ECONOMY, LABOUR AND SOCIETY

REPORT ON THE SOCIO-ECONOMIC AND LABOUR SITUATION

SPAIN 2023

(EXECUTIVE SUMMARY)

CONSEJO ECONÓMICO Y SOCIAL **ESPAÑA**

MEMORIA SOCIOECONÓMICA

Law 21/1991, on the Creation of the Economic and Social Council.

Article 7. Functions:

1.5. To prepare and submit to the Government, within the first five months of each year, a report setting out its considerations on the socio-economic and labour situation of the Nation.

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CONSEJO ECONÓMICO Y SOCIAL ESPAÑA

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REPORT ON THE SOCIO-ECONOMIC AND LABOUR SITUATION OF SPAIN IN 2023

Adopted at the ordinary session of the plenary assembly of the Economic and Social Council on 29 May 2024

CONSEJO ECONÓMICO
Y SOCIAL **ESPAÑA**

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PRESENTATION

Antón Costas
President of the Economic and Social Council

Once again this year, the Economic and Social Council of Spain (ESC) fulfils its legal obligation to approve, publish and present to the Government and Spanish society its annual *Report on the Socio-economic and Labour Situation in Spain 2023.*

The ESC is the only high State institution that exists in Spain in which, on a permanent basis, social and business agents from all sectors of the Spanish economy discuss and agree on the major socio-economic and employment challenges facing our country. As with the opinions and reports of the ESC, this Report 2023 is the result of dialogue and agreement within the institution by the sixty councillors who, together with the president, make up the ESC plenary: twenty representing the main trade union organisations (UGT, CCOO, CIG and ELA); twenty representing the main business organisations (CEOE and CEPYME); and another fourteen representing the main organisations from the agricultural sector (ASAJA, COAG and UPA), the maritime-fishing sector (ARVI, FNCP and APROMAR), the social economy sector (CEPES), and the consumer organisations designated by the Consumers and Users Council (CECU, HISPACOOP, OCU and FUCI). They are joined by six independent directors, experts in the socioeconomic and employment fields.

The Working Committee in charge of preparing this Report 2023, chaired by director José Ignacio Conde Ruíz, held 17 meetings, between 1 December 2023 and 24 May 2024. The rapporteurs of the chapters were directors Rafael Muñoz de Bustillo Llorente (chapter I), Pedro Fernández Alén (chapter II), and José Manuel Morán Criado (chapter III). It was approved by the ESC plenary session on 29 May 2024. The Report 2023 therefore represents the diagnosis shared by the vast majority of director son the evolution and situation of the Spanish economy, labour market and society in the year 2023. It is, so to speak, the maximum common divisor shared by the ESC plenary as a whole.

The Report is a snapshot of the evolution of the economy, labour market and Spanish society throughout 2023, as well as a forecast of its behaviour for 2024. It is possibly the document in which anyone interested in the evolution of the economy, labour market, social dialogue and Spanish society can find the widest range of data, diagnoses and proposals on the socio-economic and employment reality of our country. With the added value, already mentioned, that these diagnoses and proposals are shared by the main social and business agents.

To the traditional content of its three chapters: chapter I, Economic outlook; chapter II, Employment and Labour Relations; and chapter III, Quality of Life, Protection and Social Inclusion; on this occasion, the 2023 Report incorporates in each of them the analysis of a main topic: the economic, labour and social impacts of climate change.

* * *

I would like to highlight three aspects that, in my opinion, emerge from reading this Report 2023, both about the evolution of the economy, labour market and Spanish society during 2023 and about its medium-term future.

The first is that, with a GDP growth rate of 2.5 per 100 and strong job creation, **the Spanish economy has continued in 2023 enjoying the economic spring** that began in 2021 when, against forecasts of an immediate recession, it surprised with strong growth in activity and employment. Both the inertia of the economy and the labour market itself and some signs of change in the ECB's monetary policy point to a continuation of this dual path of growth in activity and employment in 2024. So to speak, in 2024 Spanish economy will take its foot off the accelerator, but will not step on the brakes.

But the sunshine of this economic spring does not warm everyone equally. Chapter III identifies some worrying features in the evolution of quality of life. One of them is that, despite the implementation of important and innovative social policy measures, inequality and poverty have continued to grow in Spain. The evolution of child poverty is particularly shocking. It is morally unacceptable that approximately one third of our children are living in poverty. Spain holds the unacceptable primacy of leading the child poverty ranking in the European Union. Beyond the moral problem it implies, children and youth poverty is a waste of dynamism and innovation for the future of the country. If the best metric for measuring a country's future is how it treats its children, we are not doing well. We need to invest heavily in children to close this scar and give all our children a future of hope. The benefits will not only be enjoyed by them, but by the economic dynamism and innovation of the country as a whole.

Along with the persistence of poverty, another feature tarnishing the good performance of the economy and the labour market in 2023 and its prospects for the years to come is the still very high number of people who want to work, and are able to work, but cannot find a decent job. The high tide of growth is not lifting all the boats stranded on the sands of long-term unemployment equally. The data provided by the 2023 Report show that the probability of finding a job for people who have been unemployed for two or more years is plummeting dramatically. But there are solutions. The recent ESC report on dual training in Spain offers very consistent evidence of the capacity of dual training, not only vocational and university training, but also training for employment, to act as a matchmaker capable of matching the demand of people looking for a good job with the demand of companies looking for good workers. In good times, we must focus on the social groups that always have the hardest time.

The second comment that I would like to make on reading the 2023 Report is that it contains some **data that point to the appearance of an encouraging structural change**

in the behaviour and sectoral composition sectorial of the economy and employment. Traditionally, the Spanish economy has shown a manic-depressive behaviour: it grew strongly in expansionary phases, and collapsed with dramatic intensity and duration in recessionary phases. Moreover, in expansionary phases, growth was accompanied by strong macroeconomic and balance of payments imbalances. This bipolar behaviour seems to be changing. In this new phase, growth is accompanied by a reduction in macroeconomic imbalances and a striking improvement in the balance of payments, i.e., in the international competitiveness of the economy. Particularly encouraging is the performance of high value-added non-tourism services. Something is changing for the better in the economy.

The data in chapter II of this Report 2023 on the composition of new employment created by the economy also point to a structural change in the same direction. By age group, the fastest growing group in employment is that of the youngest, followed by the over 55s. On the other hand, female employment is increasing. Moreover, a significant percentage of new employment is of quality, with an increase in permanent and full-time contracts. Something is also changing in the composition and quality of employment.

But chapter III of the Report 2023, on Quality of Life, identifies some features that may hinder and even strangle the continuity of this improvement in the quality of growth and employment. One of these is the housing problem. The extreme shortage of social and affordable rental housing in Spain, in addition to being a major social problem that limits the emancipation of young people and the creation of households and the increase in the birth rate, can become a bottleneck that strangles growth. On the one hand, it impedes mobility and reduces the availability of labour in some sectors of the Spanish economy, such as tourism, insofar as wages do not allow access to housing in places where there is a job offer. On the other hand, by reducing the disposable income capacity of households, high house prices reduce aggregate consumption in the economy and limit growth.

Reducing poverty and improving access to housing, as well as to other public goods such as health, is not only a question of equity or social justice, but is also a necessary requirement for improving the efficiency and dynamism of the economy.

The third reflection suggested to me by reading the 2023 Report is related to the **causes behind this good performance of the economy and employment** in the post-COVID period. To explain this good performance, economic forecasters and economists talk about "positive surprises". In reality, these surprises are less so if we take into account two facts. On the one hand, the **economic policy management of the COVID crisis** compared to the response to the 2008-2010 financial and debt crisis. On the other hand, the importance that **social dialogue** has had.

