2	3.4	15,505.9	816.1	5.6	2,496.4	–225.9	–8.3	53.6	46.2	13.9
2001	18,050.7	48.4	0.3	16,146.3	640.4	4.1	1,904.4	–591.9	–23.7	53.0	47.4	10.6
2002	18,785.6	735.0	4.1	16,630.3	484.1	3.0	2,155.3	250.9	13.2	54.3	48.0	11.5
2003	19,538.2	752.5	4.0	17,296.0	665.6	4.0	2,242.2	86.9	4.0	55.5	49.1	11.5
2004	20,184.5	646.3	3.3	17,970.9	674.9	3.9	2,213.6	–28.6	–1.3	56.4	50.2	11.0

Source: INE, *Survey of the Working Population*, 2005 methodology [www.ine.es/inebase].

WAGE-EARNERS BY GENDER AND CONTRAC TYPE, 1998-2004

(Annual average and variation on previous year in thousands. Temporary employment rate as a percentage of temporary workers within the total number of wage-earners)

Gender and contract type	Year						
	1998	1999	2000	2001	2002	2003	2004
Both genders							
Permanent contract	7,183.0	7,761.6	8,394.7	8,782.9	9,183.1	9,637.7	9,943.6
Year-on-year variation		*578.6*	*633.1*	*388.2*	*400.3*	*454.5*	*305.9*
Temporary contract	3,540.6	3,799.3	3,983.5	4,166.6	4,288.8	4,489.7	4,777.3
Year-on-year variation		*258.7*	*184.2*	*183.1*	*122.2*	*201.0*	*287.5*
Temporary employment rate	33.0	32.9	32.2	32.2	31.8	31.8	32.5
Men							
Permanent contract	4,634.2	4,954.7	5,279.6	5,504.3	5,721.6	5,925.8	6,038.1
Year-on-year variation		*320.6*	*324.9*	*224.8*	*217.3*	*204.2*	*112.3*
Temporary contract	2,191.2	2,290.0	2,364.4	2,427.4	2,438.3	2,528.2	2,657.4
Year-on-year variation		*98.8*	*74.4*	*63.0*	*10.9*	*89.9*	*129.1*
Temporary employment rate	32.1	31.6	30.9	30.6	29.9	29.9	30.6
Women							
Permanent contract	2,548.8	2,807.0	3,115.1	3,278.5	3,461.5	3,711.9	3,905.5
Year-on-year variation		*258.2*	*308.2*	*163.4*	*183.0*	*250.4*	*193.6*
Temporary contract	1,349.5	1,509.3	1,619.1	1,739.2	1,850.5	1,961.5	2,119.9
Year-on-year variation		*159.9*	*109.8*	*120.1*	*111.3*	*111.1*	*158.4*
Temporary employment rate	34.6	35.0	34.2	34.7	34.8	34.6	35.2

Source: INE, *Survey of the Working Population*, 2005 [www.ine.es/inebase].

PART-TIME EMPLOYMENT SPAIN AND EUROPE, BY GENDER, 2003-2004

(Percentage of part-time workers within the total of those employed)

Gender and geographical area		Year	
		2003	2004
Both genders	Spain	8.2	8.6
	UE-25	17.0	17.7
	UE-15	18.6	19.3
	Eurozone	16.9	17.7
Men	Spain	2.6	2.7
	UE-25	6.6	6.9
	UE-15	6.8	7.1
	Eurozone	5.8	6.2
Women	Spain	17.1	17.9
	UE-25	30.4	31.3
	UE-15	34.0	35.0
	Eurozone	31.7	32.9

Source: Eurostat, «Labour market latest trends-2nd quarter 2004 data. Main results from the EU LFS». *Statistics in focus,* Theme 3-1/2005.

REGISTERED CONTRACTS, 2001-2004

(Annual totals)

Contract type	2001	2002	2003	2004
Permanent ordinary (full-time)	318,478	294,974	278,636	326,917
Permanent employment-promotion (full-time)	253,578	201,018	188,412	203,664
In. ord./employment-promotion (part-time)	170,768	165,343	161,990	181,494
Intermittent permanent	72,750	73,519	78,857	84,915
Specific works or services*	5,036,781	5,058,733	5,323,303	6,057,836
Casual production requirements*	6,100,852	6,233,171	6,466,845	7,117,436
Temporary postings*	922,470	1,003,414	1,067,405	1,234,104
Work experience*	75,762	78,195	76,471	85,845
Training*	121,207	126,568	125,774	126,534
*Remainder of types and other contracts**	*511,238*	*404,559*	*346,547*	*318,595*
Total initial contracts	13,583,884	13,639,494	14,114,240	15,737,340
Converted into permanent contracts	472,600	539,754	553,823	613,444
Total contracts registered	**14,056,484**	**14,179,248**	**14,668,063**	**16,350,784**

* Full or part time.

Source: INEM, *Statistics on Registered Contracts*.

DISMISSALS BY SOURCE, 1998-2004

(New claimants, administrative conciliation, industrial court cases and redundancy proceedings)

Dismissals by source	1998	1999	2000	2001	2002	2003	2004
1. New claimants							
Administrative conciliation	122,417	133,925	149,848	171,407	137,554	45,913	33,609
Court ruling	15,187	12,097	10,772	10,799	11,526	6,144	7,276
Court conciliation	5,783	5,186	5,024	5,647	5,656	2,949	3,273
Provisions of Law 45/2002					92,510	230,455	277,628
Other (trial period, objective grounds)	36,167	41,288	48,474	62,763	208,116	71,255	64,141
Lay-off proceedings	34,088	27,178	30,937	34,136	39,446	39,729	32,089
2. Statistics on Mediation, Arbitration and Conciliation							
Individual mediation in dismissals ending with out-of-court settlement	146,235	162,079	180,295	215,335	187,156	95,408	68,166
As above without agreement	26,462	26,653	26,089	29,203	34,493	31,921	32,278
As above attempted but with no legal force	28,377	26,958	27,072	30,538	36,360	34,728	33,896
As above other	8,000	8,640	9,242	10,778	10,177	8,967	8,337
3. Statistics on Industrial Tribunal Proceedings							
Dismissals settled with by ruling	23,278	21,531	22,036	23,890	27,120	27,926	30,054
As above by conciliation	10,756	11,066	11,622	13,341	16,784	17,110	14,982
As above by withdrawal of court action	7,184	7,500	8,350	11,677	11,915	11,416	11,970
As above for other reasons	3,964	3,275	3,225	4,129	5,252	7,812	5,614
4. Lay-offs							
Employees affected by authorised lay-offs	35,716	25,651	29,717	37,778	39,975	42,960	30,662
Total							
A. MAC, SLP and lay-off statistics (2 to 4)	289,972	293,353	317,648	376,669	369,232	278,248	235,959
B. New claimants (1)	213,642	219,674	245,055	284,752	494,808	396,445	418,016

Sources: 1998-2003: MTAS, *Annual Report on Employment Statistics*, 2004: New claimants: Report of the Experts Commiitte for the Social Dialogue. Conciliations, cases and redundancies: MTAS, *Bulletin on Employment Statistics*.

INDICATORS ON THE EUROPEAN EMPLOYMENT STRATEGY IN SPAIN AND THE EU, 2000-2004

Indicator	Spain					European Union					Spain-EU 25 variation				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
Employment															
Employment rate (% population aged from 16 to 64)	56.0	57.5	58.4	59.6	60.7	62.3	62.8	62.8	63.0	63.0	–6.3	–5.3	–4.4	–3.4	–2.3
Women's employment rate (% women aged from 16 to 64)	41.1	42.7	44.0	45.9	47.7	53.5	54.2	54.7	55.1	55.4	–12.4	–11.5	–10.7	–9.2	–7.7
Older employment rate (% population aged from 55 to 64)	36.9	39.1	39.8	40.8	41.1	36.4	37.1	38.4	40.1	40.7	0.5	2.0	1.4	0.7	0.4
Unemployment															
Unemployment rate (% workforce)	13.9	10.4	11.1	11.1	10.9	9.2	8.5	8.8	9.0	9.2	4.7	1.9	2.3	2.1	1.7
Women's unemployment rate (% female workforce)	20.4	15.1	16.3	15.8	15.2	10.7	9.7	9.8	9.9	10.1	9.7	5.4	6.5	5.9	5.1
Youth unemployment rate (% workforce aged 16 to 24)	25.4	20.7	21.5	22.3	22.4	18.1	17.0	17.4	18.1	18.5	7.3	3.7	4.1	4.2	3.9
Youth unemployment ratio (% population aged 16 to 24)	11.0	8.7	9.1	9.5	9.7	—	7.7	7.9	8.1	8.2	—	0.9	1.2	1.4	1.5
Long-term unemployed (% total unemployed)	42.5	36.9	34.3	33.9	33.4	—	—	44.0	44.7	44.2	—	—	–9.7	–10.8	–10.8
Real GDP growth	4.4	2.8	2.2	2.5	2.7	3.6	1.7	1.1	0.9	2.4	0.8	1.1	1.1	1.6	0.3

