

## ETUC SOCIAL PROJECT - SURVEY FOR NATIONAL CONTACT PERSONS

### Trade Union report for Spain

#### National Trade unions that participated in the survey: CCOO

This survey, for completion by the National Contact Persons on behalf of their trade union, is an important source of the qualitative and quantitative information required for the ETUC's SociAll Project. This is in addition to the extensive information about each countries' pension system that will already be available to the National Experts from established national and international sources.

The survey will provide the National Experts with:

- Background information, specifically from a trade union perspective, about the country's pension system and attitudes to recent trends in pension provision;
- To outline the challenges in the sphere of pension provision that have been identified by trade unions; and
- Set out the trade unions' priorities and proposals.

The survey is divided into three sections that are summarised in Table 1 below. These relate to the corresponding sections of the National Reports, as outlined in the Methodological Note. Section 4 of the National Reports will also be informed by the information that is provided.

<b>Table 1. Outline of the National Survey</b>	
<b><u>Section 1.</u></b>	<b>The Country's Pension System:</b> The views of the national trade unions on the strengths and weaknesses of prevailing pension system and the content and the expected effects on the system of recent reforms and those currently under active discussion.
<b><u>Section 2.</u></b>	<b>Current Challenges:</b> Trade unions' perception of the main socio-economic and demographic challenges that affect the present and future of pension provision.
<b><u>Section 3.</u></b>	<b>Possible Reforms:</b> The trade union's priorities in pension policy and the strategies required to have more effective pension protection in the future.



## Section 1. The Country's Pension System

*This section of the survey covers the current situation, including questions on the trade unions' views on the strengths and weaknesses of prevailing national pension system. It also asks questions on the content and the expected effects on the country's pension system of recent reforms and those currently under active discussion. It should be taken that the National Experts are already familiar with the country's existing pension system and current issues. The status of the current reforms should be identified as follows:*

- **Completed Reforms**, i.e. those implemented since 2010
- **Planned reforms**, i.e. i.e. almost certain to be adopted, i.e. having gained enough political support and formulated as draft legislation
- **Reforms under active discussion**, i.e. those that are under discussion, with an indication of the likelihood that the reform will be adopted.

## QUESTIONS

### GENERAL OVERVIEW

#### Role of Social Partners in general and trade unions in shaping pension reforms

##### Q 1.1

Can you describe how trade unions in particular and social partners in general are involved in the pension policy debate and decision-making process in your country and how does the involvement take place (involvement in bipartite/tripartite institutions, consultation by government/parliament, negotiations)?

*The parliamentary commission known as the Toledo Pact ("Pacto de Toledo") established 15 recommendations that formed the basis for an agreement between the government and social representatives, giving rise to the Consolidation and Rationalisation of the Social Security System Act in 1997. Since then, the Toledo Pact has provided a stable mechanism for debating and designing Social Security reforms based on dialogue, negotiation and wide-ranging political and social agreements, while endeavouring to keep something so important free from temporary political controversies.*

*Consequently, from the mid-nineties pensions have been dealt with in two ways: by the parliamentary commission (Toledo Pact Commission), which issues general recommendations with a high degree of consensus, and by specific reforms that have been implemented by means of social dialogue agreements between the government and trade union and business organisations.*



Q. 1.2

Which is the trade union role in the latest pension reform processes (implemented and under discussion)? Provide your own assessment (major role, marginal role, total exclusion) and few examples in case of influence

*The trade unions have played an essential role in the most recent pension reform processes; in 2011, by means of a political and social agreement, while were not involved in the 2013 reform, which was carried out by the Popular Party government on its own, without a social or political agreement. Due to its lack of legitimacy and balance, the implementation of this ended up being delayed and we hope that it will, finally, be repealed, although this is something that has yet to take place.*

*We trust that the next reform of the pension system, after overcoming the urgency due to the COVID-19's impact on the economy and society, will revive the spirit of negotiated, balanced reforms based on social and political agreements.*

Q. 1.3

Provide a general assessment of the extent to which the existing pension system addresses the needs of current and future retired people in your country, indicating where and why it falls short.

*A general assessment will be enough, as a more detailed section on challenges will follow.*

*The main reforms of the system have been carried out in a context of social and political dialogue and agreement (1997, 2002, 2007 and 2011), except for the unilateral reforms of 1985 and 2013, which were solely centred on the sustainability of the system at the expense of the sufficiency of the benefits (1985, 2013).*

*Our pension system stands out due to the fact that the model has maintained the minimum requirement of 15 years of contributions, which has helped to guarantee the extension of the system's coverage throughout the working segment of the population. In parallel, the number of years of contributions on the part of the working population has increased considerably.*

*Nonetheless, this minimum of 15 years also leads, to a certain degree, to excluding workers that have not contributed for this number of years (especially women); more so in previous decades, although this is still true today.*