Comparing the history of the two crises of 2008-2010 and 2020-2021 offers useful lessons. The austerity policy implemented in the 2008-2010 crisis placed the cost of the financial and debt crisis on workers and their families and on businesses. The result was a five-year recession that led to massive job and business destruction and a dramatic increase in inequality and poverty. The swift and innovative measures implemented to tackle the pandemic crisis, such as job preservation measures through the ERTEs and support for families and SMEs, meant that the effects on economic activity and employment were contained and confidence in the future of families and businesses has been maintained. The lesson is clear: when there are fair rules for sharing the costs of crises, recessions are short and with limited damage to activity and employment, and recoveries are rapid and sustained.

For its part, the capacity for social dialogue, which is analysed in chapter II of this Report 2023, has allowed the confidence of families and companies to be maintained, despite political turbulence. While the tripartite dialogue between the social partners and the government has experienced a certain drought in 2023 compared to the previous two years, the bipartite dialogue between trade unions and employers' organisations has continued to bear important fruit. One of these has been the new Agreement for Employment and Collective Bargaining (V AENC), which has allowed a recovery in wages, while giving stability and firmness to business and family decisions. Social dialogue in Spain is an intangible heritage of Spanish society and the Spanish economy that must be preserved like gold. It is even more necessary when geo-economic and political uncertainty is on the rise.

Let me make one last brief reference to the main topic included in this 2023 Report, which analyses in this chapter the economic, employment and social impacts of climate change. Reading these appendices to chapters I, II and III has made me more aware that the impacts of climate change on the Spanish economy, employment and society are more intense, more rapid and more serious than might be thought a priori. ESC intends to continue to pay attention to this issue.

* * *

The *Report on the Socio-economic and Labour Situation in Spain* is a collective work. I would therefore like to thank all those involved in the drafting process for their excellent work. First of all, as I mentioned at the beginning, I would like to thank the President of the Commission and the three rapporteurs of the document; as well as the councillors who formed part of the Commission. I would also like to thank all the members of the Plenary who have debated and approved it.

Thanks to the speakers who have participated in the different working meetings of the Commission to present their opinions on issues on which they are experts: María Jesús Otero Aparicio, Jesús Lahera Forteza and Olga Cantó Sánchez.

Lastly, and most importantly, I would like to thank the staff of the Studies and Analysis Department of ESC, whose expert knowledge in each of the subjects addressed in the 2023 Report is combined with their uncommon ability to synthesise the different opinions expressed by the councillors at the meetings of the Commission into working documents that achieve consensus. I would like to extend my thanks to all the staff of the institution whose dedication and efficiency make it possible for ESC to carry out the tasks legally entrusted to it.

Antón Costas
President of the Economic and Social Council

CHAPTER I
ECONOMIC OUTLOOK

The balance of the 2023 financial year for the Spanish economy can be described as positive. Despite the high level of global uncertainty, weak growth in the main EU partners and the tightening of monetary policy, the Spanish economy managed to grow by 2.5 per cent, exceeding all forecasts.

The dynamism of activity boosted employment and allowed the unemployment rate to fall to 12.2 per cent of the labour force. The public deficit fell to 3.6 per cent of GDP, still a high level but indicating continuity in the process of fiscal consolidation. The average inflation rate for the year as a whole stood at 3.5 per cent, almost five percentage points lower than in the previous year, leaving inflationary pressures behind.

Slightly more than two thirds of growth was supported by domestic demand, boosted by lower inflation, dynamic employment and population growth. Public and private consumption were the driving force behind activity, while investment, however, continued not to pick up. The other third of growth was accounted for by external demand, thanks to exports of services and the stagnation of imports of goods following the energy crisis.

On the supply side, the services sector led growth, driven by the strong performance of both tourism and non-tourism services. Industry, which is still awaiting a new law, managed to close the year at pre-pandemic production levels, while the construction and primary sectors have not yet reached them. In fact, it was a particularly complicated year for the agricultural sector due to the scarcity of rainfall and the high temperatures recorded during the year, the second warmest in the historical series, only behind 2022.

The good results of the Spanish economy in 2023 coexist with the persistence of macroeconomic imbalances such as the level of external and public debt and the unemployment rate which, although it has fallen, is still the highest in the European Union.

All of this is covered in this first chapter, which also includes the factors conditioning the economy's performance in the short and medium term, highlighting the degree of implementation of the Next Generation EU funds and climate risks. The latter are dealt with transversally as a special topic in this Report. In particular, the first chapter pays special attention to the macroeconomic impact of climate change and its sectoral incidence and concludes that any strategy to combat climate change must involve economic and social agent.

Conclusions

- The world economy grew by 3.2 per cent in 2023, three tenths of a percentage point below the previous year, although it exceeded initial forecasts and managed to ensure that the restrictive tone of global monetary policy anchored inflation expectations without affecting the strength of employment and activity. International trade developments were weak, revealing a preference for de-risking and for like-minded trading partners, a trend shared by international investment.
- Much of the USA IRA came into force and the EU outlined its response with the Green Deal Industrial Plan and the Zero Net Emissions Industry Act. This could lead to a reconfiguration of global value chains and place strategic autonomy and the ecological transition at the centre of economic and industrial policies in the world's major economies.
- The European economy experienced a continued slowdown in 2023, with GDP growth of 0.4 per cent due to the higher cost of living, the tightening of monetary policy, the phasing out of anti-inflationary fiscal support and sluggish external demand.
- The agreement on the new EU fiscal framework, while positive, does not address the creation of a permanent supranational mechanism to address the EU's future challenges, following, for example, the model of the Recovery and Resilience Mechanism, the evaluation of which identified it as an essential instrument for dealing with cyclical circumstances and addressing strategic challenges.
- The Spanish economy surprised once again in 2023 with growth of 2.5 per cent that exceeded all forecasts, placing it among the most dynamic in the European Union. In per capita terms, the gap with the EU narrowed, but its per capita income, in purchasing power parity, is still 89 per cent of the EU average.
- Household consumption withstood the rise in interest rates and the still high level of prices, thanks to strong growth in disposable income (due to both employment and wage growth), improved consumer confidence, increased wealth (real and financial) and continued access to consumer credit.
- Investment remained weak, being the only component of domestic demand that has not recovered its pre-pandemic level. As the PRTR (Recovery, Transformation and Resilience Plan, by its initials in Spanish) materialises and the high level of uncertainty dissipates, this situation is expected to reverse. The green and digital transitions and the improvement of the productivity of the Spanish economy require a significant investment effort by companies, especially in machinery and equipment and intangibles. Moreover, the fiscal strategy that is finally established must be compatible with the maintenance of adequate allocations of productive public investment.

- The trade surplus reached the highest value in the historical series, thanks to the correction of the energy balance deficit and the good performance of trade in services. Tourism confirmed its full recovery, closing a year of record levels, and the increase in the surplus of non-tourist services reveals that Spain is increasingly competitive in advanced and high value-added services.
- Adverse weather and geopolitical circumstances caused serious losses to the agricultural sector, impacting on its loss ratio. Difficulties in the application of some measures of the new PAC (Common Agricultural Policy, by its initials in Spanish) in its first year in force led to demonstrations calling for changes to facilitate agricultural activity and halt the loss of profitability. In 2023, the ESC also echoed the importance, difficulties and challenges of the Spanish food fisheries sector (Report 03/2023).
- Throughout 2023, there was a succession of debates on how to recover and strengthen Spanish industry, to which the ESC contributed with its Opinion 2/2023 on the Preliminary Draft of the Industry Law, in which it stated the need for policies and strategies to be deployed on the basis of dialogue and social consultation.
- After the 2022 crisis, the energy sector gradually returned to normality. Renewable energies accounted for more than half of electricity generation for the first time, electricity consumption decoupled from GDP growth and Spain was a net exporter of electricity for the second consecutive year.
- Inflation rates declined sharply in 2023, leaving behind the inflationary shock experienced in the previous two years. Core inflation also declined, albeit less sharply than the headline rate due to the persistence in the prices of some components, mainly services.
- Lower energy prices, the downward base effect and the articulated economic policy - interest rate hikes, the Iberian exception and national fiscal measures - helped to anchor the disinflationary path. The swift implementation of these measures helped to contain the rise in the IPC (Consumer Price Index, by its initials in Spanish), minimise the social impact and boost activity.
- The fiscal consolidation process initiated in 2021 continued, with further declines in terms of GDP in both the deficit and public debt, thanks to economic growth and the continued dynamism of public revenue, particularly from personal income tax. This process should continue in the coming years to comply with the new European fiscal rules.
- Three years after the start of the PRTR, the available information shows a mixed picture: almost 90 per cent of the initial funds have been committed, but only slightly more than half has reached the real economy. However, the existing in-

formation systems lack sufficient transparency and capillarity to detect the real impact of the funds at sectoral and regional level.