Indicator	Spain					EU 25 mean of best 3					Variation Spain - EU 25 mean of best 3				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
Employment															
Employment rate (% population aged from 16 to 64)	56.0	57.5	58.4	59.6	60.7	73.5	74.8	75.0	74.2	73.8	–17.5	–17.3	–16.6	–14.6	–13.1
Women's employment rate (% women aged from 16 to 64)	41.1	42.7	44.0	45.9	47.7	69.0	70.2	70.8	69.9	69.7	–27.9	–27.5	–26.8	–24.0	–22.0
Older employment rate (% population aged from 55 to 64)	36.9	39.1	39.8	40.8	41.1	56.7	58.3	59.6	61.6	62.3	–19.8	–19.2	–19.8	–20.8	–21.2
Unemployment															
Unemployment rate (% workforce)	13.9	10.4	11.1	11.1	10.9	2.7	2.4	2.8	3.8	4.5	11.2	8.0	8.3	7.3	6.4
Women's unemployment rate (% female workforce)	20.4	15.1	16.3	15.8	15.2	3.4	2.7	3.3	3.9	4.5	17.0	12.4	13.0	11.9	10.7
Youth unemployment rate (% workforce aged 16 to 24)	25.4	20.7	21.5	22.3	22.4	5.4	5.3	5.7	6.9	8.0	20.0	15.4	15.8	15.4	14.4
Youth unemployment ratio (% population aged 16 to 24)	11.0	8.7	9.1	9.5	9.7	3.1	3.0	3.3	3.6	3.7	7.9	5.7	5.8	5.9	6.0
Long-term unemployed (% total unemployed)	42.5	36.9	34.3	33.9	33.4	23.1	21.1	20.0	19.2	20.1	19.4	15.8	14.3	14.7	13.3
Real GDP growth	4.4	2.8	2.2	2.5	2.7	8.9	6.9	6.8	7.4	7.1	–4.5	–4.1	–4.6	–4.9	–4.4

Source: In-house with Eurostat data: Labour Force Survey, second quarters and GDP according to SEC 95 annual data.

TRAINED AND PLACED UNEMPLOYMENT, BY GENDER, AGE AND EDUCATIONAL BACKGROUND, 2003-2004

Socio-demographic characteristics	Labour market integration 2003			Labour market integration 2004		
	Trained in 2002	Employed in 2003 (first contract)	Integration rate	Trained in 2003	Employed in 2004 (first contract)	Integration rate
Gender						
Men	95,175	67,705	71.1	106,967	77,904	72.8
Women	155,054	98,435	63.5	172,818	115,471	66.8
Age						
< 18	9,388	5,649	60.2	11,670	7,626	65.4
18 to 24	86,686	63,414	73.2	91,579	69,348	75.7
25 to 29	63,221	46,946	74.3	68,101	52,455	77.0
30 to 39	54,761	34,050	62.2	64,734	42,582	65.8
40 to 44	16,328	8,541	52.3	19,726	11,169	56.6
> 44	19,947	7,543	37.8	23,989	10,195	42.5
Educational level						
No education	838	315	37.6	651	297	45.6
Primary education	2,354	1,098	46.6	2,379	1,208	50.8
Primary school certificate	22,768	13,589	59.7	26,100	16,549	63.4
Vocation training level 1	6,944	4,518	65.1	10,213	6,951	68.1
Basic gen. ed. cert./upper secondary diploma Elementary/secondary chooling certificate	82,611	54,426	65.9	91,919	62,805	68.3
Vacation training level 2	27,542	20,590	74.8	35,219	27,002	76.7
Diploma/baccalaureate/pre-university cert.	55,529	35,368	63.7	57,145	37,914	66.4
Technical degree	22,995	16,573	72.1	24,371	17,849	73.2
Higher degree	28,750	19,666	68.4	31,800	22,799	71.7
Total	**250,331**	**166,143**	**66.4**	**279,797**	**193,374**	**69.1**

Source: Public Employment Service. Occupational Observatoty [Datawarehouse: March 2005].

REGISTERED COLLETIVE AGREEMENTS, 1997-2004

(Number, companies and workers)

Year	Collective agreements		Companies		Workers	
	Number	Variation %	Number	Variation %	Number	Variation %
1997	5,040	0.2	1,018.3	–1.0	8,365.1	2.9
1998	5,091	1.0	1,077.6	5.8	8,750.6	4.6
1999	5,110	0.4	1,122.6	4.2	9,008.1	2.9
2000	5,252	2.8	1,198.3	6.7	9,230.4	2.5
2001	5,421	3.2	1,293.2	7.9	9,496.0	2.9
2002	5,462	0.8	1,302.3	0.7	9,696.5	2.1
2003 (1)	5,497	0.6	1,276.4	–2.0	9,966.7	2.8
2004 (1)	4,647	—	1,051.0	—	8,745.7	—

(1) Provisional data at 31 March, 2005. Data for 2003 are virtually definitive, since the registration period ended at 30 April, 2005.

Source: MTAS, *Statistcs on Collective Agreements*.

SALARY INCREASES BY DURATION OF COLLETIVE AGREEMENT

Collective agreement type	Wage increase before escape clause	Wage increase after applying escape clause
Total agreements	**3.00**	**3.62**
Agreements signed	3.10	3.68
For one year	3.27	4.04
With over one year's duration	3.05	3.56
Revised agreements	2.94	3.59

Registred agreements at March, 2005.

Source: MTAS, *Statistics on Colletive Agreements*.

AGREED WORKING DAY, BY TYPE OF AGREEMENT AND DURATION, 2004

Collective agreement type	Data at 31/03/05	Data at 31/12/04
	Average working day agreed	Average working day agreed
Total agreements	**1,757.9**	**1,755.8**
Signed for one year	1,751.9	1,751.6
Signed with over one year's duration	1,769.6	1,765.0
Revised agreements	1,753.5	1,753.2
Company-level agreements	**1,706.1**	**1,705.8**
Signed for one year	1,734.3	1,732.5
Signed with over one year's duration	1,706.3	1,707.8
Revised agreements	1,704.1	1,703.7
Agreements at other levels	**1,763.5**	**1,761.5**
Signed for one year	1,752.9	1,752.5
Signed with over one year's duration	1,775.4	1,771.2
Revised agreements	1,759.7	1,759.4

Data at 31 March, 2005.

Source: MTAS, *Statistics on Collective Agreements*.

ACCIDENTS AT WORK AND OCCUPATIONAL DISEASES DURING WORKING HOURS RESULTING IN ABSENCE FROM WORK, 2000-2004

Accidents at work and occupational diseases resulting in sick leave	Number					Increase %	
	2000	2001	2002	2003	2004	2003-2002	2004-2003
Accidents with sick leave	1,004,454	1,032,278	1,024,402	977,013	961,240	–4.6	–1.6
During working hours	935,274	958,493	948,896	899,737	876,596	–5.2	–2.6
– Minor	922,785	945,480	936,071	887,309	865,167	–5.2	–2.5
– Serious	11,359	11,992	11,721	11,395	10,474	–2.8	–8.1
– Fatal	1,130	1,021	1,104	1,033	955	–6.4	–7.6
To/from workplace	69,180	73,785	75,506	77,276	84,644	2.3	9.5
– Minor	66,059	70,713	72,477	n.d.	n.d.	n.d.	n.d.
– Serious	2,676	2,625	2,576	n.d.	n.d.	n.d.	n.d.
– Fatal	445	447	453	452	488	–0.2	8.0
Occupational diseases resulting in sick leave	17,261	20,281	22,292	23,803	22,964	6.8	–3.5
– Minor	17,090	20,103	22,129	n.d.	n.d.	n.d.	n.d.
– Serious	169	177	161	n.d.	n.d.	n.d.	n.d.
– Fatal	2	1	2	n.d.	n.d.	n.d.	n.d.

Source: MTAS, *Bulletin on Employment Statistics*.

SUMMARY OF CHAPTER III: QUALITY OF LIFE AND SOCIAL PROTECTION

Political activity nationally was characterised by few initiatives on the government's own behalf, typical in a year when general elections are held and there is a change of government. In the context of the Autonomous Communities, however, several events took place which have reaffirmed social and environmental sustainability as backbone elements of the European model. The European Constitution, the review of the Lisbon Strategy and the accession of the ten new Member States to the European Union have invigorated the debate on the role of the following: continuing education; the information and knowledge society; social protection systems; the right to health and access to health care systems; and habits and attitudes to consumption, housing policies and sustainable development.

EU enlargement has made the disparity between standards of living in the different Member States more evident, a fact which makes the challenge of social and regional cohesion which the Union aspires to even more difficult, especially if the aim is to reach a qualitatively high standard of living.

The impact of the change in the make-up of the population in terms of age group, on the one hand, and immigration, on the other, is already becoming of very major importance in basic spheres of quality of life and social protection. Both are dynamic phenomena that undergo change through both their own evolutin and the policies that are adopted. In the Spanish case, there is still a broad margin left for action in the field of helping women to enter the labour market, and in the fight against unemployment, especially in the case of young people. Regardless of the effects on the economy and labour market, and the need to guarantee secure and viable pension systems, the prospect of an increasingly aged society, along with a rising immigrant population, presents a number of new demands to adapt existing resources in other areas, such as: the healthcare system and social services; the prevention of social exclusion; accessibility of the environment; housing and new technologies; the quality of the environment; or goods and services that are offered in the market.