*The increase in the number of years of contributions has taken place in general throughout the system. However, in the case of self-employed workers, the evolution has been singularly visible. In 1987, half of the new pensioners had only contributed for 15 years, while this was so in only 1.2% of the cases in 2018. In general, in the system as a whole, the number of years of contributions on the part of new pensioners has clearly continued to increase; the minimum number of years has become practically anecdotal (1.37%), while most workers have contributed for more than 30 years (around 80% of the total).*

*For those who have been unable or unwilling to work and pay contributions, the system has a second level of protection involving welfare or non-contributory benefits. These do not require a minimum period of contributions but depend on the beneficiary certifying a situation of need, derived from low income. Their level of coverage guarantees their universality as regards the volume of beneficiaries, although, in terms of sufficiency, they prove to be very low.*

*The risk for future pensioners consists, undoubtedly, in not being able to revert the 2013 reform, which includes the pension revaluation system in force at present (although its application has been suspended in the last three years), which contemplates an annual maximum revaluation (if the system does not receive new income) of 0.25% and a sustainability factor. According to the European Commission's own estimates in the Ageing Report 2018, the combination of both measures will result in the largest drop in the replacement rate in Europe (31 per cent in around twenty years). This is also corroborated by the Pensions at a Glance report in 2019 (more than 15 per cent). Another important risk for future pensioners is the current labour legislation (2012 reform) that has contributed to an increase in precarious and temporary employment as well as involuntary part-time work, as we will see later on. If such matters are not corrected, the impact on their working life may be significant (lower wages and longer periods without paying contributions).*

#### Q. 1.4

- a. What are the main principles and policy drivers that inspired the design of the pension system under analysis? Are they still valid?

*The principles are the payment of contributions and solidarity, which correspond to the four characteristics with which the system was originally designed (accessibility, flexibility, adequacy and sufficiency).*

*In relation to accessibility, the fact that the model has maintained the minimum requirement of 15 years of contributions has helped to guarantee the extension of the system's coverage throughout the working segment of the population, although this has an exclusionary effect, mentioned above, on the population that cannot certify the minimum period of contributions (which has decreased in recent decades). In relation to flexibility, the main characteristic of our model involves an important number of new pensioners (approximately 40% in the system as a whole and almost 50% in the case of the General Scheme) making use of the possibility of early retirement.*

*In relation to the adequacy of pension, according to the OECD's latest report comparing pensions in different countries, Pensions at a Glance, the replacement rate of public pensions in Spain is 72.3% of the workers' last salary.*

*In relation to sufficiency, in general in our model, the minimum level (guaranteed by extra amounts allocated in the state budget) of contributory pensions seems to be on the threshold of the risk of relative poverty (60% of average income), and in the case*

*of non-contributory pensions, on the threshold of the risk of severe poverty (30% of average income). This latter limit is low.*

- b. Is the European Pillar of Social Rights and the recent European Council's Recommendation on Access to social protection for workers and the self-employed<sup>1</sup> shaping the debate on pensions?

*Both initiatives are influencing the debate and regulation proposals that are arising in order to cover the gaps that exist in our social welfare system, which mainly affect the unemployed that are not entitled to any benefit or subsidy (indicators such as the Impact of social transfers (other than pensions) in the reduction of poverty, the AROPE (At risk of poverty and social exclusion) rate, the Unemployment rate (ages 15-74) or the Long-term unemployment rate (ages 15-74) and Spain's performance in these indicators, are undoubtedly useful in focussing the debate on these needs). In this regard, the trade union organisations promoted a Popular Legislative Initiative that has not yet been submitted to Parliament. Due to the COVID-19 crisis, many social welfare measures were adopted in order to protect all those facing situations of vulnerability. The recent Minimum Living Income is a positive measure that will cover a priority group, improve protection for children and could guarantee a homogeneous floor of minimum income in Spain; nonetheless, it is not sufficient since there will still be important gaps in the coverage of unemployment protection. In this regard, the Popular Legislative Initiative (PLI) submitted by the trade unions with the backing of 710,000 signatures has to be accepted in order to start going through Parliament.*

- c. Within trade unions?

*The European social pillar, its indicators and results, included in the EU's country reports, are analysed by the trade union organisations. We then prepare a joint document (CCOO and UGT) in which we make specific proposals for the National Reforms Plan.*

- d. In bipartite or tripartite social dialogue?

*The tripartite social dialogue in this field has not worked well on numerous occasions. It has been more an instrument of consultation than of dialogue. These matters are dealt with on a bipartite basis without the participation of business organisations.*

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<sup>1</sup> <https://ec.europa.eu/social/main.jsp?catId=89&furtherNews=yes&langId=en&newsId=9478>

Q. 1.5

Summarise the trade unions' views on the state of the country's pension system debate in terms of the balance between financial sustainability and social adequacy, coverage and effectiveness.