- Given the transformative momentum of the PRTR, increased with the Addendum in 2023, it is necessary to overcome the weaknesses detected in the design, management and resolution of calls for proposals and to provide sufficient means to exhaust the funds allocated in record time (until 2026), as well as to encourage greater participation and involvement of regional and local authorities, civil society and social partners in the Plan.
- Progress is noted in the digital and energy transition performances of the PRTR. Furthermore, the Plan seems to be contributing to the transformation of the Spanish productive structure, characterised by the growing weight of higher value-added non-tourism services in VAB (Gross Added value, by its initials in Spanish), employment, trade and R&D investment.
- Forecasts point to a somewhat more moderate growth of the Spanish economy in the coming years (around 2 per cent in 2024 and 1.9 per cent in 2025), although sustained and higher than that of most of its European Union partners. However, several sources of downside risks to growth and upside risks to inflation remain, especially those related to the high level of geopolitical uncertainty.

CHAPTER II
EMPLOYMENT AND LABOUR RELATIONS

In 2023, the path of high job creation initiated after the pandemic continued, despite less favourable economic conditions. However, the higher employment was not fully reflected in the decline in the unemployment rate, which remained the highest (double the average) in the European Union.

This was due to growth based on new labour force inflows, where the immigrant population played a leading role. But we cannot forget the intensity of the fall in employment in the double crisis of 2008-2012, the result of a slump in certain activities (and in the best of cases the progressive development of other new, but generally different, activities), which generated a large and persistent pool of unemployment. Unemployment can be described as structural, concentrated among people with lower levels of education, in the middle and relatively older age groups, more women and immigrants, and also with an evident territorial differential that has only begun to reduce in the last two years.

To this unemployment could be added the effect of the higher job/job rotation that would have been generated by excessive temporariness, which at each point in time led to a higher volume of observed unemployment, and which would already have been reduced in 2023. In fact, the decline in turnover is a very positive element that stands out in the assessment made in the first part of this chapter on the effects of the labour reform on temporary employment.

All these results are obviously underpinned by the major economic issues discussed in the previous chapter, but they are also impacted by specific labour market policies, particularly active labour market policies, which are essential for reducing structural unemployment.

In this area, it should be noted, on the one hand, that in the third year of PRTR deployment, investments related to PAEs (Active Labour market Policies, by its initials in Spanish) have been executed at a higher rate than the total in 2023. On the other hand, both in terms of those related to the PRTR and those developed within the National Employment System, there have been new advances in the architecture and some timid developments in evaluation, but for the time being the general idea remains unchanged: a persistent deficit in the systematic and quality evaluation of the PAEs which, despite some progress, prevents us from knowing the impacts in terms of integration and employability at an aggregate and comparative level, and still lacks a broader longitudinal perspective. A basic condition for this progress is more effective communication and information reporting between the different administrative levels involved.

Through various initiatives throughout the year, the EU institutions have once again given impetus to the strengthening of the European social dialogue, which is, and must remain, a hallmark and an asset of the European model.

The year 2023 has had a marked electoral accent in Spain, with regional and municipal elections in May and general elections in July. The early dissolution of the Spanish parliament and the fact that the government has been in office for several months have conditioned the dynamics of social dialogue and legislative policy, among other areas, in the labour field.

However, this did not prevent a series of tripartite social dialogue roundtables from taking place in the first half of the year, leading, among other results, to agreement on a new Occupational Health and Safety Strategy, an essential framework of consensus for preventive occupational health policies. Agreements were reached between the government and the most representative trade union organisations on pensions, SMI (minimum wage, by its initials in Spanish) and unemployment benefit reform, the latter as early as May 2024.

Also noteworthy is the bipartite dialogue between the most representative business and trade union organisations, where a new Agreement for Employment and Collective Bargaining (V AENC) was signed by the trade union organisations CCOO and UGT and the business confederations CEOE and CEPYME.

In the recently inaugurated Legislature, the social partners were convened in a series of new dialogue roundtables to address issues in the areas of social protection, occupational risk prevention and labour relations.

On the other hand, several labour and employment regulations were approved, among others, on rights to facilitate the co-responsible reconciliation of family and work life between women and men, one of the cornerstones of labour policies in recent years and also of social policies with effects on the protection of families and children.

In the field of labour relations, the higher increases in the wage variations agreed in collective bargaining as a whole (which already had effects for 11.7 million people and 1.2 million companies), within the criteria and recommendations contained in the V AENC, together with the path of price moderation throughout the year, led to a slight gain in the purchasing power of agreed wages (0.17 per cent) compared with the two previous years. Labour unrest continued at moderate levels, despite a slight upturn in the number of strikes with a greater impact in terms of days not worked.

Conclusions

- The year 2023 saw good results in the different labour variables, with developments continuing throughout the year, and even improving at the end of the year in some cases. Employment figures are at record levels, unemployment continues to fall and hours worked have fully recovered.
- In addition, indicators on wages and wage costs showed some improvement, both due to the containment of price increases and the effect of the new AENC which proposed to progressively recover gains in purchasing power after the erosion caused by the sharp rise in inflation since the second half of 2021.

- Foreign nationals accounted for 49 per cent of the positive employment balance, and dual nationals for 16 per cent. Dual nationals now account for 5 per cent of total employment, which reflects the permanence and integration of a large part of the migratory flows of recent decades. In the most recent flows, the same large areas of origin continue to predominate and, although increasing levels of qualification can be observed, this gives an idea of continuity.
- As expected, in 2023 the balances of growth in permanent salaried employment and decline in temporary employment in the private sector were not as pronounced as in 2022, because there was some bagging in 2021 and because the starting point was, logically, lower for permanent and just the opposite for temporary.
- Similarly, the cumulative data from the contract register in 2023 show the consolidation of the shift in the duration structure seen in 2022, which is now based on many more permanent contracts (40 per cent of the total) and far fewer open-ended contracts (only 7 per cent).
- Shorter temporary contracts have not fallen any further, remaining at 20 per cent, permanent discontinuous contracts show a stable trend with logical variations from time to time, and the rest is based on growth in ordinary permanent full- or part-time contracts. This could point to an already very visible positive effect of the reform, with lower turnover.
- For yet another year, Spain remained among the EU-27 countries that devote the highest percentage of their GDP to active employment policies. However, the deficit in expenditure persists in relation to the incidence of unemployment, which measures the degree of coverage of expenditure on the unemployed, and in terms of expenditure per jobseeker, which approximates the degree of intensity of action on each jobseeker.
- During 2023, some elements of the Employment Law 3/2023 and the PRTR were substantiated. Guaranteed employment services were established, aimed at ensuring, once they are effectively developed, a comprehensive and permanent offer of employment support services to job seekers, employees and companies. Likewise, the new system of employment incentives was introduced which, despite the short time it has been in force, points to an increase in the weight of bonuses for groups with greater employability difficulties. In addition, the regulatory development of the RED Mechanism, which contains elements aimed at improving the professional skills and employability of workers affected by crisis situations, took place.
- After three years of PRTR implementation, investments related to the PAEs have been executed at a higher rate than for the Plan as a whole. However, it is not possible to approximate either the quality of implementation or the impact of the

measures on the target population and the productive fabric. This has a bearing on the persistent deficit in the systematic and quality evaluation of the SAPs. A basic condition for this progress is more effective communication and information reporting between the different administrative levels and departments involved.