1. Quality of life

The analysis of each of the areas of quality of life (education, health, housing, sustainable development, consumption and the knowledge society) begins with a scenario comparing the Spanish situation and the European Union, to which this year we must add a specific look at the convergence of the new Member States and a reference to advances in the Lisbon Strategy objectives when the subject so requires. The analysis of each of these areas is completed with the most salient features of the Spanish scene, along with a description of the most recent initiatives and developments in legislation.

1.1. Education

The balance for 2004 has served to reinforce the need for action to achieve the objectives of training and education which came out of the Lisbon Strategy, in line with its general objectives of economic growth, total employment and social cohesion. In order to strengthen the processes of harmonising education systems and recognition of equivalent qualifications, a new generation of more ambitious EU education and training programmes have been initiated in Europe, and an integrated action programme in the area of lifelong learning has been created. The reports which monitor these areas have provided positive results for European cooperation in guaranteeing the quality of higher education and the mutual recognition of credit systems and assessments, although they also indicate that it is now the time to apply decisive measures to make this recognition effective and eliminate administrative and legal obstacles to the mobility of students and teachers.

There have really been several reforms in Spanish education, in the context of which social debates have arisen around aspects such as quality and fairness in education; the two-faceted education network (state-run and private); its financing, and the new challenges arising from the increasing multi-cultural nature of schools. The system faces challenges that are primarily linked with the need to reduce failure at school and the permanent search for greater quality and equality of opportunity.

The scenario at the non-university level been has marked by phasing out the implementation of the Law on Quality in education; the start of debates on the most disputed points of the reforms initiated during this term of government; and the presentation, in March 2005, of the Draft Bill of the Organic Law on Education, which aims to introduce a new layout for the education system, unifying the legislation currently contained in the LOGSE, the LOPEG and the LOCE. The slight increase in the school census indicates a major change in trend, at a time when there is also an increasing presence of pupils of foreign origin concentrated in state schools and we have come to the end of a continuous fall in the teacher/student ratio.

The PISA Report for 2003 has shown that Spanish students of fifteen years of age have somewhat poorer educational results than their counterparts in OECD countries in mathematics, and that in reading their average results were lower than those obtained in 2000, with an increasing proportion of pupils who did not obtain the required minimum. In order to have a clear picture of this matter, however, it is advisable to consult these results in the report, comparing all the finer points, and considering those with statistical significance.

The year has also confirmed a certain revitalisation in regulated vocational training and more progress has been made in the process of creating an integrated system for vocational training and qualifications. Changes have been made this year in the general layout of specific vocational training which had existed up till now, in order to fit in with the new layout for professional qualifications.

At university level a new structure for university education has been established within the framework of the process of constructing a European Area for Higher Education within a structure of three programmes (undergraduate degree, master's degree and doctorate) and two levels (undergraduate degree and postgraduate), in addition to initiating debates and proposals on modifying the Organic Law on Universities. This is all taking place within a context of a continuous fall in the number of university students and in which, for the first time in recent years, there has been a slight decrease in the rate of university graduates.

1.2. **Health**

EU policy guidelines on healthcare aim at the need to guarantee accessibility, quality and financial viability for national healthcare systems in the long term. In this context, the question emerges on the degree to which attainment of these objectives will be affected after the enlargement of the European Union in 2004.

The implementation of the open method of coordinating health systems also invites reflection upon the situation in Spain, as compared with its neighbours. This situation is characterised by the increasing requirements of a demand which is comparable to that of most of its neighbours. The Spanish healthcare system faces these demands with a lower than average level of public finance and a somewhat peculiar distribution of healthcare expenditure. A peculiarity to note regarding this distribution of healthcare costs in Spain is the major role played by specialised medical care and pharmaceutical services, to the detriment of care more directed at a prevention perspective, which would more befit an advanced healthcare system: i.e. primary healthcare and public health.

The year was not outstanding as regards initiatives in the area of healthcare regulations or institutions, except in the case of the policy on rational use of medicines. In this sphere approval of the new Action Plan on Pharmaceutical Policy introduces a new framework which includes the suspension of the benchmark price system in the terms which had been in force until now. Although there have been certain advances in compiling and circulating healthcare information, for example in the area of waiting lists for operations, a concerted effort is still needed to improve this area of knowledge, which is essential when evaluating the functioning of the healthcare system. This need is especially patent in the sphere of Health Service expenditure. Within this area, pharmaceutical costs are the only variable for which periodic, updated and homogenous information is available.

The significant increase in the foreign population, who will potentially benefit from the public healthcare system; the aging population; and the constant incorporation of new technologies and therapies all highlight the need to respond with fairness and efficiency to the requirements of a demand for —and supply of— services undergoing permanent expansion, while at the same time guaranteeing the financial sustainability of the system. With this dilemma as a backdrop, during 2004 and within the framework of the Conference of Autonomous Community Presidents, the debate reopened on financing healthcare, while the coordination of the SNS (Spanish National Health System) —a responsibility that falls to the Inter-regional Council of the National Health System— continues to be a weak point in the system which affects decision-making on the most relevant aspects.

1.3. **Housing**

Spain stands at a position very near the European average for the Fifteen, as far as housing quality indicators are concerned, although we note that there is a comparatively higher proportion of home owners in Spain, together with (and related to this) a notably higher percentage of homes with associated hefty financial burdens.

In the Spanish residential market the cycle of rising property prices persisted during 2004, and continues to eat away at the possibilities of would-be house buyers. In view of this situation, the Ministry of Housing approved the so-called «Impact Plan» (*“Plan de Choque”* on housing and land, one of whose main new features is the creation of a Public Rental Agency. The degree of compliance at national level with the 2004 programme for the Housing Plan 2002-2005 was 50 per 1,000 for a total of 71,000 actions laid down in the «Impact Plan», with satisfactory compliance as regards the objectives of newly-built subsidised housing but much less satisfactory as regards objectives for rented housing.

Although the situation in the housing market has polarised public debate in recent years, and this aspect is perceived by the population to be amongst the three problems that most concern them, other aspects, such as those arising from the social distribution of urban areas, have major repercussions on quality of life. In this vein, in recent years there has been a growing proliferation of cordoned-off luxury housing schemes («privatised cities») in Spain, accompanied by a return by the middle-class to the city centre, while the immigrant population have tended to settle in the most marginalised central urban areas.

Considering the importance of the aging process, the quality of housing occupied by the elderly has been the subject of special attention in this edition. Most of the elderly are satisfied with their housing, although this perception does not tally with their poorer living conditions, when compared with those of the rest of the population. However, this does tally with their appreciation of being able to remain in their own home and with the fact that this group are generally home owners with no financial burden in mortgage terms. The less favourable situation of these older age groups with respect to the provision of certain facilities (telephone lines, lifts in multi-storey buildings and other shortfalls as regards accessibility), while this is not quantitatively greater in scale, is qualitatively very important due to its consequences for potential communication or the mobility of the elderly.

1.4. **Sustainable development**

The Spanish environmental situation has shortfalls in comparative terms with the EU, as well as with some recognised indicators. The World Index on Environmental Sustainability (IES), which summarises twenty-one indicators organised into five different categories (environmental systems; reduction of environmental pressures; human vulnerability to these pressures; institutional capacity to respond to environmental changes; and overall administration), places Spain 76th amongst 146 countries analysed, and 19th out of 22 countries in the Union, only ahead of the Czech Republic, Poland and Belgium. Nor has the comparative position of Spain improved in the EU-25, with the accession of the new Member States.

Observing recent developments in Spain, a more problematic situation has arisen with regard to the production of urban solid waste, water and energy consumption, and greenhouse gas emissions. With regard to this last point, this country stands out by having reached almost 40% higher emissions than in 1990, the benchmark year, and holds one of worse positions in Europe. On this question, Spain has committed itself not to increase its emissions by more than 15% over base year levels (1990).

The Spanish Government has defined a system for trading emission rights in order to foment effective and economically efficient reduction of these emissions. The corresponding European regulation has recently been transposed, through the National Plan on Allocation of Emission Rights 2005-2007 which was simultaneously approved. Combined with a methodology of individual allocation that attempts to be non-discriminatory and consistent with the technical and economic possibilities of each sector, this includes a reservation for expected new entrants during the term of the Plan, respecting the share-out committed to in international agreements. Currently there are 957 industries affected in Spain, a number which will increase, by virtue of changes introduced by Royal Decree-Law 5/2005; in any case the industries included in this regulation will have to adjust to a specific allocation of emissions.

The year recorded other major environmental initiatives, such as the amendment of the National Water Plan, whose text adds a list with new action of general interest and repeals numerous articles, including those that deal with water diversions between the lower Ebro and the river basins of the Cataluña, Júcar, Segura and Sur. Also of note is the regulation on civil liability arising from damages due to marine pollution caused by hydrocarbons, which will implement the 1992 International Agreement on Civil Liability.

