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INFORME DIGITALISATION OF THE ECONOMY

UPDATE ON REPORT 3|2017

CONCLUSIONS
AND PROPOSALS



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INFORME 01|2021 DIGITALISATION OF THE ECONOMY

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Although only three years have passed since the previous Report – Report 3/2017, *Digitalisation of the Economy* – the ESC considers it appropriate to reconsider this topic because it is an ongoing process that is changing economic and social reality.

The pandemic has speeded up the digital transition of the Spanish economy. Much of Spain's economic and social activity has had to be transferred to the Internet because of the limited physical interaction required by the health situation, and the degree of digital penetration has been a determining factor in coping with this atypical situation.

The digital transformation today is offering Spain a tool that will help lay the foundations of recovery according to a different growth pattern, leading to greater economic resilience and allowing for stable, sustainable and inclusive development in the medium and long term. It should also aim to place Spain among the economic leaders in this field.

A review of the main debates

The process of digitalisation not only brings greater dynamism but is also transforming economies and societies, requiring new reflections on the impact of the technological changes for existing paradigms.

Since 2017, the debate has continued on the impact of digitalisation on productivity and employment. Greater consideration has been given to the effects of increasing business concentration on economic equilibria and the foundations of the industrial economy or to the need for international agreements on matters such as digital taxation. But alongside these ongoing debates, others are still open but now involve a new dimension relating to global governance of the digitalisation process and, therefore, to the possibility that this transition will have a positive outcome. There is a proliferation of geopolitical and technical discussions on global technological deployments, the ethical limits for artificial intelligence developments, and new problems arising in connection with data ownership and privacy and cybersecurity.

The ESC considers it desirable to reach a multilateral agreement on global governance of the process of digitalisation and to turn it towards the common good, stressing the recent draft recommendation from UNESCO on the ethics of artificial intelligence, the aim being to make it a worldwide regulatory instrument.

But the ESC is aware that multilateralism requires long processes of deliberation and negotiation among many countries with different interests. In this area, they are also facing great acceleration of technological change and of unwanted consequences for economic and social balance.

The Council understands that some countries or blocs, such as the European Union, are calling for relative “digital sovereignty” to guarantee that they can control digital developments or, at least, their effects on society.

The promotion of digitalisation in the European Union

The current situation of digitalisation in the European Union, based on the International Digital Economy and Society Index (I-DESI), indicates that the situation of the European Union as a whole is comparable with that of other countries, although the divide remains with respect to the most advanced, such as the United States, Japan, South Korea and China. Moreover, there is still an internal divide between member states, with significant differences in some areas, as already stated in the previous report by the ESC.

Since the European Union as a whole runs the risk of lagging behind countries that are more digitally advanced, a determined effort must be made by both the community and the member states themselves. The aim must be to not be left behind and to lead this process of digitalisation, reducing the divide that exists with other countries and also progressing towards greater convergence in the degree of digitalisation among member states, some of which are in the lead internationally.

With this initial diagnosis and considering that the initiatives taken up to 2019 within the community aiming to achieve a single digital market did not manage to place the European Union among the leaders in the field of digitalisation, at the start of a new mandate the European Commission placed priority on the digital transition, together with the ecological transition in its strategy for sustainable and inclusive growth.

The approval in February 2020 of the digital package as a new European strategy for the digital transition and its implementation of continuous initiatives since then reflect the effort being made in this process. There are three key goals: technology at the service of the people, a fair and competitive economy that will lead towards a real single European market for data based on European regulations and values, and an open, democratic and sustainable society that will strengthen European identity. The role of social dialogue and of social partners across Europe is fundamental for the adoption of this strategy.

The ESC believes that this European approach to the digital transition based on the European economic and social framework and its regulatory framework should be a model

for other countries to follow. Common digital standards should be developed and promoted internationally.

In addition, the rapid changes taking place in the process of digitalisation and global competition to lead this process are forcing the European Union to develop a firm strategy to face the digital transition with a global vision. And the arrival of COVID-19 in 2020 has created a scenario of rapid digitalisation in all member states that previously was unimaginable.

The ESC shares the consensus on the need for a great effort and determined action on the part of the European Union to face the ongoing challenge of the digital transition. A strategic dimension is needed so that, as stated by the European Council, the European economic base can be consolidated, guaranteeing technological sovereignty, strengthening global competitiveness, facilitating the ecological transition, creating employment and improving the life of citizens.

This new European digital strategy needs to aim for a fast recovery after the pandemic, reducing the digital imbalance with competitors and the dependence on third-country technologies and platforms, while protecting assets, enhancing competitiveness and innovation in supply chains and guaranteeing harmonised regulation. This must include the protection of citizens' and companies' digital rights and offer solutions to the problems of competition in global markets.