- The tripartite social dialogue resulted in the approval of the new Spanish Strategy for Safety and Health at Work 2023-2027, a reference instrument for the development and improvement of occupational risk prevention policies, and the most representative business and trade union organisations signed the new Agreement for Employment and Collective Bargaining (V AENC), with criteria and recommendations for the negotiation of collective agreements.
- With provisional data for collective bargaining as a whole, the nominal increase in agreed wages of 3.67 per cent was the highest in the past decade. This new increase in nominal wage variation, together with the behaviour of average inflation over the year, prevented a significant loss of purchasing power such as those that occurred in 2021 and 2022, and would even have allowed for a slight gain in purchasing power.
- Regardless of the fact that some equality plans may have experienced difficulties in negotiation, and despite the significant progress in the total numbers of registered plans and in the proportion of companies covered, the data still indicate a wide margin for improvement in the coverage rate of equality plans that needs to be achieved.
- The approval of Directive 2023/970, of 10 May, deepens the regulatory policy followed in the European Union to achieve equal pay and to combat wage gaps between men and women, while in Spain, the changes in the rights of reconciliation with co-responsibility introduced by Royal Decree-Law 5/2023, of 28 June, seeks to guarantee effective equality of treatment and opportunities between women and men in employment and occupation.
- The overall indicators (congestion, resolution and pendency rates) of the Social Jurisdiction continued to worsen in 2023. In 2022 (latest available data) the average length of social court proceedings decreased in almost all types of social courts, but remained at 17.4 months in the Supreme Court and 10.5 months in the labour courts.
- With advance data, the occupational accident rate fell slightly, after the increase in 2022 and within an expansive year in employment, with the incidence rates of total occupational accidents and fatal accidents moderating. However, it is imperative to continue improving occupational health policies, with the implementation of the new Strategy, as well as prevention measures in the workplace.

CHAPTER III
QUALITY OF LIFE, PROTECTION AND SOCIAL INCLUSION

The good economic and employment performance throughout 2023 was reflected in the financial situation of most households, which recovered their pre-pandemic level of disposable income. The range of measures adopted or extended in 2023 to counteract the rise in prices undoubtedly mitigated what could have been a bigger blow to households. But many of them had to face hardship or change their strategies and consumption decisions to cope with the rise in the cost of living and the increase in interest rates. And despite the recovery in average incomes, inequality remains a structural problem in Spain, with more than a quarter of the population at risk of poverty and/or social exclusion.

Access to housing continued to be one of the main social challenges in our country, as the current supply is insufficient in volume and unaffordable in price for the majority, both in rental and ownership, in a context of high interest rates and a shortage of social housing. Young people and the formation of new households are particularly disadvantaged by this situation, which the new housing law aims to reverse.

The economic dimensions of social protection also benefited from the economic and employment tailwinds. Thus, a new all-time high in Social Security enrolment and receipts was reached, while reforms to strengthen its sustainability were developed and completed, and supplementary social security showed some progress. The number of recipients of welfare unemployment benefits fell, contributory benefits increased and, in overall terms, the system's coverage increased; while the IMV (Minimal Basic Income, by its initials in Spanish) was deployed more intensively, albeit still with a considerable non-coverage gap.

The main challenges were in the non-monetary aspects and benefits of the welfare state. Both the education system (in the midst of its eighth major reform since 1980) and the health and long-term care systems have seen their budgets increase in recent years. But they face major challenges from the point of view of equity of access and the quality of the services they offer, as they are decisive aspects of social cohesion and the future of the country, and they reveal the need for greater efforts to overcome critical aspects such as reducing school failure, the insufficient number of places in the first cycle of infant education and waiting lists.

The balance in terms of guaranteeing equality and non-discrimination rights is particularly positive in 2023, as our country's solid legislative and policy framework in this area has been reinforced by significant new developments and favourable comparative evolution, placing it among the most advanced countries in this field. However, the increase in hate crimes and the persistence of gender-based violence demonstrate the need to reinforce the effectiveness of measures for the eradication of all types of violence and discrimination.

As is often the case in periods of economic expansion, the quality of the environment and the main components of the environment worsened. Water management in a year of drought, the issue of waste or air quality are critical issues addressed in the chapter. Amidst the prominence of the private car, sustainable mobility is advancing slowly, with an increasing use of public transport, while new pollution control initiatives were approved and the law on sustainable mobility is still in the pipeline.

The above environmental indicators are analysed from the point of view of the most recent conjuncture in the corresponding section of the balance sheet. However, the social and welfare impact of the climate emergency is no longer a futuristic scenario but a reality in people's lives that puts social cohesion at risk, which has led to this issue being addressed as a contribution to the main topic of the Report in this chapter. It stresses the need for greater consideration of the social impact of climate change and a fair distribution of the costs of the ecological transition to avoid exacerbating inequalities.

Conclusions

Quality of life

- The quality of life of the population in 2023 were favoured by positive economic and employment developments, with per capita disposable income recovering almost to pre-pandemic levels.
- Inequality remains a structural problem as the economic and employment improvement did not reach all households equally. More than a quarter (26.5 per 100) are at risk of poverty and/or social exclusion, despite a slight decrease in the number of households with low labour intensity (8.5 per 100) and in the risk of monetary poverty (26.9 per 100).
- Numerous household support measures were adopted and extended to mitigate the impact of inflation, especially for the most vulnerable. However, the high cost of living resulted in an increase in severe material deprivation, in households having difficulty making ends meet (around 9 per cent in both cases) and in energy poverty (20.7 per cent).
- To address the challenge of inequality, in parallel with progress in the labour market and education, social protection must offer responses to the worst-off groups, by increasing the effectiveness of instruments such as the IMV. But it must also pay attention to the economic insecurity faced by the lower-middle part of the distribution, on which the country's social and economic stability is based.

Access to and maintenance of housing

- Access to housing remains one of the main social challenges. During 2023, prices continued to rise and the conditions for accessing housing credit tightened, exacerbating the difficulties. Housing expenditure already accounts for one third of average household expenditure.
- The increase in the volume of households above the growth of the housing stock is combined with a deficit of new housing, making it difficult to absorb the demand in some autonomous communities and having repercussions on the delay in the age of emancipation of young people.
- The approval of Law 12/2023 of 24 May on the Right to Housing aims to respond to this situation, along with other measures such as the Youth Rental Voucher. It is still too early to assess its effects on the market, as is the case with the State System of Rental Price Reference Indices.
- In Spain, social housing accounts for only 2.5 per cent of the total stock of primary dwellings, compared to rates of over 15 per cent in some European countries. The new Law 12/2023 envisages measures to address this problem.
- The National Strategy to combat homelessness in Spain 2023-2030 (ENI-PSH) was approved. Aimed at the social inclusion of the more than 28,500 people in involuntary homelessness, it must overcome the insufficient institutional and budgetary momentum of the public social services system that finances its actions.
- Deficiencies in thermal insulation affect 3.5 million dwellings and may be exacerbating the high incidence of energy poverty. The Bono Social Eléctrico (Social Electricity Bonus) subsidy, which reaches 1.6 million beneficiaries, was extended until the end of 2023. But aid for energy efficiency improvements needs to reach the households that need it most.

Environmental quality

- In 2023, the average maximum temperatures reached in the historical record were once again exceeded, while the prolonged drought resulted in increasingly frequent restrictions. In addition to moving towards more sustainable patterns of use, water quality regulations must be met and actions related to hydrological-hydraulic security must be undertaken.
- The impact of climate change is combined with other factors such as rural abandonment, which deteriorate and reduce forest formations, increasing the risk of fires. These affected 44.4 per cent more forest area than in 2013.
- Air quality in Spanish cities showed a favourable evolution in 2022, with the exception of tropospheric ozone which exceeded the target values. However, despite the commitment to implement low-emission zones (LEZs) in 149 munici-

palities by 2023, only 15 of them were implemented, with the rest in the process of being processed.

- Different measures aimed at promoting sustainable mobility were approved and the maintenance of subsidies for public transport contributed to its increased use. However, the use of private vehicles continued to increase, while the expansion of electric vehicles, as part of the Safe, Sustainable and Connected Mobility Strategy 2030, requires the extension of the recharging network.