*The trade unions believe that the pension system does not have sustainability problems since we will reach the period of greatest demand (around 2040-50) with expenditure in pensions amounting to 14-15% of GDP (the amount will thereafter decrease), something that is already being assumed by neighbouring countries. We believe that the system faces challenges regarding demographics and the quality of the labour market, which are interrelated. The pension system requires attaining an agreement, as in years past, with political and social consensus, facilitating the balancing of the system's income and expenditure (2011 reform). Reforms (like the one in 2013) that merely reduce pensions in proportion to the increase in the number of pensioners must be reverted. The **sustainability factor** (also from the 2013 reform) has to be negotiated in the terms that were agreed in 2011, when a generic mandate was established, in one of its additional regulations, to define a factor of this type "with the objective of maintaining proportionality between the contributions paid into the system and the benefits expected in return, and guaranteeing its sustainability," thereby defining it in terms of balance between sustainability and adequacy-sufficiency.*

*The Pension Revaluation Index (PRI) is the only index of this type in Europe (see Ageing Report 2018). Most countries revalue their pension in line with salary growth, prices or a combination of both variables. The Spanish index is referenced to the RPI, i.e. it forms part of the result of the RPI formula, but pensions do not increase in harmony with the RPI. The RPI is useful to a certain extent in order to measure the system's situation, but it is not free from subjectivity since it includes forecasts regarding the evolution of certain variables in future years. However, it is certainly not useful for adapting workers' pensions to the evolution of the cost of living, since the index could remain at the minimum level (0.25%) for as many years as necessary, except when new amounts are added to the system, in which case it could rise to a maximum of RPI+0.5%. According to the estimates of both the European Union and the OECD, due to the increase in the number of pensioners, it will remain at 0.25% and the accumulated loss of spending power over twenty years will result, as forecasted by both institutions, in Spain's pension replacement rate being the one with the largest decrease in the following decades.*

*In this regard, in order to restore the balance between sustainability and sufficiency, it is necessary to attain a wide-ranging political and social agreement, omitting measures that only focus on sustainability and make the problems of sufficiency worse.*

Q. 1.6

Summarise completed reforms (as defined above) and indicate the trade union's assessment (if any) of their impact on the adequacy, coverage, and effectiveness of pension provision?

2013 reform:

*The 2013 reform established the Pension Revaluation Index (PRI) and the sustainability factor. Both have experienced an important social and political reaction, resulting in the PRI being suspended in 2018, 2019 and 2020, while implementation of the sustainability factor has been successively delayed since its approval. Several international organisms have estimated the effects of this reform. For example, the EU's Ageing Report estimates pension expenditure amounting to 12.5% in the most demanding period –the one with the greatest demographic pressure, with 50% more pensioners– compared to 14-15% in the case of neighbouring countries. These are expenditure-reducing measures, with a linear application affecting the entire retired population. The average pension will drop from € 1,100 per month to € 785 per month, in real terms, from a 70% replacement rate of the last salary to 50%. It changed from RPI-linked revaluation to a non-automatic system that depends on the government in power's decisions, which has been the case in 2018, 2019 and 2020 with two governments of different persuasions (they suspended its application).*

*In relation to the sustainability factor, in the 2011 reform it was agreed that it would be defined in 2027, when the introduction of the extensive parametric reforms adopted therein would be completed. However, in the 2013 reform it was decided to bring its introduction forward, while overlooking the fact that the 2011 reform had contemplated a revision of all the system's parameters. Instead of the latter, an instrument was introduced that automatically links the amount of the Social Security system's old-age pensions to the evolution of pensioners' life expectancy, thereby establishing an exclusive, automatic adjustment that reduces the initial amount of the pension in proportion to general increases in life expectancy. The 2013 reform established the application of the Sustainability Factor in 2019, although it has been put back, in the end, until January 1, 2023, at the latest.*

*If it had actually been implemented, the factor's impact on new old-age pensions would have been a 0.54% decrease, which would accumulate annually, so that at the end of the first five-year period, new pensioners in 2023 would receive 2.65% less; and this decrease would continue in successive years.*

2011 reform (these measures are applied progressively during a period of time that is differentiated according to each of them):

*The reform that was agreed between trade unions and employers in 2011 was based, unlike the 2013 reform, on a classic concept of **parametric reform** that, in relation to the retirement model, is mainly centred on the elements that determine the way of accessing retirement, its different types and the amount. The key elements of this reform involve*

*reinforcing contributions as a tool that can respond to an increase in expenditure, without risking the adequacy or sufficiency of the benefits, while preserving the essential characteristics of the retirement model. Reinforcing the principles of payment of contributions and solidarity is used as instruments enabling a fair distribution of the costs required to make our retirement model sustainable in the mid- and long-term.*

*In 2011, the ordinary retirement age was established as 65 to 67 years of age, with the worker retiring in accordance with the amount of contributions paid, so that the more contributions he/she pays, the earlier his/her ordinary retirement age will be. In general terms, we could define the ordinary retirement age as the time when the worker pays the full amount of required contributions, which is progressively increasing and will be established as 38 years and 6 months at the end of the transitory period, i.e. 1.1.2027. In addition, the ordinary retirement age cannot be earlier than the age of 65 or later than that of 67.*