1.5 Consumption

During recent years the combined action of institutions and consumers' associations has produced remarkable advances in this area all over Europe, in both the defence of users and consumers and the broadening of the public's knowledge of their rights in that field. Nevertheless, major differences between countries can still be observed as regards the degree to which the culture of consumption has been consolidated: Scandinavia and Germany display a knowledge of their rights and a level of acceptance of these which is much higher than the EU average, while the Mediterranean countries, among them Spain, show signs of less development in that direction.

The balance for 2004 for Spanish household expenditure showed positive evolution, with an increase in family consumption that had not been seen since the first months of 2001. If the year-on-year rate variation for 2002 and 2003 was, respectively, 1.3% and 2%, 2004 gives a figure of 4.9%, accompanied also by a generally more optimistic mood than in previous financial years.

At the same time, Spanish households increased their level of indebtedness, reaching historic levels. Spanish families have not escaped the general increase in financial indebtedness identified in all the developed countries, and they form part of the group of countries that have experienced the greatest increases. Data from the Bank of Spain show that in 2004 total household debt reached 100% of gross disposable income, beating the average for the European Union for the first time (somewhat lower than 100%), although still below countries such as the United States and the UK.

The balance for the year offers another couple of notable advances in consumer protection as regards safety: on the one hand, the Royal Decree on the general safety of products came into effect, transposing Directive 2001/95/EC, which concerns consumer health and safety exclusively. Moreover, a range of regulations related to food safety were also approved. For some years now, since the approval of the European Regulation, this area has had an agenda and specific rules which lay down the principles and general requirements of legislation on food.

1.6. **The knowledge and information society**

In spite of the importance of the basic nature of the development and accessibility of ICTs (Information and Communication Technologies) in achieving the European objectives of economic competitiveness and social cohesion, the European Union is still revealing major weaknesses in aspects such as its contribution to the growth of productivity; the impetus of the industrial sector of ICTs itself; and its use as tools for training and employment.

Spain is still at comparatively insufficient levels as regards a fair number of ICT indicators, albeit to an unequal extent depending on the different areas. Expenditure on new technologies; the incidence of problems in the network; the development of e-trade and the unequal development of ICTs in the different Autonomous Communities all prevent, overall, a closer position to the European position. Nevertheless, aspects such as the market penetration of broadband, or the availability of public services online present a comparatively more favourable situation.

In 2003 the Spanish Government drafted an «Impact plan» to provide an impetus for e-government, which was a step forward in the supply of telematic public services to guarantee greater accessibility for the public at large at national, regional (autonomous community) and local level from any location. Although it is still early days yet to verify the effects of this plan, a certain slow-down in this business has recently been detected: in 2003 the proportion of Spanish public services available in the network was 40%, which was exactly equal to the level reached a year before, while in 2002 the position was favourable at 36% of the EU-15. In 2003, however, a gap of 5% had already been detected.

The recent boost to online services offered by Spanish government departments is evident, as is also the response from users, especially in the case of lower risk options such as information search, with a slower development for those that affect data privacy.

The telecommunications scenario in Spain is experiencing major changes as a result of the digitisation process underway in terrestrial television networks. This is an open broadcasting model based on earnings from publicity that will progressively replace traditional uncoded television. Along these lines, the Spanish Council of Ministers approved an Impetus Plan for Digital Terrestrial Television with the objective of surmounting the stagnation in the deployment and implantation of this technology two years ahead of the deadline (2012 to 2010) for the transition period (the so-called «analog blackout»).

2. Social protection

Enlargement of the Union marked a new scenario, based on the status of the new Member States as regards their social and economic situation and their social protection systems. This section sets out some of the main features, as well as Spain's relative position in terms of convergence with the European Union in aspects such as the degree of social protection or attention paid to certain needs which have required action in recent years.

This section also analyses the economic benefits of the Social Security system, fundamentally pensions and the evolution of unemployment benefit and supplementary benefit. The overview of the system is completed with policies on social inclusion and the development and implantation of social services.

2.1. **Social protection in Spain and the European Union**

A thorough knowledge of the state of social protection in the enlarged European Union is somewhat difficult, with the accession of countries which have different social structuresand protection systems, especially when compared with the original 15 members. An addition difficulty is posed by the limited data on the position of the new Member States. In any case, the data available shows an enormous gap between the old and new members of the Union in the degree of social protection, and highlights the enormous effort that will have to be made by the latter in order to converge in social policy.

In 2002 the financial effort towards social protection in the European Union, measured in terms of cost per inhabitant, maintained the upward trend of previous years in both the EU-15 as a whole and in Spain, with increases, respectively, of 2.6% and 2.8%. The slight convergence in expenditure on social protection in Spain with Europe as a whole was also reflected by this country's bigger increases in most of its key areas, with the exception of housing and policies to fight social exclusion. Nonetheless, Spain remained at a level of total expenditure per inhabitant which is half the EU average, taking third last place in the EU-15, only in front of Greece and Portugal.

The Spanish system has a financing structure that depends more than two thirds on social security contributions. Within these, contributions from employers represent more than half the total income, with still little contribution from the State. This structure, which differs remarkably from the usual in Europe, was accentuated by an increase of 0.7% in contributions from employers between 2001 and 2002 to finance the system.

In the European context, special emphasis has been placed on policies directed at increasing the employment rate of older workers and prolonging active working life, due to the importance attributed to this group as regards growth, sustainability and the adjustment of pension systems in the immediate future. The objectives defined for 2010 —to increase the employment rate of older workers to 50% and raise the average age of retirement by around 5 years— are unfortunately on the way to non-compliance, in spite of favourable progress in both cases in recent years, unless the Member States undertake a wide range of measures which must be integrated within overall strategies on active aging.

Another notable trend in the European context concerns the policies on care for dependent persons, as a consequence —to a great extent although not solely— of the increase in the population over 65 years and, particularly, greater longevity, with its implications regarding age-associated diseases and long-stay care. In Spain, also, the need has been arising in recent years to confront the phenomenon of dependency from a new perspective. There have been numerous contributions from different spheres (the Spanish parliament, the ombudsman, social organisations and research centres) which have already been recorded in debates on this question, amongst which is the recent approval of the White Paper on Care for Dependency.

2.2. **Social security**

For the sixth consecutive financial year, the Social Security system profited from a budget surplus, due particularly to the increase in income from social security contributions which, in 2004, amounted to slightly over 1% of GDP. The good performance of the General System (*Regimen General)* has been marking a gradual but continuous improvement since 1997, as regards the proportion of contributors and pensioners in the system. A key factor which explains this recent increase in numbers is the total of newly insured foreigner workers who totalled more than one million in 2004. In addition, the situation of a surplus balance for the system enabled continued new provisions to be made to the Reserve fund.

In 2004 an increase in contributions from the State was also planned, although these still represent a small percentage of the system's total budget. Key transfers, in volume terms, are those which finance non-contributory benefits, and those directed at financing supplements for minimum pensions. Public financing of these supplements will have to increase substantially in the coming years, however, in order to fulfil commitments to clarify and definitively separate the sources of the system's financing.

The relatively moderate evolution of contributory pensions, as the main pillar of protective action, has been contributing to the system's positive figures. In 2004 the number of contributory pensions reached an average of 7.87 million, with an increase of 0.76% on the previous year, continuing the trend of a gradual but progressive decrease in the growth rate. The increase in the level of minimum pensions, above general revaluation and in percentages that vary depending on the type of pensions and the pensioner's circumstances, was a notable improvement in protective cover agreed on by the social partners.

2.3. **Unemployment benefit**

In spite of the slight increase in recorded unemployment figures, in 2004 there was a further increase in the rate of unemployment benefit which confirms the rising trend observed in recent years. The rise in the number of claimants at different levels and in different programmes, with the exception of temporary agricultural workers, and the increase in benefit levels and recognised average duration of benefit, led to a significant increase in expenditure.

In 2004 the number of workers receiving unemployment benefit increased by 4.5% (1,262,400: annual average). This number confirmed a rising trend in contributions and unemployment benefit, although not in the case of temporary agricultural workers, where a further drop was recorded, in line with the objectives of the reform of unemployment benefit in 2002. The number of claimants on the active income programme for entry to the labour market saw an even greater increase, especially amongst those who came from a situation of long-term unemployment.

This increase in claimants of unemployment benefit raised the rate of cover in 2004 by 63.7% in gross terms, and 74.5% in net figures. Both percentages represent increases of around three points over 2003 benefit levels. Consequently, there was a major increase in the annual budget for the Public Government Employment Service (SPEE) to cover unemployment benefit, up 7.9% from the previous financial year.

A new regulation on the minimum wage was approved, and the amount increased. This figure has recovered its strictly work-related nature, now disassociated from any other objectives, for which a public multiple-effect income indicator has been created (IPREM).

2.4. **Supplementary social insurance**

In line with the existing broad consensus at both European and national level over the need to boost supplementary protection mechanisms for the cover provided by the public system, the Government and social partners, in the social process initiated in 2004, confirmed the advisability of giving further impetus to these mechanisms, proposing an examination of barriers to the developing those which arise specifically from collective bargaining.

From the most recent data available, in 2003 around 160,000 companies had orchestrated their commitments to pensions based on collective insurance, mainly to provide cover for almost 4.8 million workers for the contingencies of sickness or death. This represented annual increases of over 20% compared with 2002 for both figures.