Education and training

- In 2023, the Spanish education system continued to show remarkable strengths in areas such as early childhood education and lifelong learning and continued to reduce early school leaving, one of the main challenges in Spain.
- However, structural challenges related to social gaps, system resources, comparative educational performance or the challenges of the teaching profession remain, exacerbated by some of the most recent crises, such as COVID-19, as well as by the cumulative increase in the cost of living.
- The PISA 2022 results show that, despite successive education reforms over the past decades, 15-year-old students now have fewer basic skills than students twenty years ago. However, the loss of skills has been widespread and even more intense at the global level, which has allowed Spain to come closer to the European Union average.
- 2023 has been the European Year of Skills, signalling the need to broaden and improve skills in multiple productive activities. The attractiveness of vocational training continued to grow and in the 2022-2023 academic year the number of students enrolled exceeded one million. Although still a minority (3.7 per cent), dual vocational training grew by 17 per cent while facing numerous challenges for its implementation, addressed by the ESC in its ESC Report 1/2022.
- The implementation of Organic Law 2/2023 of 22 March on the University System is leading to a major transformation of the teaching accreditation systems, among other changes, while the challenge of financing public universities remains, in a context of strong competition with private universities, whose number and student body continues to increase.

Health and the health system

- In 2023, the end of the COVID-19 health emergency was declared, which, with a toll of 154,000 deaths with unequal territorial incidence, has continued to affect health and the system itself, which continues to suffer the consequences of the after-effects of the disease and delays in diagnosis that continue to surface.

- Waiting lists in primary and specialised care are on the rise, with the number of patients waiting for surgery increasing by 7 per cent in 2023. The average waiting time reached 128 days, eight more than the previous year.
- The level of activity in Primary Care decreased in 2022 after the unprecedented COVID-19-related increase that included the massive vaccination campaign against the disease. Four out of ten consultations were non-face-to-face. In specialised care, consultation activity increased by more than 5 per cent, partly in response to the accumulation of unmet demand during the pandemic.
- Four out of ten people suffer from some mental health disorder, but the high prevalence is not reflected in 2022 in the dedication of resources and the rate of professionals is lower than the European Union average.

Social security and pensions system

- In 2023, with the first cohorts of the baby boom generation having already entered the social security system, the number of contributory pensions exceeded ten million for the first time, and the average age of entry into retirement reached 65.
- Extraordinary measures due to the health crisis came to an end, revenue from social security contributions reached record highs due to buoyant employment and new revenue-enhancing measures, such as the implementation of the MEI (Intergenerational Equity Mechanism, by its initials in Spanish) and the new contribution system for the self-employed, came into force. However, the deficit of the system increased slightly to 0.6 per cent of GDP, mainly due to the exceptionally high 8.5 per cent revaluation of pensions
- In the regulatory sphere, the reform of the system initiated in 2021 culminated with Royal Decree-Law 2/2023, on urgent measures to extend pensioners' rights, reduce the gender gap and establish a new framework for the sustainability of the public pension system.
- In 2023, supplementary social provision showed progress, both in terms of employment plans and individual and associated plans, increasing the accumulated return and the value of their position account. However, the number of enrolled schemes continued to fall, as did the cumulative gross contributions.

Unemployment protection and cessation of activity

- With an average of 1.8 million benefit recipients (the lowest figure since 2008), 2023 shows a relative improvement in the scope and quality of unemployment protection: the gap between registered unemployment and unemployment recipients has narrowed (the lowest since 2009, except in the year of the pandemic), contributory coverage has grown (4 per cent), the coverage rate has increased

(5.4 per cent) and the main cause of leaving the system is due to placement (seven out of every ten leaves).

- Despite the improvements, there is still a high proportion of welfare protection (55 per cent), difficulties in entering the labour market on a stable and permanent basis (63 per cent of contributory registrations are due to reemployment), and a marked gender gap in the quality and coverage of protection.
- In 2023, important reforms come into force that improve the adequacy of benefits: the amount of the contributory benefit returns to 60 per cent of the regulatory base from day 181 (20 per cent increase in the replacement rate), while the amounts of assistance benefits are increased as a result of the 3.6 per cent rise in the IPREM (Public Indicator of Multiple Effect Income, by its initials in Spanish), which nevertheless carries over a considerable loss of purchasing power from previous years.
- In comparative terms, in 2023 Spain had one of the most generous unemployment protection systems in the European Union in terms of amount, although at the same time it is one of the systems that requires the longest contribution period for prolonged contributory protection. However, there is room for improvement in terms of income adequacy in families with dependent children.
- The conditions for access to unemployment benefits for the self-employed are improved. Under the new contribution and protection system, the number of successful applications is three times higher than in the years before the pandemic. Despite this, the rate of negative claims remains at around 50 per cent.

Minimum living income and minimum income guarantee system

- In 2023, there is a 28 per cent increase in the number of Minimum Basic Income (IMV) benefits, which at the beginning of 2024 exceeded half a million.
- The increases in the amount of the guaranteed income of the IMV, together with the maintenance of the extraordinary increase of 15 per cent for non-contributory pensions and IMV, place the adequacy rate at the highest point in the historical series and is the sixth highest in the European Union.
- Although positive, the increase in beneficiaries and amounts contrasts with a coverage gap of around 50 per cent, a figure that rises to 75 per cent in the case of the Childhood Allowance (CAPI).
- Seven out of every ten IMV recipients are women, in line with the predominant trend of women in the non-contributory and semi-contributory dimensions of the system, as opposed to the predominance of men in the contributory dimension.

Care for dependency

- In December 2023, 1.6 million people in Spain were registered as having recognised dependency, 76,000 more than in 2022, but a significant proportion have not yet gained access to care services.
- The number of SAAD beneficiaries is increasing (98,000 more than in 2022), but a significant proportion of the services provided fall short of the intensity required to meet the daily needs of dependent adults. And many of these services are of very low protective intensity.
- In 2023 there was a further drop of 6 per cent, with 11 per cent of those assessed as having some degree of dependency remaining on the waiting list, a total of 155,000 people assessed as having some degree of dependency. However, if we take into account the number of people waiting for recognition of dependency, more than 117,000, the list would total more than 296,000 people, a figure that is in any case lower than in 2022.
- Most of the benefits granted are services (41 per cent), but those of low intensity predominate. Telecare, a service with 428,000 beneficiaries in 2023 (almost 76,000 more than in 2022), is responsible for the increase in the total number of benefits granted in recent years.
- Since its implementation, the Plan de Choque has met the AGE (General State Administration, by its initials in Spanish)'s funding commitments, contributing 3,291.5 million euros to the care system, which has translated into a contribution to the total funding of public administrations of close to 40 per cent.

Rights of consumers and users

- In 2022, average household consumption expenditure increased in constant terms by 2 per cent over the previous year and households had to make a greater economic effort to slightly increase the purchase of goods and services in the context of rising prices.
- The return to normality facilitated the recovery of some behavioural patterns that were still largely in place despite the price increases, with spending on hotels and restaurants regaining its position in household spending priorities. However, in 2023 the food shopping basket reduced in size and increased in price, forcing households to restrict the consumption of some basic products, such as olive oil.
- Access to goods and services via the Internet is increasing: in 2023, the proportion of online consumers reached the EU average and was the highest in history. However, those over 74 use this medium very infrequently, despite an increase in the proportion over the last three years.

- The system of organising citizen care through an appointment-based service can deepen the digital divide and the vulnerability of part of the population when it is only accessible online. Appointment booking (including medical appointments) is the most used public service via the Internet in 2023.
- Seven out of ten children aged 10-15 have their own mobile phone and 95 per cent access the Internet, with access to harmful content being a cause for concern.