*The model of ordinary retirement between the ages of 65 and 67 enables the modulation of its impact, in accordance with the amount of contributions paid by workers, so that those that have paid the largest amount of contributions are affected to a lesser degree or are directly exempted from the effect caused by the two-year increase in the ordinary retirement age.*

*In addition to the impact undoubtedly caused by the new definition of ordinary retirement age, the 2011 reform also contemplates the extension of the right to early retirement, as well as an increase in incentives to postpone retirement. The objective of the coordinated action behind this early, ordinary and postponed retirement scheme is to guarantee the effectiveness of a flexible model of retirement at different ages.*

*In a first evaluation of such, it is worth highlighting that, at present, most people are still entitled to ordinary retirement at the age of 65 (although there is a noticeable increase in the average age of ordinary retirement). However, there are important differences between the cases of men and women, as well as between employees and freelance workers.*

*A second important conclusion is that there is a general trend towards better results, especially in the case of women and freelance workers, precisely the groups in the worst situation.*

*The 2011 reform also dealt with other important parametric measures such as the progressive increase in the working years that are used to calculate pensions, and a new table of proportions between the years of contributions and the resulting pension, so that there is a gradual increase in the number of years of contributions required to obtain a full pension (100% of the contribution base).*



Q. 1.7

Summarise reforms and those under active discussion (as defined above) and indicate the trades union's assessment (if any) of their impact on the adequacy, coverage, and effectiveness of pension provision?

*There are two different positions in the current debate concerning pensions. UGT and CCOO propose continuing to advance in accordance with the recommendations established in the parliamentary agreements of the Toledo Pact Commission, resulting from wide-ranging social and political agreements, which have the objective of adapting, in a balanced way, the system to the present and future challenges that it will face.*

*Other sectors (such as financial entities or the Central Bank, for example) propose reforms that would transform our current distribution system into one distributing national accounts, as in Italy or especially Sweden, ignoring the different activity and employment rates, contribution behaviours and percentage of the informal economy, between Spain and the latter country, which means that the impact in Spain would be centred singularly on women and especially on self-employed workers. The effects on the initial pension would be highly significant (e.g. in the case of full contributions (38.5 years) and retirement at the age of 65, the loss would amount to 13.9%, according to a study carried out by Instituto Santa Lucia<sup>2</sup>). In addition to this alternative, they also propose the implementation of a quasi-compulsory system, like the NEST scheme in force in the United Kingdom, with amounts and contributions that are unlikely to generate an adequate supplementary benefit (which ranges from 2% to 4%, depending on the proposal). Furthermore, the contributory burden, in most cases, falls on the worker. In relation to this proposal to apply the NEST scheme to our country, it is necessary to point out that supplementary pension systems have enjoyed considerable development in Spain in large companies and sectors with more stable workers and better wages. However, to this day, they have left out most of the wage-earning population, with average salaries that are still clearly inferior to the average ones in the United Kingdom and the eurozone. The proposals are therefore directed at guaranteeing the sustainability of the public system (which would be limited to merely providing a very low basic pension), without paying any attention to the sufficiency and adequacy of pensions. As regards supplementary social security, they propose a model, in harmony with international tendencies, whose associated risks fall entirely on workers, since they are centred on pure formulae of defined contributions.*

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<sup>2</sup> Instituto Santa Lucia (2017): *La implantación de un sistema de cuentas nocionales en España: efectos sobre el sistema de seguridad social.*



## Section 2. Current challenges

*This section of the survey is about the trade unions' perception of the main socio-economic and demographic challenges that affect the present state and future of pension provision in terms of coverage effectiveness and adequacy (and the effective implementation of the Recommendation on Access to Social Protection for Workers and the Self-Employed).*

*This should cover:*

- *The issues the trade union regards as the more urgent challenges to pensions; and*
- *The main social and occupational groups that, in the view of the trade union movement, need greater attention for more effective pension protection.*
- *The gender dimension of the challenges*

The lists of issues provided for certain questions is non-exhaustive and other issues should be covered, if appropriate

## QUESTIONS

### Main Challenges

#### Q. 2.1

- a. What are, in general, the main social challenges in pension provision with respect to the social and economic outlook of your country?