Throughout 2004 there were legislative developments which had a major effect on supplementary benefits. The key measure was Royal Decree 304/2004, which approved the regulation on pension plans and funds, and another two rules which postpone the implementation of certain aspects of the pension plans and funds, such as

Royal Decree-Law 10/2004, which extends the term for adaptation of the committees which monitor employment pension plans, or Law 4/2004 on the changes in tax rates and concessions for events of public interest related to retirement awards.

2.5. Social services and social inclusion

In spite of the progress made in improving living conditions and reducing poverty in Europe, in 2001, 16% of the population of the EU-15 fell within the category of being at risk of poverty (after receipt of social benefits), and more than half of this sector is permanently low-income. The risk of poverty particularly affects groups in circumstances which make them more vulnerable, such as the unemployed, single parent families (particularly where the parent is a woman), elderly people who live alone, and large families.

In spite of the recent development of social services in Spain, their role as one of the pillars of state protection is limited by the comparatively low level of public expenditure and the unresolved problems of coordination between healthcare and social services, between the different levels of government departments, and between the organisations which provide these services.

At basic benefit level, over the course of the fourteen years of the Concerted Project, significant inroads have been made as regards cover. By 2002, 86% of the municipalities in Autonomous Communities that had taken on this commitment had already been covered, although this number has hardly varied since the year 2000. Over the years the Concerted Project has been in effect, it has been the local Corporations which have made the greatest effort of financing —56% of the total financed in 2002. This figure has now fallen somewhat, however, from the 61% level it had previously reached, with the Autonomous Communities contributing 28% and the Ministry of Labour 15%.

MAIN VARIABLES ON DEMOGRAPHIC CHANGE

Year	(1) Legal population (both genders) (thousands)	(2) Fertility rate	(3) Life expectancy at birth (years)		(4) Population originally from other countries		(5) Dependency rate of the elderly
		(N.º children/ woman)	Men	Women	Legal residents	Registered Foreigners	> 65 /16-64
1991	38,935	1.32	73.4	80.5	360,655		21.2
1992	39,055	1.32	73.8	81.0	393,100		21.6
1993	39,167	1.27	73.9	81.0	430,422		21.9
1994	39,236	1.21	74.3	81.4	461,364		22.8
1995	39,345	1.18	74.3	81.5	499,773		23.2
1996	39,669	1.16	74.4	81.7	538,984	542,314	23.7
1997	39,520	1.18	75.0	82.0	609,813		24.2
1998	39,853	1.16	75.1	82.1	719,647	637,085	24.6
1999	40,202	1.20	75.1	82.1	801,329	748,954	25.0
2000	40,500	1.24	75.7	82.5	895,720	923,879	25.2
2001	41,117	1.25	75.6	82.9	1,109,060	1,370,657	25.4
2002	41,838	1.27	75.8	83.5	1,324,001	1,977,946	25.5
2003	42,717	1.30	77.2	83.7	1,647,011	2,664,168	25.6
2004	43,198				1,977,291	3,034,326	25.7
2005	43,975				2,054,453	3,691,547	25.8

(6) National statistics Institute (INE) projection forecasts based on 2001 Census

	Scenario 1	Scenario 2	S1 and S2	S1	S2	S1	S2	Net entrant from abroad (thousands) S1	Net entrant from abroad (thousands) S2	Scenario 1	Scenario 2
2010	45,312	44,709	1.40	78.3	78.3	84.8	84.5	284.9	112.2	25.7	25.9
2020	48,665	46,063	1.51	79.8	79.7	86.0	85.4	279.7	110.3	29.7	30.7
2030	50,878	46,073	1.53	80.9	80.6	86.9	86.0	274.5	105.3	36.6	38.9
2040	52,541	45,536	1.53	81.0	80.7	87.0	86.1	269.3	104.5	47.3	52.3

Sources:

(1) Legal population: INE, *Municipal Register of Inhabitants* (data up to January, 2005).

(2) Birth rate: INE, Basic demographic indicators.

(3) Life expectancy at birth: *NewCronos*.

(4) Foreign Population: Authorised residents: MTAS, Immigration Department. Registered foreigners: INE, *Municipal Census*.

(5) Rate of dependence: INE, *Proyections on Population*.

(6) INE, *Projections on Population* (according to latest data published by the INE in May 2005 from the 2001 Census at 1 January). These projections consider two scenarios:

Scenario 1: According to the most recent trend, net entries of foreigners to Spain are on the increase up to 2010, after which this rate will remain constant. According to this hypothesis, total entries for 2007-2059 total 14.6 million people.

Scenario 2: According to Eurostat, indicates a greater drop in net entry in the medium term. Net entries of foreigners for 2002-2006 are as in Scenario 1. From that year on, the downward trend up to 2010 puts entries at around 100,000 per year for 2007-2059, so that total entry would stand at 5.8 million people.

EDUCATION INDICATORS FOR THE EUROPEAN UNION

Member State	% of the population aged 25 to 64 — Having completed upper secondary education (1), 2003		In education or training, 2004 (2)	% of the population aged 20 to 24 having completed secondary education, 2004 (3)	% of early school-leavers (2) 2004 (4)	Proportion of young people not having acquired the statutory minimum level of key skills at age 15 (5)				Foreign-language learning (6)			Science and technology graduates, 2003 (7)
						Spanish		Maths 2003	Science 2003	Primary Ed.	Secondary Ed.		
	M	W	Total	Total	Total	Total 2000	Total 2003	Total	Total	% pupils learning a language	1 st stag e	2 nd stag e	Total
UE 15	—	—	10.1	73.5	18.0	—	—	—	—	—	—	—	—
UE 25	68.8	64.0	9.4	76.4	15.9	—	—	—	—	—	—	—	—
Belgium	61.4	61.4	9.5	82.1	11.9	19.0	17.9	16.5	16.5	—	1.3	2.2	10.5 (i)*
Czech Republic	92.6	84.2	6.3	90.9	6.1	17.5	19.3	16.6	11.6	42.6	1.0	1.9	6.4
Denmark	83.0	80.9	27.6	76.1	8.1	17.9	16.5	15.4	22.7	48.2	1.6	2.2	—
Germany	87.4	79.6	6.0	72.5	12.8	22.6	22.3	21.6	18.8	—	1.2	1.4	8.4
Estonia	87.1	89.2	6.7	82.3	13.7	—	—	—	—	79.9	2.0	2.3	6.6 (i)*
Greece	55.9	52.3	3.7	81.7	15.3	24.4	25.3	38.9	21.7	96.5	2.2	1.1	—
Spain	**43.3**	**42.2**	**5.2**	**62.5**	**30.4**	**16.3**	**21.1**	**23.0**	**19.1**	**84.5**	**1.4**	**1.2**	**12.2***
France	67.0	62.3	7.8	79.8	14.2	15.2	17.5	16.6	16.6	45.0	1.5	1.9	22.2
Ireland	59.1	64.4	7.2	85.3	12.9	11.0	11.0	16.8	13.1	3.2	1.0	0.9	24.2
Italy	47.4	46.4	4.7	69.9	23.5	18.9	23.9	31.9	21.2	73.7	1.2	1.2	7.4*
Cyprus	69.6	62.7	9.3	80.1	18.4	—	—	—	—	53.0	2.0	1.6	3.8 (i)*
Latvia	79.2	85.3	9.1	76.9	15.6	30.6	18.0	23.7	17.2	51.3	1.5	1.9	8.6
Lithuania	84.4	87.6	6.5	86.1	9.5	—	—	—	—	39.8	1.7	1.7	16.3
Luxembourg	66.1	57.1	6.3	—	—	35.1	22.7	23.0	21.4	100.0	2.5	3.1	— (i)
Hungry	78.1	70.1	4.6	83.4	12.6	22.7	20.5	—	14.8	—	0.7	1.2	4.8
Malta	23.8	17.0	5.0	47.9	45.0	—	—	—	—	100.0	2.2	1.1	3.1*
Holland	71.1	64.1	16.5	—	—	—	11.5	10.9	11.1	33.3	2.0	1.6	7.3
Austria	85.2	72.5	12.0	85.3	9.2	14.6	20.7	18.8	18.5	—	—	—	8.3
Poland	83.4	80.7	5.5	89.5	5.7	23.2	16.8	22.0	17.7	—	1.3	1.9	9.0
Portugal	20.4	23.9	4.8	49.0	39.4	26.3	21.9	30.1	23.5	—	—	—	8.2
Slovenia	81.9	75.0	17.9	89.7	4.2	—	—	—	—	47.6	1.0	2.0	8.7
Slovakia	90.1	83.2	4.6	91.3	7.1	—	—	—	—	37.0	1.1	2.0	8.3
Finland	74.0	77.1	24.6	84.6	8.7	7.0	5.7	6.8	5.7	68.1	2.2	2.8	17.4*
Sweden	80.4	83.7	35.8	86.3	8.6	12.6	13.3	17.3	16.1	77.7	1.7	2.2	13.9
United Kingdom	72.9	60.4	21.3	76.4	16.7	12.9	—	—	—	—	—	—	19.5 (i)*

(M): Men; (W): Women.

Sources: (1) Eurostat, *Portrait of the European Union, 2004*.