Equality, non-discrimination and inclusion

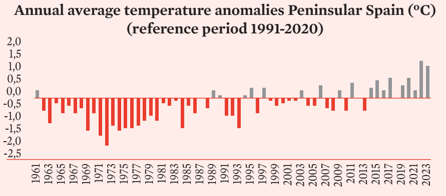
- In European comparison, Spain improves and excels in gender equality, occupying fourth place in the European index (IQ 2023), although with a wide margin for improvement in dimensions such as work, despite the positive evolution of employment. Difficulties persist in reconciling work and family life, although improvements in the level of co-responsibility of men can be observed.
- Organic Law 1/2023 of 28 February was passed, amending Organic Law 2/2010 of 3 March on Sexual and Reproductive Health and the Voluntary Interruption of Pregnancy.
- In Spain, there is less rejection of people from vulnerable groups and a greater predisposition to coexistence with people of different status. The new Law 4/2023, of 28 February, for the real and effective equality of trans people and for the guarantee of the rights of LGTBI people, is moving in this direction.
- The dynamism of migratory flows supported the growth of the population to 48.4 million inhabitants and increased the diversity of origins in Spain, with more than 18 per cent of the population having a migratory origin. In this context, the Strategic Framework for Citizenship and Inclusion, against Racism and Xenophobia 2023-2027 was approved.
- The II Human Rights Plan 2023-2027 was approved, while the creation of the Authority for equal treatment and non-discrimination provided for in Law 15/2022, the approval of the comprehensive law against trafficking and exploitation of human beings or the reinforcement of the National Host System are still pending.

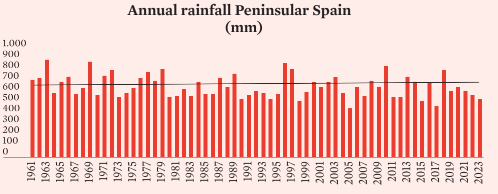
Gender-based violence

- The persistence of gender violence is one of the most serious problems in Spanish society, exacerbated in 2023 with 58 fatal victims murdered by their partner or ex-partner. At the end of the year, there were already 1,244 feminicides of this type registered since 2003.
- Its costs to society are estimated to be equivalent to 0.37 per cent of GDP. But for 23 per cent of young people “it does not exist or is an ideological invention”, so it is necessary to reinforce the effectiveness of measures to combat it.

MAIN TOPIC: CLIMATE CHANGE

BOX 1. ECONOMIC IMPACTS OF CLIMATE CHANGE





Source: AEMET, *Avance climático 2023.*

IMPACT OF CLIMATE CHANGE

- Heat and cold waves.
- Extreme weather events.
- Reduced water availability.
- Shoreline flooding.
- Increase in forest fires.
- Changes in ecosystems.
- Expansion of invasive exotic species.

MACROECONOMIC IMPACT OF CLIMATE CHANGE

Physical risks:

On the supply side: resulting from disruptions in the production process, deterioration of physical capital, lower productivity in some sectors and possible consequences on business demographics.

On the demand side: uncertainty about the impact on employment, inflation or wealth conditions the consumption and investment decisions of households and firms.

Transition risks

Negative effects on household purchasing power, corporate profitability, financial market stability or public finances.

GDP –1.3

Inflation 1.5

Housing price changes –4.2

Impact on activity, employment, prices andcredit dynamics

- Not negligible.
- Heterogeneous by regions, sectors, firms and households (and the most vulnerable).
- Decarbonisation policies can significantly reduce the economic costs associated with the materialisation of physical risks.
- Public policies can help minimise the impact of transition risks.

BOX 1. ECONOMIC IMPACTS OF CLIMATE CHANGE (*continuation*)

		Impact on productive sectors in Spain
Higher incidence of physical risks	**Primary**	It will face severe losses in agriculture and livestock due to recurrent drought and in fisheries and aquaculture due to temperature changes, acidification and deoxygenation of marine waters. Less CO_2 absorption from soils and oceans. Need to boost its mitigation role as well.
	Tourism	Necessary adaptation due to the degradation of natural resources, the deterioration of key infrastructures or changes in tourism supply and demand, with particular impact on coastal and snow destinations. It must also integrate environmental and social sustainability into business models.
	Construction	It will be driven by the impact of climate change on physical infrastructure and the need for adaptation of buildings.
More affected by the decarbonisation challenge	**Transport**	It will be disrupted by extreme weather events and drought bottlenecks, with consequences for the rest of the activities. In mitigation, there is no single solution due to heterogeneity between modes, services, market structure or business size. It faces fleet renewal, the future price gap between conventional and less carbon-intensive fuels, and the slow deployment of biofuels and non-biological renewables infrastructures.
	Industry	Climate risks can lead to physical damage to facilities, disruptions in supply chains or reduced availability of certain resources, such as water, or changes in production conditions, e.g. increased cooling requirements. But the biggest challenge lies in reducing emissions, improving energy efficiency, making more intensive use of renewable energies and integrating the circular economy into production, in order to decarbonise its activity and favour its competitiveness.
	Energy	The most relevant impacts are associated with reduced water availability, which affects hydropower production and the potential use of biomass as an energy source, and with changes in energy demand in terms of both quantity and time patterns. Decarbonisation of the economy is supported by increasing renewable production and electrification of economic activity. The electricity sector faces important challenges, including the need to boost storage, investment in grids, the review of the incentive model in a new macroeconomic environment and regulatory stability.

BOX 1. ECONOMIC IMPACTS OF CLIMATE CHANGE (*continuation*)

Impact on productive sectors in Spain

Tractors of decarbonisation	**ITC**	It is a tractor of the adaptation strategies of the rest because it facilitates access to information, data management, forecasting and artificial intelligence applications - e.g. it facilitates the implementation of early warning systems and predictive maintenance operations. It must therefore also reduce its physical vulnerability to climate change. It must also take up and integrate the challenge of decarbonisation into its future developments, many of which are highly energy-intensive.
	Financial	Climate risks impact the financial sector's portfolio of assets and liabilities (an estimated 15 per cent of the portfolio is subject to physical risks and about 80 per cent to transition risks). Therefore, institutions need to improve their ability to measure, assess and anticipate the degree of exposure to these risks and incorporate them into their business strategy, which will reinforce their driving role in the energy transition.
	R+D+i	Scientific research and the development and implementation of technological innovation processes are basic pillars for climate change adaptation and mitigation. In order to strengthen its driving force, R+D+i must overcome the weaknesses it faces in Spain: low levels of public and private investment, insufficient coordination in innovation between administrations, limited absorption of innovation by small businesses and insufficient supply of innovation-related skills.

Conclusion:
Given the need for a bottom-up approach, policies to tackle climate change in Spain must take into account the distribution of competences between administrations, the different socio-economic context, the demographic challenge, the technological possibilities and the limitations posed by digital breaches.
Both climate change adaptation and mitigation require greater coordination between all levels of government and collaboration between the public and private sectors to design joint strategies to combat climate change. And, of course, the participation of economic and social agents is essential, as the challenges are redoubled in the labour market and social cohesion aspects.

BOX 2. CLIMATE CHANGE AND EMPLOYMENT

Climate change and environmental degradation pose significant challenges to employment and the risks will be greater in the medium to long term. In contrast, mitigation measures and the transition to a low-carbon economy present an opportunity and, if well managed, can generate more and better jobs.

In particular, changes in ecosystems and changes in adaptation and mitigation policy (ecological transition) are likely to lead to changes in employment across sectors, firms, occupations and regions, as well as changes in content: new tasks or tasks performed differently.

In this context, the role of PAEs (Active Employment Policies, by its initials in Spanish), the Just Transition strategy, social dialogue and collective bargaining is crucial to address the distributional consequences of climate policy and to deal with potential social, employment and adjustment frictions.

Impacts of ecosystem change

Anticipated

Fall in employment in the primary sector associated with a decrease in production.
Territorial redistribution of employment in tourism activities. For Spain as a whole, more even distribution of employment throughout the year, decreasing in high season and increasing between October and May, although without compensating for the loss of employment in July and August.