*Please consider the needs of people, their rights and living conditions. You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.*

- Population ageing
- Poverty rates
- Access to essential services
- Out-of-pocket expenditure for healthcare and long-term care
- Low salaries
- Unemployment
- Increased share of atypical jobs (high rate of involuntary part-time/zero-hour contracts/
- Bogus self-employment
- Sluggish economic performance
- Low average productivity
- Increasing inequalities
- Gender gaps in employment/wages

- The Covid-19 Pandemic
- Other:

*Spain, like other neighbouring countries, will be affected by baby-boomers reaching retirement age between the 2030s and mid-century. This is an important but perfectly manageable challenge, since it will involve raising the peak of maximum pension expenditure to 14-15% during a short, temporary period of time, which means assuming a level of expenditure that is currently being managed by several EU countries.*

*Spain's poverty rates are a cause for concern, since they are significantly higher than the European average and involve high figures, with enormous differences among autonomous regions –the poverty rate or risk of social exclusion was 26.1% in 2018 (2017 income); 4.2 per cent above the EU average. The proportion of workers at risk of poverty is also high (13%), 3.4 per cent above the EU average (which will have a clear impact on resulting pensions in the following years).*

*Inequality in the distribution of wages also increased during the recession and persisted throughout the recovery, highlighting the precariousness and growing dualization of the working class' labour conditions. The gap between high and low wages during the recession, despite the decrease observed in 2016, is still above pre-crisis levels. From 2007 to 2018, the gap between the average full-time salary of the top and bottom ten percent of wage earners has increased six- or seven-fold. The average full-time salary of decile 10 (with the highest salaries) in 2018 was 34% higher than in 2006, an increase that duplicates that of the average full-time salary of decile 1 (with the lowest average wages). As a result, the gap between the average salary of both deciles has increased from 3,000 euros before the crisis to 4,000 euros during the recession and current recovery. The nominal rise in average salaries has been higher in the deciles encompassing the highest salaries than in the case of below-average salaries. Furthermore, if we deflate these figures and calculate them in real terms, the deterioration in the material conditions of subsistence on the part of the least favourable segment of the working population has worsened significantly.*

*This process of unbalanced wage devaluation has led to an increase in the working poverty rate, i.e. the percentage of workers whose income does not enable them to live above the poverty threshold.*

*In 2008, 11.3% of Spain's workers were poor, compared to 8.6% in the EU; 10 years later, in 2018, in the case of Spain the figure had increased by 1.6 per cent to 12.9%, while in the EU it increased by half that amount to 9.3%.*

*Today, in Spain, there are 1 million homes whose entire active population is unemployed, a figure that more than doubles the pre-crisis level. In the case of 7.5%*

*of homes with an active population, all of their active members are unemployed. These figures are below the maximums attained during the recession but are still well above pre-crisis levels: in the 2<sup>nd</sup> quarter of 2007, 3.2% of homes with an active population had all of their active members unemployed (390,000 homes). In the 4<sup>th</sup> quarter of 2019, 565,000 homes, with 1,024,000 residents, lacked any labour income (wages, pension or unemployment benefits), double the amount before the crisis. In half (48%) of homes without income, the head of the household is unemployed and has no income. In the case of 2.2% of the population, they live in homes without income, including 220,000 under the age of 16. This data regarding poverty and lack of income has improved since the worst data attained during the previous recession, but it still duplicates the data prior to the crisis: in the 2<sup>nd</sup> quarter of 2007, there were 365,000 homes without income, with 630,000 residents (1.4% of the population), including 111,000 under the age of 16.*

*The recovery of employment, even if precarious, along with a decrease in Spain's active population, has enabled a reduction in unemployment figures, from a maximum of 6,278,200 unemployed and a 27% unemployment rate in the 1<sup>st</sup> quarter of 2013 to 3,191,900 unemployed and a 13.8% unemployment rate in the 4<sup>th</sup> quarter of 2019. The crisis caused by the COVID-19 pandemic is leading to a new increase in unemployment and job insecurity, at a time when we have not yet returned to the employment levels prior to the previous recession.*

*The long-term unemployment rate is stuck at 43.5% (4<sup>th</sup> quarter of 2019). There are 1,387,000 people who have been unemployed for more than a year and 954,000 for more than two years. These figures are decreasing slowly, thereby increasing the risk of long-term unemployment becoming structural for many of such ones. Furthermore, this situation is made worse by their low rate of unemployment protection and the reduced amount of benefits and subsidies that they receive. Women account for 56% of the population that has been unemployed for more than a year.*

*Although contributory unemployment benefits exclude workers with contribution periods of less than twelve months (very frequent in Spain due to the high rates of temporary employment and staff turnover), they are relatively efficient in terms of coverage and adequacy. However, non-contributory unemployment subsidies (which are very low: 430 euros/month) involve important deficiencies. In the case of 77 % of the long-term unemployed in Spain, they do not receive any contributory benefits or subsidies (Work Force Survey, 1<sup>st</sup> quarter-2019). The impact of regional minimum income schemes (for persons in situations of severe poverty without any kind of resources) is still limited and great differences subsist among autonomous regions in terms of adequacy.*

*The gross rate of unemployment coverage in March 2020 was 62.4%, with an important gender gap of almost 10 per cent (67.7% in men, 58.4% in women); 53% of the beneficiaries receive welfare subsidies and 47% contributory benefits.*