In essence, it is necessary to achieve "European digital sovereignty" and build a true single digital market, which is able to lay down standards, take its own technological decisions and develop and deploy strategic digital capabilities and infrastructures.

And all this must be based on European fundamental rights and values in the framework of our European economic and social model, guaranteeing "digital resilience".

To achieve these goals, appropriate measures must be drawn up in the European Union as a whole and in each of the member states. Coordination and collaboration between member states and between public and private efforts are needed, as is a sufficient financial framework allowing the measures to be adopted.

Approval of the Multiannual Financial Framework 2021-2027 in December last year lays the basis for this funding but of special importance is the historical agreement reached on a plan for economic recovery on a European scale, *Next Generation EU*. This plan will give added impetus in the form of investments and is decisive for the digital transition, because at least 20 per cent of the funds from the Recovery and Resilience Facility, which concentrates 90 per cent of the resources, should be allocated to digital transition projects.

The ESC welcomes both the articulation and the orientation of the Recovery and Resilience Plan and the opportunity presented by such resources for speeding up and creating

without delay strategic investments addressing the digital transformation. The impact of this investment effort must be lasting and positive for the economy and for society.

It is therefore important to draw up specific investment projects to be adopted over the next three years in order to develop a competitive and resilient digital ecosystem that will be a landmark, turning the European Union into a global digital actor.

Also needed is public-private collaboration, since the aim of the public investment coming from the Recovery and Resilience Facility should be to stimulate private investment by means of its multiplying effect.

Also, cross-frontier projects and investments led by more than one member state should be promoted to allow for projects based on partnerships between various countries and various enterprises.

Digitalisation of the Spanish economy

In spite of significant achievements in some areas of the digital transition average, Spain shares with Europe the need to make firm advances in its process of digitalisation. Although the usual markers for such an assessment indicate that Spain has a digital performance, in fact, the use of digital technologies is small considering its potential, and is very far from that of the global powers that are leading the digital transformation. Moreover, Spain is clearly behind in the integration of digital technologies in production and in the creation of human capital with basic digital skills.

It has been found that the digital transformation in Spain may be affected by the lack of training and skills, low investment in R&D+I and in intangible assets or the large presence of small and medium companies. These have low levels of digitalisation in their business fabric because they face special difficulties in their processes of digitalisation. Such weaknesses increase the vulnerability of the Spanish economy to the risks of the digital transition and limit its capacity to take full advantage of this transformation.

However, the ESC considers it necessary to remember that no risk is pre-determined and everything depends on how Spain faces the challenges of digitalisation. Full advantage must be taken of its strengths, of which perhaps the clearest is the extensive coverage offered by communications infrastructures: also the presence of large digitalised firms or digital ecosystems that may have a pull effect on activity as a whole. But to take up the full potential offered by digitalisation, it is necessary to combine investment in information and communication technologies (ICT), artificial intelligence and other ground-breaking innovations with investment in intangible assets, especially bearing in mind that Spain is lagging behind in such assets.

The general aim must be to take up the opportunities offered by this transition to the Spanish economy and to society as a whole. Specifically, a more balanced and sustainable growth pattern should be established to give greater added value and capacity for innovation to production activity. That is, there should be an extensive transformation of production in

terms of both growth and employment. This urgent transformation must take up the huge opportunity provided by the European funds and by the wave of innovations appearing on the horizon.

Employment in the digital environment

Human capital is the weak point for digitalisation in Spain. Although it has improved comparatively in recent years and is not far from the European average, it is still way behind with regard to more advanced countries, especially in sophisticated digital capabilities and in the creation and/or attraction of digital talent, as well as in the role of women in this field. This comparative position also has to be considered in today's context of rapid digitalisation, which has been especially marked since the start of the pandemic.

The latest data pinpoint the problems stemming from structural features of the Spanish working population and from the productive specialisation of the economy. Firstly, the average educational level is still low and, especially among women, places low weight on the STEM subjects (science, technology, engineering and mathematics). Secondly, there has been a gradual decrease in the weight of employment in jobs requiring medium-level skills, in line with the process of polarisation that is common to all developed economies but referring here precisely to certain activities, specifically, hospitality and retail, which are particularly relevant in the Spanish economy and in total employment. Thirdly, levels of employment are lower and unemployment higher. The latter is concentrated among lower educational levels, with the worst results for young people and women, and is probably associated with higher levels of temporary employment.

Such features, which explain the differential impact of the health crisis on the working population in Spain, also entail greater risks and problems for the digital transition, in two respects: greater exposure for some jobs to possible substitution and, above all, the need for people to adapt to their jobs because of changes in content arising from digitalisation. However, at the same time, employment has proved to be noticeably resilient, partly because of the sharp increase in teleworking, which points to great potential for digitalisation in many jobs.