Visible

No significant impact on employment

Impacts of the ecological transition

Anticipated

Aggregate employment effects of environmental policy in general, and of decarbonisation policies in particular, small and transitory. For the EU, the Fit for 55 impact assessment projects aggregate employment growth between -0.3 and 0.5 per cent by 2030.

Green jobs, which involve tasks aimed at reducing the impact of economic activity on the environment, from waste recycling to R&D in green innovation, are expected to grow and on average require higher skills than other jobs. However, they account for a small percentage of total employment.

Brown jobs, which relate to polluting activities, will either experience an absolute contraction in labour demand or a significant structural transformation towards greener production processes, which could lead to changes in skill requirements.

Visible

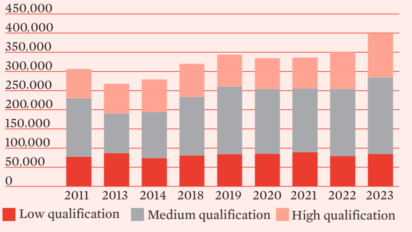
Growth in the share of "green" in both the EU and Spain and a fall in the share of "brown" employment over the last decade.

While aggregate employment are limited, the compositionof green employment has undergone small but important changes over the last decade in Spain: cliate plocies have boosted theemployment of high-skilled and medium-skilled technicianswhile the employment of low-skilled workers has stagnated (graph 1).

BOX 2. CLIMATE CHANGE AND EMPLOYMENT (*continuation*)

Impacts of the ecological transition

GRAPH 1. EVOLUTION IN "GREEN" EMPLOYMENT 2011-2023 BY QUALIFICATION



Winners and losers

In Spain, climate change represents a challenge for several sectors, mainly for two fundamental ones in terms of employment: agri-food and tourism.

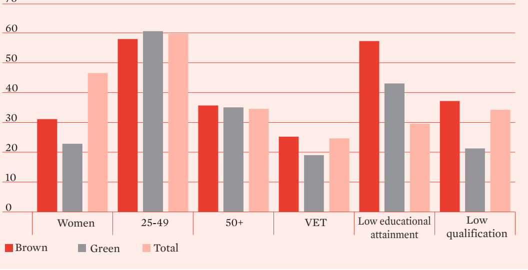
In addition to the primary sector and to a lesser extent the tourism sector, other sectors are heavily dependent on water and could experience significant job losses in a future with less water.

In contrast to these sectors, there are others that can benefit from the implementation of measures to mitigate the direct effects of climate change. In particular, in the coming years, new jobs are expected to be generated in various activities in the construction sector, in industry and in the so-called «water sectors».

In addition to certain sectors and territories, the effects of these changes may be concentrated in certain demographic groups. Data on the gender, age and education distribution of employment in brown occupations suggest that most of the cost of adjustment will fall on men in prime age groups (25-49 years) with low educational attainment (graph 2).

Women are under-represented in both brown and especially green occupations. Older workers are slightly over-represented in brown occupations and given the lower job finding probability of these workers, it is possible that some may no longer find employment after being laid off.

GRAPH 2. CHARACTERISTICS OF WORKERS IN BROWN AND GREEN OCCUPATIONES



What competences and qualification processes does the green transition require?

Types of green competences

soft skills: informal competences related to knowledge, skills, attitudes and values for working, living and acting in sustainable production systems and societies. They include, among others, environmental awareness, creativity, adaptability to future environmental scenarios.

transversal: they apply to different jobs and sectors (e.g. sustainability reporting, environmental impact monitoring and assessment).

technical or specific: required in a given sector to implement conditions, processes, services, products and technologies that improve its environmental performance.

BOX 2. CLIMATE CHANGE AND EMPLOYMENT (*continuation*)

What competences and qualification processes does the green transition require?

Types of green qualification

Reskilling, aimed at the job transition of workers with obsolete skills.

Skilling and upskilling of people employed or seeking employment in green sectors and jobs.

Upskilling of workers in sectors and jobs that may be changed by the green transition.

New curricula, programmes and qualifications (skilling) for future workers in new jobs arising from the green transition.

Situation and weaknesses of green skills in Spain

- insufficient supply of technical and STEM profiles.
- low presence of women enrolled in STEM degrees (36 per 100, compared to 56 per 100 of total university enrolment).
- the rate of young people enrolled in VET is significantly lower than the EU average (12 per 100 vs. 25 per 100).
- In VET, enrolment in STEM studies decreases at higher levels, which has an impact on the availability of specialised technical staff. Moreover, the gender gap is also large.
- imbalance between the skill levels of the labour force and the projected demand (oversupply of low and high skill levels; shortage of medium level).
- insufficient agility of the education and training system in adapting to the needs of the labour market.

PAE and green transition

In the scenario of ecological transition, employment policies face the challenge of accompanying workers in their reintegration into new sectors (and/or professions) or the adaptation of their jobs, as well as companies. Two main objectives:

Boosting green jobs and green skills

- development of green skills and green jobs
  - specific focus on young people (work-linked training and first professional experience in Public Administrations) and women
  - acquisition of skills and qualifications
- support for micro-enterprises and green entrepreneurship

Fondos para financiar las acciones

- PRTR (666.8 million euros)
- PRTR (9 million euros)
- Urgent Action Plan and Just Transition Conventions, to be succeeded by the Just Transition Fund (173.9 million euros)

Fair transition

ensuring the necessary social protection, social cohesion and territorial cohesion measures to cushion the costs of the green transition.

- development of green knowledge and competences in people in FT areas
  - FT pacts/conventions
  - professional reskilling of people affected by the green transition
  - orientation, training, intermediation and re-employment support programme
- improvement of the employability and protection of the population affected by the FT
  - early retirement and compensated leave
  - job exchanges for workers affected by closures
  - support plan for the reskilliing and labour insertion of the affected populations

BOX 2. **CLIMATE CHANGE AND EMPLOYMENT** (*continuation*)

PAE and green transition

- prioritisation of the CTJ (Fair Transition Agreements, by its initials in Spanish) areas in the renewable energy PERTE
- prioritisation in Empleoverde+ subsidies
- prioritisation of workers in CTJ in the decommissioning of power plants and environmental recovery of abandoned mines

The role of social dialogue and collective bargaining

Policies to mitigate climate change and adapt to its effects also involve labour regulations, the actions of labour institutions, social dialogue and the instruments of labour relations stemming from collective autonomy (collective agreements and collective bargaining).

Labour standards and strategies

The Occupational Safety and Health Strategy (EESST, by its initials in Spanish) 2023-2027 has incorporated (Objective 2) the challenge of integrating the prevention of occupational risks arising from weather-related global warming phenomena as part of the adaptation to transformative socio-economic transitions in work in general and in new green jobs.
Other relevant instruments for adaptation are:

- The procedures for temporary reduction of working hours and temporary suspension of employment contracts for various reasons (ERTE, by initials in Spanish), whose purpose is the preservation of employment as an alternative to the termination of contracts.
- The RED Mechanism for employment flexibility and stabilisation, introduced by the socially agreed labour reform, in its sectoral modality, is foreseen when permanent changes are observed in a specific sector or sectors that generate needs for retraining and professional transition processes for workers.
- The social support measures and external outplacement plans provided for in collective redundancy procedures for economic, technical, organisational or production-related reasons (ERE for ETOP reasons) are also available.

The role of social dialogue, European and national dialogue

- The effectiveness of fair transition policies in the processes of productive reconversion in sectors and territories, which may be induced by the effects of global warming, requires the participation of the social partners in their design.
- The European social partners, in their Joint Work Programme 2022-2024, address as necessary the configuration of a framework of actions to ensure a fair ecological/climatic transition. Sectoral social dialogue is particularly suited to meet this challenge because of its proximity to the problems of the sectors and sub-sectors most affected.
- At the national level, tripartite social dialogue can be developed in its own framework in relation to the monitoring of the effects on activity and employment of the Just Transition Strategy, provided for in Law 7/2021 of 20 May.
- Sectoral social dialogue is particularly relevant, where it would be advisable to promote sectoral observatories in the follow-up and monitoring of the demographic, ecological and digital transitions.
- In the sphere of bipartite autonomous dialogue between the most representative business and trade union organisations, the V Agreement for Employment and Collective Bargaining (V AENC), in relation to the ecological transition, energy decarbonisation and the circular economy, calls for these processes to be tackled early and effectively through collective bargaining.