*In 2019, the volume of economically dependent workers decreased. Economically dependent self-employed workers are, according to the Law, those workers that carry out an economic or professional activity for profit and do so on a regular, personal, direct and predominant basis for an individual or legal entity, called the client, on whom they depend economically for at least 75 per cent of their earned income or income from economic or professional activities. According to the 2019 Work Force Survey, there was a significant decrease in the population of economically dependent workers (see Graph #6), both independent workers that work almost exclusively for a single client and employed workers that work in or for an employer's company or business that provides them with work. On the other hand, the concept of an economically dependent worker has not been successful in Spain and should be revised (out of a population of more than 250,000 such workers in Spain, the number registered as such in the corresponding public registry is normally around 10,000). The decrease in the economically dependent working population in 2019 should be attributed to greater organisation on the part of workers, pressure from trade unions and the Work Inspectorate in order to combat this fraudulent labour practice.*

*Dependent self-employed work is a phenomenon that affected an average of 252,000 people in 2019, 1.2% of the working population; 67% work in the services sector, 14% in agriculture, 10% in industry and 9% in construction.*

**b. Who do these social challenges affect?**

*The social challenges have a greater impact on the most precarious workers –with temporary (the highest proportion in the EU, 26%) and part-time contracts (the percentage of involuntary part-time status is higher than in the EU, 55.8% compared to 24.8%– the unemployed –especially the long-term unemployed, many of whom, as we have seen do not receive any kind of benefits– and those who live in homes without any labour income (wages, pension or unemployment benefits). These social challenges especially affect women and youth. At present, in Spain, the percentage of workers with a permanent, full-time contract is slightly under 50%.*

**c. What are the main reasons for these challenges?**

*These are structural factors associated with labour deregulation and the lack of compliance with regulations, and the existence of extensive activity sectors based on low-productivity jobs. The COVID-19 crisis has highlighted the weaknesses of our growth model: the limited –and declining– weight of our industry, the externalisation*

*of the manufacture of key goods and products for the functioning of our society, the cutbacks in essential services such as public healthcare and care for dependants, the excessive weight of some sectors such as tourism and the hospitality industry, the lack of any change in our production model after the previous crisis and recession, towards a model based on activities with greater added value.*

*Spain's rate of temporary employment, for example, was already the highest in the EU thirty years ago. Since then the situation has not been corrected and job insecurity affects, in different ways, more than half of Spain's active population. Such insecurity increased during the period of growth linked to the real estate bubble, continued to increase during the crisis, since the working population had to bear most of the adjustment impact, and it has continued increasing during the recovery period, in which unemployment has decreased at the expense of reducing rights and increasing the precariousness of the generated employment: temporary, part-time, dependent self-employment, wage reductions, unpaid overtime or increases in occupational accidents. Some of the elements that have made the job market more precarious in recent years have begun to be corrected. However, it is necessary to substantially modify the labour reform that was carried out in 2012 and that deregulated labour relations and collective bargaining, in order to consolidate a recovery that benefits the working population and reduces inequality. In this context, the impact of COVID-19 has resulted, in the short term, in a sharp increase in unemployment and in the population affected by temporary workforce reduction plans.*

d. Can you please provide data to support your views?

*The Work Force Survey confirms the precarious nature of the employment generated in the recovery period: in the last six years (4<sup>th</sup> quarter 2013-4<sup>th</sup> quarter 2019) the working population has increased by 2.83 million people; almost all have been wage earners (2.75 million), but a very important volume has involved temporary and/or part-time jobs (1.16 million). The rate of temporary employment is 26.1% and 4.4 million people have a temporary contract. Part-time employment increased during the recession, and despite its stagnation in recent years, it accounts for 15.9% of employment (4<sup>th</sup> quarter of 2019) compared to 12% in the 4<sup>th</sup> quarter of 2007.*

*Ninety-two per cent of net jobs created belong to low-technology activities and only 8% of created employment is centred on medium- and high-technology branches of industry and services. This explains why the working population in medium- and high-technology branches has remained at 7% of the total; therefore, a real change in Spain's production model is not taking place.*

*The high staff turnover in the population with a temporary contract is a characteristic feature of job insecurity. This turnover began to peak with the crisis and accelerated after the 2012 labour reform. The wage-earning population with a temporary contract in 2006 had to sign an average of 3.6 contracts in order to work all year*

long. With the crisis, and especially after the 2012 labour reform, the average number of temporary contracts required to work all year increased (5.8 contracts on average in 2019), which reflects the sharp rise in staff turnover in the case of temporary employment.