(1) According to the CNED-2000- ISCED-97 correspondence, this level includes the second stage of secondary education (general-«bachillerato»- and middle level of vocational training and special scheme) and job-related training for entry to the labour market. These courses require a first-stage qualification in secondary education. (2, 3,4 and 7-(i)specific notes in each country indicated, which show different population included, year of reference or methodology used. * Data 2002-) Eurostat, *Key Indicators on EU Policy. Structural Indicators* [europa.eu.int/comm/eurostat/new-cronos/reference], (5) OECD, *Learning for Tomorrow's World* [www.pisa.oecd.org/document], (6) MEC, *Figures on education in Spain. Statistics and Indicators*, 2004.

(2) Percentage of early school leavers who do not continue with their education or training.

COMPARATIVE INDICATORS ON HEALTH AND THE HEALTHCARE SYSTEM IN THE EU-15, 2000-2001

General indicators	EU 15	Germany	Austria	Belgium	Denmark	Finland	France	Greece	Holland	Ireland	Italy	Luxembourg	Portugal	UK	Sweden	Spain
General indicators, 2000-2001																
Life expectancy at birth (years)																
Men, 2000	75.3	74.7	75.4	74.6	74.5	74.2	75.2	75.5	75.5	74.2	76.3	74.9	72.7	75.4	77.4	75.5
Women, 2000	81.4	80.7	81.2	80.8	79.3	81.0	82.7	80.6	80.5	79.2	82.4	81.3	79.7	80.2	82.0	82.7
Life expectancy at age 65 (years)																
Men, 2000	—	15.5	16.2	15.5	15.2	15.5	16.5	16.3	15.3	14.6	—	15.6	14.7	15.6	16.7	16.1
Women, 2000	—	19.2	19.6	19.5	18.3	19.3	20.9	18.7	19.2	17.7	—	19.8	18.3	18.9	20.0	20.1
Potential years of life lost before age 70																
Men, 2000	—	26.7	26.4	—	31.9	25.5	25.9	26.2	28.9	30.0	23.4	27.5	31.4	29.5	22.1	23.9
Women, 2000	—	51.2	51.4	—	51.1	56.0	56.1	54.0	43.1	54.3	45.0	52.1	70.7	48.2	37.5	53.1
Population > 65 (% population), 2000	—	16.4	15.5	17.0	15.0	14.9	16.0	17.6	13.7	11.3	18.1	14.4	15.6	15.8	17.4	17.0
Infant mortality/1000 bom alive, 2000	4.7	4.4	4.8	4.8	5.3	3.8	4.6	6.1	5.1	5.9	4.5	5.1	5.5	5.6	3.4	4.6
Mortality due to cancer/100,000,																
Men, 2000	—	232.7	215.3	—	251.5	191.6	259.4	209.6	260.8	241.2	240.6	250.8	228.5	227.8	184.2	243.8
Women, 2000	—	139.0	132.6	—	185.7	118.3	117.9	108.4	151.1	161.4	120.9	132.0	112.9	155.9	129.3	104.9
Fertility (n.º children/woman), 2001	1.5	1.3	1.3	1.7	1.3	1.7	1.9	1.3	1.7	2.0	1.3	1.7	1.4	1.6	1.6	1.3
Unhealthy lifestyles, 2000																
Alcohol consumption (litres/year/capita > 15 years)	—	10.5	11.3	10.2	11.5	8.6	10.5	9.4	10	13.7	8.7	14.9	13	10.2	6.2	11.7
Tobacco smoking (% smokers)	—	24.7	—	31	30.5	23.4	27	35	32	27	24.4	32	20.5	27	18.9	31.7
Obesity (Body mass index > 30)	—	11.5	9.1	11.7	9.5	11.4	9	—	9.3	10	8.6	—	12.8	22	9.2	12.6
Health resources, 2000																
% employees in healthcare and social services/total working population, 2000	9.5	9.9	8	11.9	17.4	13.9	10.4	4.7	14.4	8	6.1	8.1	5.1	10.8	18.5	5.3
Practising doctors/1000	—	3.3	3.8	3.9	3.4	3.1	3.3	4.5	3.2	2.2	4.1	2.5	3.2	2.0	3.0	3.3
Practising nurses/1000	—	9.6	9.2	—	9.5	14.7	6.7	3.9	13.4	14.0	5.2	10.1	3.7	8.8	8.8	6.6
Hospital beds/100,000 inhabitants, 1999	630	920	712	716	440	761	834	489	497	485	489	562	480	413	374	413
Use of health services, 2000																
Average hospital stay for																
10 main diagnostic groups, 1999	—	10.5	9.3	8.6	5.4	10.6	6.2	9.8	8.7	4.8	7.1	6.4	7.0	8.4	6.7	9.1
Hospital discharges/1000 inhabitants	—	197	284	154	188	257	250	154	93	127	155	229	74	—	165	113
Surgecy visits per capita	—	—	6.7	7.9	6.1	4.3	6.9	2.5	5.9	—	6.1	6.1	3.4	4.9	2.8	8.7
Healthcare spending indicators, 2001 (1)																
Health spending (% GDP) (1)	—	10.7	7.7	9.0	8.6	7.0	9.5	9.4	8.9	6.5	8.4	—	9.2	7.6	8.7	7.5
Health spending per inhabitant ($ PPP converted)	—	2,808	2,191	2,490	2,503	1,841	2,561	1,511	2,626	1,935	2,212	2,719	1,613	1,992	2,270	1,600
Public health spending (% GDP)	—	8.0	5.3	6.4	7.1	5.3	7.2	5.2	5.7	4.9	6.3	—	6.3	6.2	7.4	5.4
Public health spending per inhabitant ($ PPP converted)	—	2,104	2,063	1,392	1,947	846	1,663	1,470	1,666	2,386	1,113	1,637	1,935	1,143	—	—
Average annual % growth 1999-2001	—	2.0	0.3	4.1	2.2	3.3	3.7	3.1	3.0	10.4	8.3	–1.7	5.8	6.1	3.9	2.2

Source: OCDE, *Health at a Glance*. OECD Indicators, 2003, OECD 2004.