Challenges for collective bargaining

- The challenges posed by the effects of climate change on work can be addressed through the instruments of labour relations, including what is known as green collective bargaining, as has been pointed out, among others, by EU institutions.
- In Spain, some studies identify good practices in collective bargaining agreements, with treatment focused mainly on clauses relating to environmental protection. Although collective bargaining attention to the effects of climate change is still a minority, it is to be expected to become more widespread, among other factors, in view of the criteria and recommendations included in the 5th AENC in relation to the ecological transition.

BOX 3. SOCIAL IMPACTS OF CLIMATE CHANGE

Social impact of climate change: addressing the transition without deepening inequalities

Climate change poses a risk to the health and well-being of the population, increasing inequality and the risk of poverty.
The acceleration of this process in parallel with rapid socio-demographic changes, which increase pressure on natural resources, is also coupled with actions that can lead to negative environmental and/or social effects («maladaptation»), deteriorating essential elements of quality of life and increasing inequality.

- The social impact of climate change and of mitigation and adaptation measures goes beyond national borders.
- The unbalanced distribution of climate change impacts exacerbates existing North-South inequalities.
- Population displacement and conflicts are intensified by rising sea levels, longer periods of drought or more frequent flooding, among other factors.

Concepts such as "climate justice" or "just resilience" are gaining ground in the debate on the social consequences of climate change and on adaptation and mitigation measures, in a process of just transition that is not limited to regions and productive sectors, and which responds to the need to leave no one behind.

Climate impact and social risks in Spain

Opportunities

Take advantage of available tools: PNACC 2021-2023, which includes adaptation actions consistent with climate justice by addressing short and long-term risks) and II National Human Rights Plan, which specifies the need to reduce vulnerability related to climate, natural disasters and pollution and incorporates the need to pay attention to particularly vulnerable groups.

Challenges

In a scenario of global warming above 1.5 ºC, the IPCC indicates that in the last third of the 21st century, the warm desert and semi-arid climate will extend over the eastern half of the Iberian Peninsula and the Mediterranean climate will extend northwards to occupy part of the Cantabrian coast. In Spain, more than 300,000 people are exposed to the risk of flooding, while annual deaths attributable to excess heat and morbidity and mortality associated with pollution and poor air quality are on the rise.

Impact on health and the health system

Opportunities

Interdependence as an inescapable principle in addressing health is embodied in the integrated "One health" approach, which seeks to balance and optimise the health of people, animals and ecosystems in a sustainable way.

The creation of the Health and Climate Change Observatory will serve to improve the monitoring of indicators related to health impacts, combining efforts and contributing to the prevention and monitoring of extreme events hazardous to health.

Challenges

Almost a quarter of the global burden of disease and mortality is attributable to environmental factors, one of the most obvious triggers being the global rise in temperature, correlated with the increase in tropospheric ozone concentration.

According to the WHO, this accounts for 12.6 million deaths per year, and is more pronounced in Spain, where heat-related deaths reach 116 per million, well above the European average.

BOX 3. **SOCIAL IMPACTS OF CLIMATE CHANGE** (*continuation*)

Sustainable urbanism and housing: dilemmas and emerging inequalities

Opportunities

The Mediterranean city model, predominant in Spain, offers ideal conditions for promoting urban models that address major challenges such as sustainability or environmental quality from the perspective of the quality of life of those who live in towns and cities.

Policy schemes such as the Spanish Urban Agenda, together with other national and European instruments, offer diagnoses, tools, methodologies and funding mechanisms so that local entities can develop responses to climate change, improving air quality, sustainable mobility or housing policies.

In addition, Spain has an energy rehabilitation programme for existing buildings in municipalities with demographic challenges (PREE 5000 Programme) whose objective is to promote the sustainability of buildings (thermal optimisation of dwellings and replacement of thermal generation installations with renewable energy).

Challenges

Cities are the main consumers of energy and are responsible for a very high percentage of CO2 emissions into the atmosphere. To reverse the climate impact they cause, ecosystemic policies are needed in which all the municipalities involved participate, in a multilevel and multi-stakeholder climate governance model that includes shared objectives and instruments adapted to the different territorial realities.

In Spain, the so-called "energy poverty" (difficulty for households to maintain their homes at an adequate temperature -for healthy comfort-) is particularly prevalent, with households with lower incomes being the most affected by this deficiency.

Social impact in rural areas: a particularly at-risk environment

Opportunities

Axis 1 of the National Strategy against the Demographic Challenge includes programmes and actions aimed at stabilising the rural population, promoting green investments in order to reduce the social impact of climate change in rural areas (improving the energy efficiency of buildings, public equipment and infrastructures, promoting the generation and consumption of renewable energies and developing sustainable mobility).

Challenges

The economic and population concentration around the coast and large urban areas leaves rural areas with an uncertain future, aggravated by the effects of climate change. This affects economic development, but also ageing, depopulation and worsening quality of life.

Tackling the demographic challenge involves improving job opportunities for young people, reversing the deficit of services and, in particular, seeking ways to reverse the impact of damage caused by natural disasters associated with climate change and the scarcity of basic resources, especially water.

Sustainable consumption and life styles

Opportunities

Adaptation and mitigation of climate change requires a rethinking of individual choices about living habits, purchasing and consumption patterns, towards more sustainable lifestyles.

UNEP points out the importance of addressing the needs of local people and environments by providing realistic and attractive options.

Public authorities have a responsibility to translate the idea of a new social contract based on more sustainable lifestylesnibles.

Regulatory developments such as Directive 2024/825 can improve consumer and user protection in the context of the ecological transition.

BOX 3. SOCIAL IMPACTS OF CLIMATE CHANGE (*continuation*)

Sustainable consumption and life styles

Challenges

Among the consumption options, food plays a decisive role in consolidating sustainable and resilient production models and practices, as assumed by the PNACC 2021-2030, which estimates that currently one third of the food produced is wasted, which is incompatible with the need to feed a growing population in a context of agricultural production that is highly vulnerable to the impact of climate change.

Awareness-raising and sensitisation actions are necessary, involving all relevant actors (administrations, consumer associations, social partners, educational and training centres and citizens themselves).

Education and training are key, reinforcing knowledge, training for a technical and professional activity that is low-carbon and resilient to climate change and the acquisition of the necessary personal and social responsibility.

Gender impact of climate change

Opportunities

Women's increased ecological commitment and contribution to sustainability has a major impact on the collective awareness of the need to step up action on climate change. This is illustrated by the fact that globally women, especially young women, have been at the forefront of the major climate mobilisations of recent years.

Challenges

Despite women's contribution to environmental awareness, it is women who are most affected by some of the consequences of climate change, especially older women living alone and/or in isolated municipalities or rural environments, as well as single-female-parent households.

They also suffer more frequently from energy poverty, especially non-EU migrant women and, again, single-female-parent households.

It is therefore necessary to reverse the under-representation of women in key sectors for the green transition, such as energy and transport, as well as in decision-making in areas relevant to tackling the consequences of climate change and the ecological transition.

Climate change poses a risk to health, quality of life and social cohesion, increasing inequality and the risk of poverty.

The climate justice or just resilience approach makes it necessary to place equity and human rights at the heart of decision-making and action in this area, considering that people in vulnerable situations are more affected by the associated risks.

Cushioning the social consequences of climate change, incorporating the idea of compensation alongside those of mitigation and adaptation, requires a cross-cutting roadmap that acts from many policy areas, and not strictly from environmental or sectoral ones, with initiatives that promote education and environmentally friendly lifestyles; boost the role of the urban agenda, eco-efficient housing and sustainable mobility; respond to the specific needs of rural communities and incorporate the gender perspective, intergenerational justice and dialogue with social partners.