After the 2012 labour reform, staff turnover has also increased in permanent contracts and is no longer solely a problem in temporary contracts. The signing of permanent contracts is resulting less and less in job creation, due to the smaller duration of permanent contracts. It is becoming necessary to sign more and more contracts in order to consolidate a stable job. This negative trend could finally be changed in 2019. This was influenced by the elimination of the so-called “entrepreneur contract,” a precarious hiring method (a trial period of one year) that inflated the number of permanent contracts; however, the duration of these contracts was a lot shorter than ordinary permanent contracts. As a result, in 2019 fewer permanent contracts were signed than in 2018, but a higher number of these contracts remained in force as permanent employment at the end of the year. Staff rotation in the case of permanent employment is still a lot higher than before the crisis, and elements of the labour reform are still in force that facilitate the dismissal of workers with a permanent contract (less compensation for unjustified dismissal, greater ease in firing for economic or production reasons). In the fourth quarter of 2019, only 69% of the permanent contracts signed in 2019 remained (only 63% in 2018) and just 46% of those signed in 2018 (the last year that entrepreneur contracts were signed).

## Challenges to Formal coverage

### Q. 2.2

*Please answer the questions shortly framing the relevant situation(s) in the demographic/ social/ macroeconomic context and always keep into account the gender perspective wherever relevant and possible. In your reply, please, consider in particular but not only employees, self-employed and atypical workers, as well as the gender dimension (de facto)*

#### a. Are there any major gaps in formal coverage?

*Employees and self-employed workers are covered by unemployment benefits. Nonetheless, domestic workers are not entitled to employment benefits and temporary agricultural workers, except for those residing in Andalusia and Extremadura, cannot access unemployment subsidies. For its part, the “cease of activity” benefit contemplated for self-employed workers in 2018 only had 1,800 beneficiaries, with associated expenditure of around 18 million euros, just over 13% of the contributions paid for this possibility during the corresponding period, which amounted to 144.33 million euros. This gives us an idea of the residual nature and, at*

*least up until now, of the failure of this benefit, which collected a much larger sum of contributions than the amount that was paid out in benefits.*

*During the healthcare crisis linked to COVID-19, a special “cease of activity” benefit, of limited duration, was approved for self-employed workers; it has enjoyed a large number of beneficiaries (1,400,000 of Spain’s 3,200,000 self-employed workers), but will no longer be available in the future in the terms in which it was designed in 2020.*

*In relation to pensions, in the case of workers belonging to the Special Self-Employed Workers Scheme, the legislation does not contemplate the integration of gaps in periods of contributions; the contribution base is calculated as zero for months in which no contributions are paid.*

- b. What categories of workers, i.e. employees, self-employed and atypical workers, are formally excluded from the coverage of pension schemes by reason of their contract, or are only offered voluntary coverage by pension schemes? Which are the main groups (for example migrant, low-skilled, women) affected?

*Pensions are paid to the entire working segment of the population, thanks to the fact that it is compulsory to pay pension contributions and the minimum requirement of 15 years of contributions has been maintained in order to access a pension. Improvement has been made, due to sentences handed down by the EU’s Court of Justice, in the case of part-time work and now it is only necessary to have worked for 15 years in order to access a contributory pension, regardless of the amount of hours worked compared to a full-time job.*

*Nonetheless, the amount of the resulting pension in the case of atypical jobs is considerably reduced, due to shorter contribution periods and smaller contribution bases.*

- c. What determines/ how would you explain these gaps in formal coverage?

*The gaps that exist in the coverage have to do with unemployment benefits (domestic workers and temporary agricultural workers). The trade unions have been demanding the extension of unemployment benefits to the groups that are currently excluded from such. Nevertheless, to date the government has not presented any initiatives in this regard.*

*In the case of self-employed workers, we believe that, as in the case of other unemployment benefits, cease of activity has to be managed by the State Public Employment Service. Social protection in the case of self-employed workers is especially insufficient.*



d. What are their main social consequences/impact?

*We can see an example of this in the current crisis caused by COVID-19. A special subsidy has had to be established for domestic workers.*

*A special, temporary unemployment subsidy has also been established for those whose temporary contract (with a minimum duration of two months) ended after March 14, the date when the state of emergency was declared, and who had not paid sufficient contributions or did not satisfy the requirements in order to receive another unemployment benefit or subsidy.*

*In relation to pensions, those who have not paid contributions for at least 15 years in order to receive a contributory pension, can only access a non-contributory or welfare pension. In this case, the amount is very low.*

e. Do you see issues for fiscal sustainability of a system covering of a system covering people in all forms of employment?

*No, although in Spain the margin for improvement in our tax structure is very clear. With tax concepts and rates comparable to those of the eurozone and European Union, our tax collection is a lot lower than the average in these two areas (between six and seven percent of GDP less), due to the greater impact of the informal economy and the many possibilities of tax evasion in certain types of income tax.*

f. Please provide data

*We can see an example of this in the pension system that, thanks to having maintained the minimum requirement of 15 years of contributions, has helped to guarantee the extension of the system's coverage to the entire working segment of the population. However, as mentioned above, there is still the problem of exclusion in the case of those that have not paid contributions for this minimum period, with a decreasing, but still evident, gender impact. This is highlighted by, among other things, the fact that the volume of non-contributory retirement pensions has stayed at around 250,000 beneficiaries since 2001, never having surpassed 300,000 at any time since the law regulating such pensions was passed in 1990.*

## Challenges to Effective coverage

### Q. 2.3

a. Is it possible to highlight any major effectiveness issues?