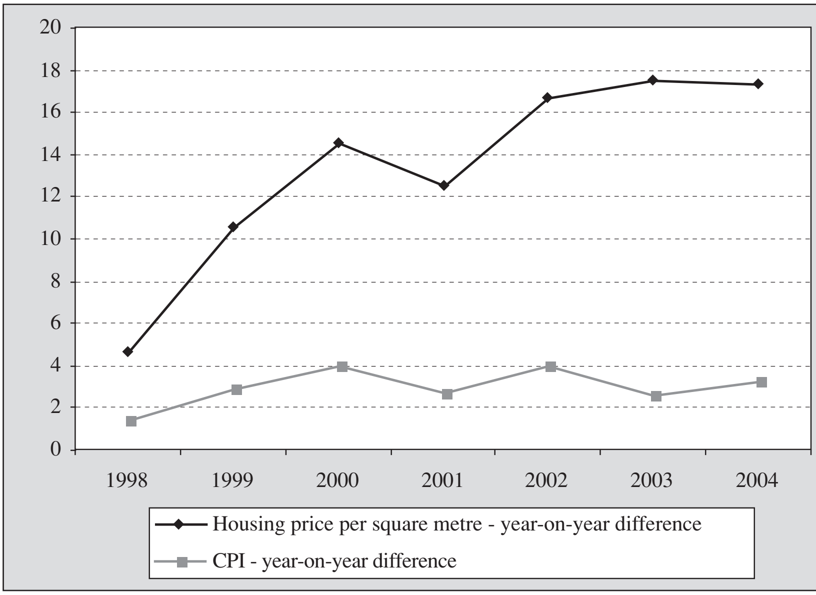
ENVIROMENTTAL INDICATORS, EU-25

Países	Urban solid waste (USW) (kg per capita) 2003			USW produced [1]	Hazardous waste[1] (thousand tm)		Energy intensity of the economy, 2002	Use of renewable energies, 2002	Coastal erosion, 2001	Freshwater collection, 2001[5]		Greenhouse gas emission[2] (in CO_2 equivalents), 2002		Goods transport by road, 2003	Environmental spending in the public sector[3], 2000 (% GDP)		Revenue from environmental taxes and social contributions, 2001	Nature reserves and special bird protection areas, 2003 (% national territory)	
	Collected	Landfills	Incinerated	(thousand t)	Produced	Recovered	(Gross energy consumption/ GDP in Ktep/1000 euros	(% electricity output of total consumption)	(% of total coast-line)	(M m^3)	(Per capita)	(1990=100)	(10^3 Mt per capita[4])	(Mt/km, %)	Total	Investment	(% total)	NRs	SBPAs
Belgium	446.0	56.0	159.0	—	776.0	634.0	214.3	2.3	25.5	—	—	102.1	14.5	76.5	0.512	0.123	5.5	9.9	14.1
Czech Republic	280.0	201.0	39.0	2,845.0	2,817.0	1,003.0	930.5	4.6	—	1,838.7	179.1	74.3	14.0	74.0	—	0.540	—	—	—
Denmark	675.0	34.0	363.0	3,587.0	194.0	185.0	122.8	19.9	13.2	707.5	—	99.2	12.8	92.1	1.275	0.328	9.4	7.4	5.9
Germany	638.0	127.0	146.0	48,836.0	15,542.0	10,464.7	165.7	8.1	12.8	38,006.2	—	81.1	12.3	67.8	0.511	0.170	6.2	7.0	7.6
Estonia	418.0	274.0	0.0	481.1	5,965.8	141.1	1,155.7	0.5	2.0	1,471.1	1,072.1	44.8	14.3	39.9	0.222	0.180	—	—	—
Greece	428.0	393.0	0.0	4,640.1	391.0	114.0	258.4	6.0	28.6	—	—	126.5	12.3	98.2	0.618	0.168	7.5	16.4	4.7
Spain	**609.0 (e)**	**361.0 (e)**	**40.0 (e)**	**26,340.0**	**3,063.4**	**1,300.4**	**229.3**	**13.8**	**11.5**	**38,544.2**	**655.7**	**139.4**	**9.8**	**94.3**	**0.755**	**0.432**	**6.2**	**22.6**	**15.5**
France	561.0 (e)	214.0 (e)	189.0 (e)	32,174.0	7,000.0	222.0	189.6	13.4	24.9	30,931.8	—	98.1	9.3	78.8	0.897	0.280	4.4	6.8	1.8
Ireland	732.0 (e)	505.0 (e)	0.0	2,364.2	370.0	153.0	164.2	5.4	19.9	—	—	128.9	17.7	97.5	—	—	7.6	10.7	2.9
Italy	523.0 (e)	323.0 (e)	49.0 (e)	—	4,057.7	1,903.1	184.2	14.3	22.8	—	—	109.0	9.6	89.5	0.737	0.126	7.1	14.7	7.8
Cyprus	724.0	653.0	0.0	500.0	52.0	—	279.6	0.0	37.9	175.0	231.9	—	—	100.0	—	—	—	—	—
Latvia	362.0	248.0	10.0	—	82.1	—	749.3	39.3	32.8	257.7	109.0	36.9	4.5	27.5	0.012	0.005	—	—	—
Lithuania	263.0	263.0	0.0	1,000.0	111.0	83.8	1,273.1	3.2	24.3	2,768.0	795.4	39.8	5.8	50.0	0.100	0.072	—	—	—
Luxembourg	658.0 (e)	149.0 (e)	274.0 (e)	285.3	197.1	72.2	198.5	2.8	—	—	—	84.9	24.3	92.0	—	—	6.9	14.8	5.4
Hungry	463.0 (e)	390.0	24.0	4,290.1	950.9	365.0	574.2	0.7	—	4,552.2	546.9	69.0	7.7	66.6	—	—	—	—	—
Malta	549.0	549.0	0.0	—	4.4	—	268.2	0.0	4.1	17.1	44.9	128.5	7.2	100.0	0.179	—	—	—	—
Holland	599.0	16.0	197.0	9,953.0	1,500.0	339.0	202.2	3.6	10.5	8,813.0	—	100.6	13.3	67.2	0.904	—	9.5	9.5	1.6
Austria	610.0	183.0	65.0	4,634.0	972.0	—	147.2	66.0	—	—	—	108.5	10.5	67.4	0.616	0.017	5.7	10.6	14.8
Poland	260.0	251.0	1.0	—	1,308.0	406.0	650.1	2.0	55.1	11,598.7	300.1	67.7	9.9	60.8	0.793	0.432	—		
Portugal	452.0	338.0	98.0	—	595.0	—	255.0	20.8	28.5	—	—	141.0	7.9	93.1	0.631	0.286	8.4	17.4	10.2
Slovenia	451.0	344.0 (e)	3.0 (e)	862.1	67.5	—	343.2	25.9	30.4	293.3	153.2	98.7	10.2	59.0	0.174	0.168	—	—	—
Slovakia	319.0 (e)	222.0 (e)	29.0 (e)	—	1,630.0	—	964.8	18.6	—	1,138.5	210.7	71.8	9.6	61.2	0.140	0.100	—	—	—
Finland	450.0	285.0	41.0	2,500.0	1,202.0	135.0	272.0	23.7	0.0	—	—	106.8	15.8	75.3	0.391	0.090	6.6	12.7	6.8
Sweden	471.0	64.0	212.0	—	139.0	—	224.3	46.9	2.4	2,689.0	303.3	96.3	7.8	64.5	0.209	0.033	5.4	13.9	6.2
United Kingdom	610.0	460.0	45.0	—	5,196.1	1,044.5	214.5	2.9	17.3	—	—	85.1	11.0	89.8	0.486	0.022	7.6	6.5	5.8

(e) Estimated.
(1) Last year available.
(2) Greenhouse gases.
(3) Data for 1999 are in italics.
(4) Figures for Italy and the United Kingdowm refer to 2001.
(5) Figures in italics refer to 2000.

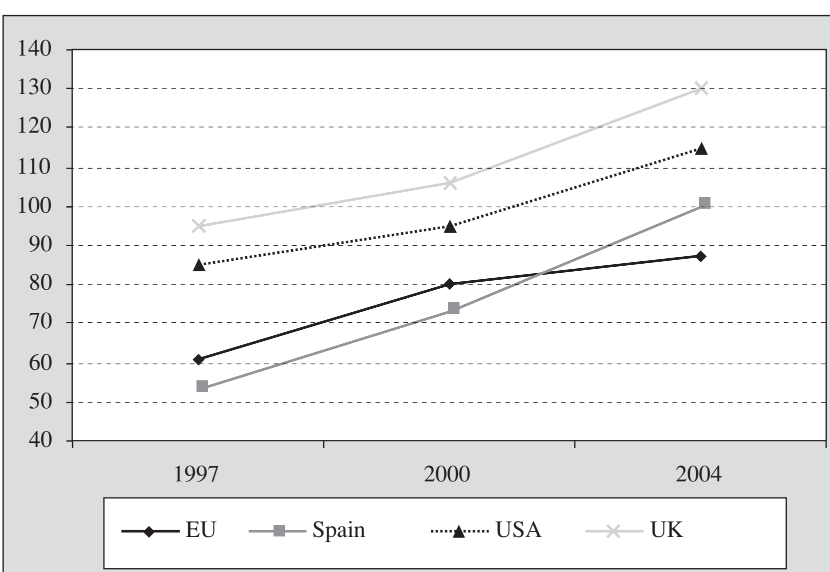
Source: EUROSTAT.

YEAR-ON-YEAR VARIATION IN HOUSING PRICES AND THE CPI, 1998-2004



Source: Ministry of Development, *Statistical Bulletin* and Ministry of Finance and Housing, *Economic Indicators*.

RATIO OF CONSUMER DEBT
(Debt/Gross disposable income)



Source: Bank of Spain.