The ESC, however, considers that digitalisation might afford an opportunity to achieve more balanced and sustainable sectoral composition of production activity, especially in terms of growth and employment provided that appropriate policies are adopted. The social partners should play an important role in the conception and governance of such policies. Digital technologies are leading to substantial changes in many areas of production activity. They affect the efficiency of processes, alter firms' business strategies and modify the structures of markets and the competitive environment, all of which lead to radical changes in the demand for labour. But such technologies can also be a powerful tool for transforming the supply of labour, opening up new resources for education and lifelong learning, with

greater potential scope regarding both the number of addressees and personalised attention for different training needs.

The speed of the change brought by teleworking has revealed the shortcomings in competencies and skills, while also underlining the importance of others of a cross-cutting nature that are relatively separate from technical or professional know-how and capabilities.

It is now essential for the whole working population to receive digital training, as this will prepare them for access to jobs for which there is greater demand and give them greater flexibility for changing jobs, developing a good professional career and avoiding the risk of exclusion from the labour market. This also requires the promotion of active employment policies, with mid-term goals, which should be included with others in the future Spanish Strategy for Active Employment Support 2021-2024 and in 2021-2027 Action Plan of the reinforced Youth Guarantee, both of which are currently covered by a specific tripartite social dialogue panel.

The ESC stresses that constantly updated specific skills are needed, for which a lifelong learning approach should be adopted. A broad set of other skills, some of them cross-cutting (such as languages, abstraction and problem-solving), is needed for optimal performance of tasks in the new environment, alongside the so-called soft skills, which include adaptability and social skills, which are becoming increasingly important in the digital transition.

The European Digital Competence Framework fully reflects this interaction, outlining the complexity not only of assessing training needs but also of strategies to ensure good provision of digital skills for the whole population, especially the working population. Skills and knowledge must be combined in the use of digital tools so that these can be used more fully in line with the key or basic competencies possessed, especially language and abstraction skills. It should be remembered that Spain had the worst result in the OECD's Survey of Adult Skills (PIACC), in both reading comprehension and mathematics, in parallel with the extension of basic digital skills.

Balanced acquisition of this whole set of skills will provide safer and more satisfactory social use of digital technologies and tools and will make their application in the area of production more efficient.

Risks and opportunities of digitalisation for employment in Spain

In spite of the uncertainty about the impact of the pandemic on the basic trends on which efforts were based, mid-term prospects for employment in Europe indicate that the process of polarisation mentioned in the 2017 Report can be expected to continue: on the one hand, an increase in relatively higher-skilled occupations (graduate and higher-level

vocational training, which are more associated with STEM) and, on the other, an increase in some low or medium-low skilled occupations. The overall balance is positive although it varies from country to country.

In this context, the ESC wishes to stress that Spain faces a higher risk from the digital transformation and automation because of the greater weight in its employment of some of the jobs that are most likely to be substituted. This fact, together with the greater impact of the health crisis on the latter, might lead to an uncertain outcome for job creation in the medium term because of digitalisation.

But it is not necessarily a matter of jobs being eliminated and a possible negative balance in a certain time frame but that everything points to tasks that will no longer be carried out by people. People will either take on more sophisticated tasks related to the hybridisation of digital and human work, or will see the category of their jobs reduced, and not only for low-skilled jobs but for the whole range of occupations. The greatest changes towards greater automation can be expected in information searching, the administration and physical and manual activities. This applies to all occupations, so we can expect to see a true “digital mutation” of the content of work, including even the most sophisticated of professions.

The most relevant conclusion is that not only should STEM vocations be encouraged, especially among women, but also that the approach adopted for such studies in education and vocational training must change radically. The professions will not be left untouched by digitalisation. Therefore, it is important to train future professionals so that they can raise the value of human work by using “machines” and so that they can efficiently and safely govern collaboration between both. So, the current outlook for technical and professional study courses must be changed. The role and profile of specialists must be re-defined, as must the training and preparation needed in each case as well as the channels for updating specialist knowledge and skills, both in the digital area and more generally. It is important to take advantage of the potential for self-assessment and lifelong learning that is offered by new technologies and digital tools.

The future painted by these expected changes in occupations and content points to an increasing and ongoing need for professionals with high levels of skills in specific areas of digital knowledge. This contrasts with the relative shortage of people who are currently receiving training in such profiles, so it is therefore necessary to attract and retain talent. Moreover, such future occupations are not necessarily associated with ICT because in some other disciplines, especially engineering and social and natural science, a large proportion of professional training is in these advanced fields. This is in contrast with a relative shortage of people receiving training in these profiles, especially women.

Participation by social agents and collective bargaining, because of their nature and functions, are the instruments that can best facilitate proper governance of firms' strate-

gies for technological adaptation, making labour relations more proactive and anticipating changes and their effects.

In view of the risks and advantages of digitalisation pointed out above in the SWOT analysis in this report, measures are still needed for adaptation to the new labour environments and for defending employment.

The ESC points out that it is not only a question of raising the number of ICT professionals (although clearly that field of study that has the highest concentration of skills related to digitalisation, and Spain is lagging behind, especially from a gender perspective) but also of raising considerably the content and professional training associated with advanced digital technology in all fields of study.

Forecasts indicate that it will be necessary to attract and retain talent in the whole of Europe and to increase the creativity of such talent. Spain's trailing position means that a greater sustained effort will be needed in this respect.

Measures for human capital in the Digital Spain 2025 plan aim to offer cross-cutting training for the working population, but it is not yet clear if this will be sufficient because it requires effective coordination with the strategies to be adopted throughout the education system.

Although the Digital Spain 2025 plan is based on adequate analysis of this issue, its current status and the first outline for funding up to 2024 give rise to doubts about whether it will really serve as a lever for all the main public policies responding to the challenges of rapid digitalisation and for the necessary transformation of the instruments of such policies. These need to include the most adequate digital technologies and tools for increasing their efficiency and scope, which in many areas of human capital will have to reach in a sustained way the almost 23 million people who make up the Spanish labour force.

Persistence of digital divides

The ESC considers that the impact of the pandemic and the need for the recovery to come together with increased resilience in the Spanish economy make it necessary to speed up the process of digitalisation in a converging and inclusive way, that is, trying to close the various digital divides.

The divide between territories

A large proportion of the Spanish territory, especially in rural areas, does not have reliable or good-quality digital connectivity, which affects digital use and development. This deficient connectivity makes online activity difficult for many sectors, especially the primary sector and the small and medium enterprises that make up most of the production fabric in rural areas. Territorial inequality and difficulties in rural areas represent a barrier for equal educational and labour opportunities, above all for young people. This amounts to

a dual divide because, in addition to the territorial divide between rural and urban areas, there are differences in internet use for socio-economic reasons or because of firm size.

The ESC therefore insists on the need to step up deployment efforts in rural areas in order to guarantee that high-speed telecommunication networks have the same capacity, thus contributing to territorial cohesion. It considers the aim of Digital Spain 2025 plan to ensure that 100 per cent of the Spanish population have 100 Mbps by that year to be positive. However, this basic deployment should, at least in the medium term, go together with 5G in order, yet again, to avoid a digital divide between Spanish territories in both infrastructure and future advanced uses. Moreover, developments in this field will have to meet the requirements of the new rural and urban realities that emerge after the pandemic.

The divide caused by social and economic factors

Factors such as users' age, educational level, income or gender continue to explain the significant differences in internet use. Even though there has been a certain degree of progress over the last three years, older groups, those with a lower educational level or income level and women continue to access the internet less and only for basic purposes. This gap has become more marked during the health crisis, increasing the risk of inequality.

It is striking that 6.8 per cent of the Spanish population aged between 16 and 74, that is, just over 2 million people, did not access the internet in 2020. In fact, only 70 per cent of users aged 65 to 74 accessed the internet, with the figure rising to 34.6 per cent among those aged over 74. Also, only 51.4 per cent of people whose educational level was below Primary Education, and 85 per cent of people living in the poorest homes with income of less than 900 euros accessed the internet. In addition, the proportion of women with no computer skills was 34.2 per cent, five percentage points greater than men.

Such differences in internet use may give rise to situations of digital exclusion, which is worrying because of the integration of digitalisation in many areas of economic activity. Such exclusion starts out as digital exclusion but may spread to other areas such as access to financial, health or educational services, thus amplifying the inequalities existing in society as a whole.

The ESC would like to emphasise that digitalisation should be inclusive, with special attention being paid to groups at greatest risk of exclusion. This means it is necessary to ensure that the process of digitalisation is accompanied with other measures in the field of wellbeing policies and social protection, to guarantee equal opportunities and equal access to networks for all social groups.

The ESC welcomes the recent inclusion of the figure of vulnerable consumer in Spanish legislation, which tries to give greater protection to people who are especially vulnerable in relation to the consumption of goods and services. Stress must be placed on the fact that the risk stemming from the digital divide may affect such consumer relations in the digital era.

The business divide and the digital backwardness of SMEs

In order for Spain to be able to benefit from the advantages of the digital transformation, SMEs and self-employed workers must be included in the process. Small businesses in Spain are still very behind in their digital transformation, and there is a clear shortfall in their training in ICT and digital skills. This, together with the great uncertainty, regulatory obstacles and difficult access to sources of outside funding are the main problems faced by SMEs when embarking on a process of digital transformation.

Although some progress has been made in this field since 2017, the pandemic has shown that the process of transformation in SMEs is still slow and is not taking place to the same extent in all sectors. Their limited use of the more disruptive technologies and more advanced applications (e.g. big data and artificial intelligence) may affect their competitiveness in the future and, consequently, their capacity for growth and job creation.