ICT INDICATORS EU-25

Country	Mobile telephony subscribers, 2002-2003 (%)	Internet access (%) Users*	Internet access (%) Homes	Internet access (%) Companies	Internet access (%) SMEs	E-learning (%), 2004 Individuals	E-learning (%), 2004 Companies	Broadband access (%), 2004 Homes	Broadband access (%), 2004 Companies	Broadband access (%), 2004 User penetration	Spending (% GDP), 2004 IT	Spending (% GDP), 2004 C	Spending (% GDP), 2004 ICT	E-commerce, 2004 (% Internet sales)	Distance, working, 2004 (1) (% companies)	Use of e-government services (%), 2004 Individuals	Use of e-government services (%), 2004 Companies	Internet security: viruses (%), 2004 Individuals	Internet security: viruses (%), 2004 Companies
EU 15	83.5	42	45	90	90	10.6 (i)	18.0	—	55.0	7.6	2.9	3.2	6.1	2.3	18.0	—	49.0	10.7 (i)	27.0
EU 25	—	39	42	89	89	—	19.0	—	53.0	6.5	2.9	2.6	5.5	—	16.0	—	51.0	—	26.0
Belgium	—	—	—	96	96	—	14.0	—	70.0	14.0	2.9	3.4	6.3	1.5	29.0	—	60.0	—	29.0
Czech Republic	84 (i)	20 (i)	15	90	90	—	—	1.0 (i)	38.0	0.7	3.4	4.8	8.2	1.9	4.0	—	75.0	5.3 (i)	27.0
Denmark	—	70	69	97	97	14.1	9.0	36.0	80.0	15.6	3.4	3.1	6.5	4.4	45.0	44.0	85.0	24.3	32.0
Germany	78.5	50	60	94	94	12.2	20.0	18.0	54.0	6.7	2.9	3.0	5.9	2.7	22.0	33.0	36.0	22.7	23.0
Estonia	65 (i)	45	31	90	90	20.6	25.0	20.0	68.0	7.6	2.6	6.4	9.0	1.1	18.0	20.0	84.0	10.4	36.0
Greece	—	17	17	88 (i)	87 (i)	7.8	31.0 (i)	0.0	13.0 (i)	0.2	1.2	3.6	4.8	0.2 (i)	20.0 (i)	8.0	—	2.6	43.0 (i)
Spain	**92.1**	**29** (i)	**34**	**87**	**87**	**7.5** (i)	**27.0**	**15.0**	**72.0**	**6.7**	**1.5**	**3.2**	**4.7**	**0.4**	**9.0**	—	**50.0**	**12.0** (i)	**29.0**
France	69.9	—	34	83 (i)	82 (i)	—	—	—	49.0 (i)	8.2	3.1	2.5	5.6	—	—	—	—	—	—
Ireland	85.8	27	40	92	91	6.9	21.0	3.0	32.0	1.7	1.6	2.7	4.3	12.8	24.0	14.0	69.0	9.2	41.0
Italy	97.6	26	34	87	87	—	8.0	—	51.0	6.1	1.8	3.2	5.0	1.2	7.0 (i)	—	65.0	—	22.0
Cyprus	58 (i)	28	53	82	82	9.6	49.0	2.0	35.0	2.0	—	—	—	—	16.0	11.0	35.0	9.1	28.0
Latvia	39 (i)	27	15	85 (i)	85 (i)	8.7	—	5.0	—	1.5	2.5	7.3	9.8	—	—	13.0	—	11.1	
Lithuania	47 (i)	26	12	81	80	19.6	48.0	4.0	50.0	2.5	1.6	4.8	6.4	1.6	10.0	10.0	65.0	12.4	33.0
Luxembourg	—	59	59	85 (i)	85 (i)	13.5	10.0 (i)	16.0	39.0 (i)	5.7	—	—	—	—	24.0 (i)	45.0	65.0 (i)	32.8	24.0 (i)
Hungry	68 (i)	21	14	78	77	10.0	10.0	6.0	—	2.2	2.8	5.5	8.3	—	5.0	16.0	35.0	9.9	22.0
Malta	70 (i)	—	—	—	—	—	—	—	—	3.5	—	—	—	—	—	—	—	—	—
Holland	—	—	59	88	88	—	9.0	20.0 (i)	54.0	14.7	3.5	3.4	6.9	—	25.0	—	47.0	—	41.0
Austria	—	46	45	94	93	8.4	23.0	16.0	55.0	8.7	2.9	3.2	6.1	1.0	18.0	21.0	74.0	16.2	32.0
Poland	36 (i)	22	26	85	85	3.5	36.0	8.0	28.0	0.5	2.8	7.2	10.0	1.3	4.0	13.0	74.0	9.6	22.0
Portugal	89.8	25	26	77	77	5.9	18.0	12.0	49.0	6.4	2.0	4.6	6.6	1.3	13.0	13.0	57.0	5.6	26.0
Slovenia	77 (i)	33	47	93	93	9.9	30.0	10.0	62.0	3.8	2.2	4.0	6.2	—	16.0	13.0	47.0	13.8	29.0
Slovakia	54 (i)	—	—	—	—	—	—	—	—	0.4	2.4	3.7	6.1	—	—	—	—	—	—
Finland	—	63	51	97	97	20.4	32.0	21.0	71.0	11.0	3.4	3.2	6.6	—	31.0	45.0	91.0	19.3	51.0
Sweden	—	75	—	96	96	4.2	19.0	—	75.0	12.1	3.9	3.7	7.6	2.8 (i)	39.0	39.0	92.0	20.7	30.0
United Kingdom	83.7	49	56	87	86	16.6	—	16.0	44.0	7.4	4.0	3.7	7.7	2.3	—	22.0	33.0	19.5	—

IT: Information Technologies.
C: Telecommunications.
(*): At least once a week.
(i): Figures on 2003.

Source: Eurostat; (1) *eEurope+ Benchmarking* (Enterprise Survey).

DEGREE OF SOCIAL PROTECTION IN THE EUROPEAN UNION, 1994-2002

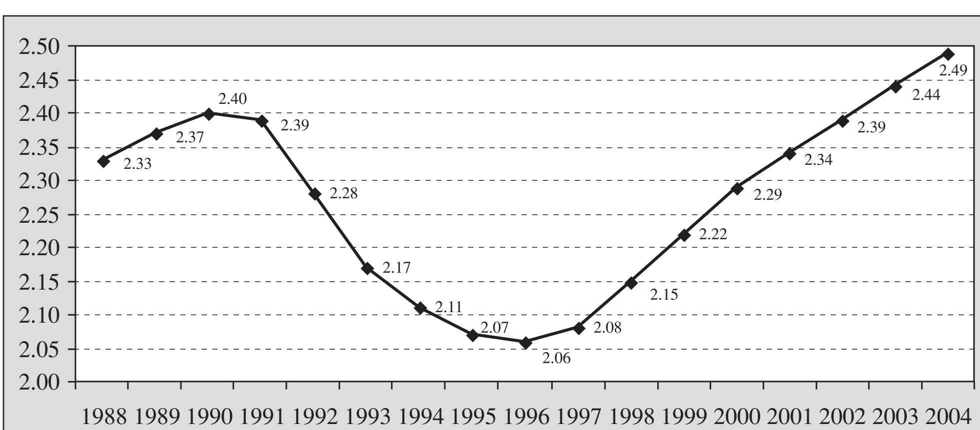
(Expenditure on social welfare in SEEPROS terms per inhabitant in euros at constant 1995 prices)

Country	1994	1995	1996	1997	1998	1999	2000p	2001*	2002*
Germany	6,247	6,647	6,754	6,460	6,528	6,786	6,863	6,932	7,112p
Austria	6,384	6,656	6,610	6,419	6,578	6,920	6,941	7,038	7,228
Belgium	5,712	5,867	5,868	5,699	5,770	5,926	5,973p	6,099*	6,187*
Denmark	8,231	8,479	8,436	8,217	8,308	8,446	8,447	8,590	8,782
Spain	2,565	2,516	2,591	2,514	2,531	2,603	2,693p	2,756p	2,835p
Finland	5,646	6,159	6,100	5,940	5,767	5,833	5,784	5,858	5,999
France	5,997	6,133	6,244	6,184	6,331	6,498	6,587	6,733	6,945p
Greece	1,946	1,917	1,981	2,082	2,105	2,332	2,482	2,576	2,623
Holland	6,136	6,340	6,165	6,027	6,026	6,153	6,232	6,338	6,543p
Ireland	2,605	2,669	2,756	3,043	2,963	3,117	3,332	3,758	4,136p
Italy	4,158	3,631	4,026	4,278	4,255	4,354	4,446	4,657p	4,736p
Luxembourg	7,498	7,998	8,164	8,135	8,272	8,929	9,100	9,534	10,181p
Portugal	1,696	1,824	1,798	1,867	1,992	2,143	2,249	2,383	2,537p
United Kingdom	4,442	4,175	4,336	5,173	5,326	5,538	6,352	6,437	6,563p
Sweden	7,718	7,437	8,065	7,891	7,758	8,074	8,522	7,964	8,449p
EU 15	4,913	4,986	5,065	5,070	5,129	5,129	5,352p	5,465*	5,606*

p: Provisional data.
* Estimated data.

Source: Eurostat, *European social statistics: Social protection. Expenditure and receipts, data 1994-2002*.

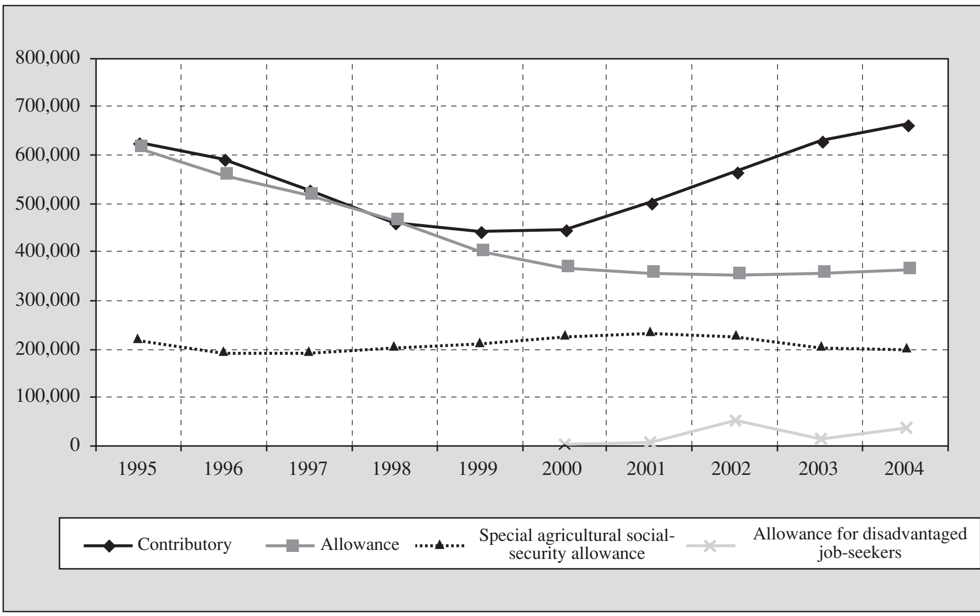
RATIO OF INSURED PERSONS TO PERSIONERS, 1988-2004



Source: MTAS, Department of Social Security, *Economic and Finalcial Report on the Social Security Budgets, 2005*.

CLAIMANTS OF UNEMPLOYMENT BENEFIT

(By Type of benefit)



Source: MTAS [www.mtas.es/estadisticas/BEL]. February, 2005.