For all these reasons and given their weight in the Spanish business fabric, the ESC considers that the digitalisation of small and medium enterprises should be a top priority for economic policy. It welcomes the special attention paid to SMEs at the start of the pandemic with the adoption of specific, urgent measures for SME digitalisation and teleworking solutions in the SME Acceleration Programme.

It is also very much in favour of the key importance placed on SME digitalisation in the Digital Spain 2025 strategy and agrees with the pertinence of the measures covered in the SME Digitalisation Plan 2021-2025, among which are the promotion of innovative business groups, the Digital Innovation Hubs and digital transformation offices in the SME Acceleration Programme, all under the coordination of the National Office for Entrepreneurship.

In fact, the creation of ecosystems for collaboration among firms and between firms and other agents or investors is one of the aspects considered most relevant for promoting innovation and digitalisation among the small business fabric, together with training in digital skills for employees and entrepreneurs.

This Council considers that small firms should develop a corporate culture that will serve as a catalyst for technological change and should participate in ecosystems that guarantee inter-firm cooperation strategies. Greater awareness of digitalisation is necessary and it should be promoted among small firms in Spain so that they can discover the real dimension of the process and what new technologies can mean for the future of their businesses.

Also, a stable, harmonised regulatory framework should be guaranteed to provide legal certainty and allow firms in general, and SMEs in particular, to draw up appropriate strategic planning in the medium and long term.

The “Digital Spain 2025” strategy

In the light of this diagnosis, having an ambitious and precise digital strategy that reaches every part of society - institutions, businesses and citizens – is of vital importance in the global and dynamic context in which digitalisation is taking place. Moreover, the pandemic has pinpointed the strengths and weaknesses of the process of digitalisation in Spain so far and has forced the country to urgently draw up a thorough, transversal “Digital Spain 2025” strategy for society as a whole.

The situation caused by the pandemic has amounted to a powerful catalyst for substantial structural change in digital affairs and has become a lever for re-launching economic growth based on three specific goals: closing digital divides, strengthening skills and digital education, and digitalising SMEs.

There is a general consensus on the need to advance towards the digital transformation of Spain, which is one of the keys for public investment in coming years. The existence of infrastructure and facilities as well as the generation of knowledge, especially considering that the latter is the backbone for technological development and innovation, depend on public investment. Investment in intangibles such as education, training, scientific research and technological development is especially relevant, especially in the context of the digital transition, and should aim to achieve complementary skills to bring flexibility and adaptability to this new environment.

The ESC considers that the strategy, which should have a qualitative and transformative impact in the long term, will ultimately depend on the existence of a will to implement it, achieving the goals set and adapting to a rapidly-changing context that is constantly introducing new challenges.

It would be desirable for the strategy to serve in the medium and long term as the instrument for articulating digital development in Spain, including any additional actions considered necessary at any time. For this purpose, it is essential for constant evaluation of the strategy to assess its progress in achieving the goals so that any necessary changes and adaptations to new challenges can be made.

Moreover, going beyond the specific goals, a greater effort could be made to convert Spain into a landmark for certain specific areas of technology such as artificial intelligence, cybersecurity, data economics, quantum computing or guaranteeing digital rights.

New digital developments. Challenges and opportunities in different sectors

The digitalisation process has been seen to no longer be an optional opportunity but rather an unquestionable necessity for production activity in general and for attaining more balanced, competitive and sustainable sectoral composition.

Some of the digital advances considered as future developments in the previous report have become consolidated as the most dynamic, the most influential and/or the most transformative in the short and medium term: connectivity, high-speed internet, the

cloud, the internet of things (IoT), artificial intelligence, blockchain technology, virtual reality and augmented reality. But not all sectors either can or need to integrate the same digital technologies in their activity, nor have all the technologies reached a sufficient degree of development or maturity to be applied at a global or sectoral level. And in any event the digital maturity of firms depends on the perception of digitalisation as a goal, the existence of a digital strategy for their transition and technological, financial and human resources to achieve it.

The Digital Spain 2025 strategy specifically covers the necessary sectoral developments for promoting the process of digitalisation in Spain, some of them as ‘tractor projects’ or macro projects and others as high-potential projects.

Digital agrifood sector

Digitalisation is key for reactivating and consolidating economic activity in rural areas and plays a strategic role as a vector for rural development which should help meet the environmental challenges of adaptation and mitigation of climate change, increasing food safety and animal and plant health, and meeting in a more direct and precise way the demands of society and consumers in a globalised market. It can also boost the added value of such activity – through greater and better knowledge of ecosystems and tighter control and adequate traceability of production, while helping to optimise production costs and achieving a digitally controlled production system.

The ESC welcomes the efforts made by means of the Strategy for Digitalisation of the Agrifood Sector, Forests and the Rural Environment of the Ministry of Agriculture, Fisheries and Food, and considers it appropriate to include the agrifood sector among the drivers for digitalisation in Spain within the Digital Spain 2025 strategy. It understands the need for digital advances to help achieve greater production and logistics efficiency in the agrifood sector, improving customer relations and promoting a Processing Industry 4.0. It also considers that work should be done on improving traceability, food safety and quality and consumer information, as well as on the measurement and control of environmental impacts through the use of technology, data interoperability or the promotion of entrepreneurship throughout the territory.

Digitalisation for the energy transition

The digital transformation is essential for the energy sector to undertake its transition to completely decarbonised, sustainable, efficient and competitive production and for reducing dependence on other countries. Digitalisation allows for improved management of renewable energy generation, the introduction of energy efficiency measures, the adoption of innovative technologies and, above all, the management of consumption.

The ESC values positively the fact that the energy sector has been included, within the Digital Spain 2025 strategy, among the high-potential projects for sector digitalisation to be promoted by means of new projects.

It considers there is plenty of scope for action in the field of energy and, among other aspects, the Council proposes that the deployment of smart energy infrastructures should be guaranteed, especially for distribution grids, to keep up with the advance of distributed generation and to perform active demand management services. Special attention should be paid to the renovation of buildings and housing in line with patterns for greater energy efficiency and in combination with digital solutions; also to improving information for both domestic and industrial consumers about the possibilities and potential of the new energy model.

The ESC also considers that, in view of this sector's essential nature and its special importance, it needs a regulatory framework that will guarantee cybersecurity and privacy in the digital exchange of information within the electricity system, and that digitalisation should contribute to the development of interconnections between Spain and the rest of Europe.

Intelligent, sustainable, innovative and efficient mobility

Digitalisation offers solutions to the transport and logistics sector for new intelligent, sustainable, innovative and efficient mobility characterised and determined by: the importance of mobility as a service (MaaS), changes in mobility patterns – some of them driven by the pandemic, the need to place users at the centre of any strategy, the depopulation of rural areas and the concentration of population in urban areas.

The inclusion of mobility among the driving sectors in the Digital Spain 2025 strategy is welcomed. This strategy articulates the use of technology as support for mobility policies and appoints the corresponding ministry to facilitate mobility as a service, by means of measures such as the publication of open data on mobility. The ESC would like to stress that in this field it is still necessary to improve the efficiency of the logistics sector, paying special attention to the promotion of goods transport by rail, intermodality and the establishment of appropriate regulations on the urban distribution of goods. Moreover, greater connectivity and electrification of means of transport will require proper infrastructure as well as coordination and cooperation between the public administrations and all the public and private agents involved. All this must be done while ensuring that this digital transition of the transport sector is fair, especially considering that it is an activity in which there are many individual entrepreneurs and SMEs.

Challenges and opportunities for smart tourism

The digital transformation of tourism has to meet the need for maintaining Spain's leadership in this sector while also facing challenges such as a new type of digitalised, connected tourist, the advance of the platforms economy and the presence of new models of disruptive, very competitive digital business models. The ICT have substantially changed

the three centrepieces of this sector's activity – tourists, operators and destinations, and such changes need innovative responses.

The ESC considers that digitalisation in the tourism sector should be promoted to shore up its competitiveness and revitalise prospects for the future during the recovery from the pandemic. Digitalisation offers the opportunity to return to the position of leadership in the sector, guaranteeing in the short term the health and safety of tourists and, in the medium term, enhancing the quality of the tourism offer. Digital technologies should help to consolidate Spain and Spanish territories as smart tourism destinations that are also sustainable, accessible and innovative.

The ESC hopes that the administration will support this project with technological solutions such as big data, cloud services or artificial intelligence, focusing above all on tourism SMEs. It is pleased that the Digital Spain Plan considers actions in this direction and foresees digitalisation of the sector as being consistent with Spain's 2030 Sustainable Tourism Strategy and the Spanish Urban Agenda.

Transformation and modernisation of retail trade

The integration of digitalisation in retail distribution is now fairly well consolidated. Online sales are one of the options open to retail trade for doing business and amount to yet another transformation among all those that are being experienced in retail distribution. The disintermediation of distribution, the great dynamism shown by transport and retail firms, and fierce competition by some large online distributors (marketplaces) are all exerting pressure on a sector that is vulnerable because of the large presence of SMEs and self-employed workers. Moreover, during the crisis, e-commerce has offered an important alternative for commercial distribution, but it is still too early to affirm that this change is of a structural nature.

The ESC believes that the digitalisation of commercial distribution should aim to make it omnichannel, that is, it should go beyond online sales, facilitating retail activity and promoting efficiency. It also considers that the progress in online sales should help to strengthen commercial activity as a territorial unifying element.

The fact that the Digital Spain 2025 strategy stresses the need to foster digital development of commercial distribution as a lever for its modernisation and that a specific macro project has been designed for trade are steps in the right direction. This promotion of digitalised trade and distribution in Spain should take into account the need to set a level playing field for all commercial distribution so that requirements and regulations on aspects such as consumer protection, taxation, traceability or even waste processing are similar across the whole sector.

Development of the ICT sector and network deployment

The information and communication technologies sector (ICT), which ranges from large operators to small digital services firms, is key for this whole process of digitalisation and is considered one of Spain's main strengths for digitalisation. In fact, the telecommunication operators, networks and services have been able to respond to the considerable increase in internet use as a result of the pandemic but, even so, in comparative terms, the Spanish ICT sector is lagging behind on a worldwide level.

The ESC therefore believes that actions in this field should aim to achieve balanced development of the necessary infrastructure and services. A special effort should be made in investment in telecommunications infrastructure in the broadest sense, but especially in 5G technology. The Council also advocates a review of the current General Telecommunications Law so that it can be adapted to the most up-to-date reality and to the demands of new developments. It is positive that the Digital Spain 2025 strategy and specific plans, such as the Plan for Digital Connectivity and the 5G Technology Promotion Strategy, echo these priorities and stress the need for digital infrastructure as a lever for economic growth and for developing the economic, social and territorial structure of Spain, closing the social divides caused by poor internet access or low levels of internet use.

The digital transformation of the public Administration and the provision of public services

Digitalisation of the public Administration

Although in comparative terms Spain seems to be in a good position with regard to the digitalisation of its public Administration, this is because of the good performance of specific agencies or services, such as the Tax Agency. In fact, the public Administration is still facing the challenge of taking the advantages of its digitalisation to citizens and firms. These include overcoming geographical barriers for the provision of certain public services, improved cost efficiency and fraud prevention.

It is therefore advisable to start by modernising the functioning of the public Administration itself by applying digital tools, automating processes and using artificial intelligence for administration. All these should help simplify processes for the citizens being administered with regard to both the language used and the actual administrative processes, both digital and analogue. Vulnerable users must be prevented from feeling any sort of exclusion in their relations with the public Administrations.

The ESC considers it appropriate to guarantee access to the whole range of public services, ensuring interoperability and coordination, because this is essential for proper structuring of the territory and for promoting social cohesion. And it is important to avoid dispersing digital skills among the different bodies and duplicating administrative tasks because market unity must be guaranteed at all times.

But including the most disruptive technologies in the digitalisation of the public sector is difficult and has to overcome challenges of many types: technological because of the size of the public sector and its limited flexibility, cybersecurity and privacy, a new type of digital user/citizen, poor provision of human capital with the necessary capabilities and skills and smart management of a huge volume of data. A starting-point would be to prevent users from having to repeatedly provide information that is already held by the administration.

The ESC is pleased to see that the digital transformation of the public sector is one of the key areas of action covered by the Digital Spain 2025 strategy and its implementation in the form of the Plan for Digitalisation of Public Administrations 2021-2025, with measures which the ESC considers are appropriate. They include updating the Citizens' Folder, developing a single secure identification system or setting up a centralised system for electronic notifications, use of the cloud, training or retraining for staff working for the administration, reinforcement of the regulatory framework and the start-up of a set of projects to serve as levers for digitalisation.

Education

Although digital infrastructure and bandwidth availability have improved in Spanish homes, there is still room for improvement in certain territories and in homes with lower purchasing power. The COVID-19 pandemic has led to a severe disruption in educational activity, pointing to the shortcomings and delays in digitalisation in Spain, especially with regard to the provision of infrastructure, internet access and software in schools, and the digital skills of teachers, families and students. Particularly noteworthy are the lack of digital training for teachers in more than 50 per cent of schools and the lack of nationwide evaluation tests of digital skills for primary and secondary school students. In addition, the digitalisation of teaching may involve emotional, psychological and physical risks.

The ESC stresses the need for improving the training of teachers in digital skills and the inclusion of these in the professional curriculum to give them educational tools and systems that will facilitate their relationship with students. It also considers it necessary to intensify lines of action to achieve universal access to technology and learning resources, and to promote effective relations between families, teachers and students.

In any event, the ESC joins the European institutions in recognising the importance of guaranteeing face-to-face learning. This should continue to be at the heart of education and training in that it is difficult to substitute as a method of socialisation.

Health care and digital health

In Spain there have been advances in digital developments in the field of health and health care, and special attention has been paid to the need to guarantee the interoperability of

medical cards, digital clinical records and electronic prescriptions. Digitalisation offers important opportunities for improving the quality of services and care received and allows for large amounts of information – big data – which can improve the efficiency of clinical processes when drawing up diagnoses and prescribing treatments. And its usefulness became clear during the management of the COVID-19 crisis.

The ESC considers it necessary to continue expanding interoperability and the digitalisation of the system as well as of e-health procedures to advance remote monitoring, telemedicine and remote diagnosis. But it should be remembered that developments in this field must be covered by a regulatory framework affording sufficient legal certainty and respecting data protection as this is an area of special sensitivity considering the risks of cybersecurity and the protection of confidentiality.

In the opinion of the ESC, the project for the transformation of health care within the Digital Spain 2025 strategy should aim to respond to these challenges and limitations while also taking into account the following: the need for the system to be interoperable among the various parts of the health care system and between healthcare and social care; the development of digital tools to allow patients to check their digital medical records; the adoption of measures to guarantee respect for patients' rights in the utilisation of health system information, and the search for a balanced solution to promote the sharing of information.

The European Union Plan for Recovery and Resilience: an opportunity for digitalisation in Spain

Implementation of all these projects that fall under the Digital Spain 2025 strategy requires the mobilisation of a large volume of both public and private investment over the next five years – 140 billion euros. Such funding includes European resources from the Multi-Year Financial Framework for the period 2021-2027 as well as other specific financial tools, but above all from the EU Plan for Recovery and Resilience, *Next Generation EU*. This gives priority to the digital transition for guiding investment in the recovery. So the draft Plan for Recovery, Transformation and Resilience of the Economy, *'España Puede'*, which was submitted by Spain for receipt of such funds, will be devoting one third of an approximate total of 72 billion euros to the digital transition.

The ESC considers that this presents an enormous opportunity for transformation allowing investments and reforms to improve our capacity for creating employment and wealth in a sustainable way.

More specifically and considering the strategic priority of the digital transition, the investment projects selected should be eligible since they fall under the Digital Spain 2025 strategy and considering economic criteria based on their strategic role, cost-benefit

analysis (the cost of the investment in relation to the impact in terms of results and of digital cohesion and social and territorial structuring) and the closing of divides.

The ESC considers it essential, in order to reach the greatest possible efficiency of the ‘España Puede’ plan, for all these requirements to be met rigorously. And for their implementation and results to be assessed with transparency at every stage of the projects.

The ultimate objective is to develop national investment projects oriented towards production in general, promoting sustainable and inclusive growth in the medium term and, more specifically, helping to further the process of digitalisation of the Spanish economy.

In this way the plan would give a firm impetus to some lines of investment that are of priority both because of their capacity for transformation and because they aim to overcome weaknesses - connectivity, the digital skills of workers and of the population in general and digitalisation of SMEs - as well as other lines that aim to boost strengths - the audio-visual sector, attraction of talent and of strategic digital investments, cybersecurity, super-computing, data economics and artificial intelligence.

The plan should also cover actions to promote participation by SMEs and self-employed workers as direct beneficiaries of many of the digitalisation measures adopted and guaranteeing active involvement of small entrepreneurs via collaborative strategies in projects to be adopted.

This set of investments would also allow public investment to be increased at a sufficient rate and might help overcome the traditional markedly pro-cyclical nature of the Spanish economy while also acting as a lever to mobilise private investment which is often held back because of uncertainty.

The complexity of articulating and managing public investment projects requires a high degree of coordination, especially when various public and private agents participate, within the existing territorial and institutional framework.

The ESC believes that the success of Digital Spain 2025 and good utilisation of the resources of the European Plan for Recovery and Resilience earmarked for investment will depend on the articulation of good governance. For this purpose, it will be necessary to promote collaboration and coordination among the public administrations - on European, national, regional and local levels - the private sector and social partners to build up effective synergies and identify and develop investment projects that will be very cost-effective both economically and socially in the long term.

The ESC considers that public-private collaboration and, more specifically, the Strategic Projects for Recovery and Economic Transformation (PERTES) are key instruments for developing investment capacity within the framework of the recovery plan, restoring an adequate speed of investment and achieving greater digital development. This means that approval of these projects and of the initiatives adopted within this framework should be

subject to precise public information and explanation and to the above-mentioned governance mechanism.

A broad political and social consensus should be reached on the Spanish recovery plan, with insistence on the fundamental nature of the role played by all the economic and social organisations making up the ESC. There should be awareness that the immediate goal is recovery after the pandemic, but also promotion of the structural transformation of the economy making it more resilient. The foundations need to be laid for a better response to other possible crises and economic and social challenges in the medium and long term and for promoting sustainable and inclusive growth across the board to enhance the wellbeing of citizens in general.

Digitalisation is undoubtedly the most appropriate lever for fostering this transformation. This Council believes that, irrespective of the proposals made in this report, its opinion as a consultative body is fundamental for policy development within the framework of the plan for recovery and for the actual Digital Spain 2025 strategy.



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