*Please, consider effects that, for example, possible entitlement conditions, wage levels, contribution levels, may have on non-standard workers, the self-employed, atypical workers, women.*

*A minimum of 15 years of contributions is required in order to receive a contributory pension and the retirement age is 65-67. In this regard, it is among the best levels that exist in European countries, although the minimum of 15 years of contributions excludes a decreasing, but still significant, number of people from receiving a contributory pension, with a special impact on women. Those that have not contributed for the minimum period can access a welfare pension, but in terms of sufficiency, these benefits are low.*

*The system is flexible since it enables early retirement (from the age of 61 onwards, involuntary retirement due to loss of employment; at the age of 63, a new voluntary retirement right agreed in 2011; at the age of 52, as an exception for groups with singularly dangerous jobs). In the first two cases, deductions are applied to the amount of the pension, with more being deducted the earlier the retirement age.*

*The system has solidarity instruments that have the objective of helping to complete the amount of required contributions; some are applied in relation to the period of contributions, such as periods credited with contributions for taking care of children or family members, and others to contribution bases, such as a mechanism for integrating gaps. In the case of instruments aimed at directly completing the amount of the contributory benefit to which one is entitled, it is worth highlighting the importance of supplementation benefits for very low contributory pensions and maternity benefits.*

- b. Who do these effectiveness issues affect? Are there categories of workers or self-employed that are at particular risk of limited effective coverage of pension benefits?

*You can make reference to the topics and groups listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.*

- Women
- Younger workers
- Self-employed workers
- Bogus self-employment
- Atypical workers
- Precarious workers
- Agricultural employment
- Working poor
- Migrant workers
- Low skilled workers
- Other

*The fact that the model has maintained the minimum requirement of 15 years of contributions has helped to guarantee the extension of the system's coverage throughout the working segment of the population. This is highlighted by, among other things, the fact that the volume of non-contributory retirement pensions has stayed at around 250,000 beneficiaries since 2001, never having surpassed 300,000 at any time since the law regulating such pensions was passed in 1990.*

*After 15 years of contributions, therefore, one is entitled to a contributory pension, amounting to 50% of the contribution base (which benefits shorter periods of contribution, mainly women).*

*Since 2012, agricultural workers can contribute in proportion to their real wages and are now entitled to the same social protection rights as other workers (early retirement, identical protection in cases of temporary disability, maternity and paternity benefits, etc.). Domestic workers also contribute in proportion to their real wages; nevertheless, many of them still form part of the informal economy.*

*In the case of workers with extensive contribution gaps, the gap integration calculation formula penalises them (the first 48 monthly periods are integrated at 100% of the minimum contribution base and the rest at 50%). Nonetheless, these periods of contribution usually give rise to pensions with supplementation benefits.*

*The agreement reached in the Toledo Pact improved the grace periods for permanent intermittent workers and part-time workers, so that anyone that has worked for 15 days satisfies the grace requirement, regardless of the percentage that he/she has worked. It maintained the coefficient of 1.5 for every day worked and the supplementation benefit scheme. This thereby eliminated the discrimination that required many more years of contributions for those that could not access a full-time job (involuntary part-time work, as we have seen above, is highly significant in Spain).*

*A new sentence published by the European Union's Court of Justice is centred on the effect that the legislation currently in force has on calculating the percentage of the old-age pension's contribution base. The underlying matter is fairly similar to the one presented years ago; the compensation mechanisms that currently exist in order to improve the period of contributions for part-time workers (application of a multiplying coefficient of 1.5 for each day of contributions) are not sufficient in the case of employment contracts involving limited workdays. In this regard, the multiplying coefficient of 1.5 guarantees an identical effect to the one enjoyed by full-time workers when the part-time worker has a workday that is equal to or greater than 66%. However, below this percentage the coefficient's effect decreases as the workday percentage drops. In this regard, CCOO demands a comprehensive revision of the legislative framework affected by the sentence and the guaranteeing of a unitary regulatory model, which requires its negotiation in the context of social dialogue.*

c. What are the main causes of the risk of ineffective coverage of workers?

*You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.*

- Significant lack of transparency in the access to relevant information
- Aggregation of contributions across schemes
- Waiting period
- Calculation rules
- Requirements to access old-age or seniority pensions
- Lack of reconciliation of professional and family life
- Incomplete work careers
- Low wages
- Missing financial capacity to save in (voluntary) pension schemes
- Others

*In Spain, 15 years of contributions are required to receive a contributory pension. Therefore, the contribution period does not seem to be especially important. Moreover, the pension is accessed at 50% of the contribution base. There is also a reciprocal calculation among Social Security schemes in order to determine the computable contribution period required for retirement. That is, all the periods of contributions in the different schemes are taken into consideration, as long as they are not superimposed.*

*In the case of incomplete periods of contributions with wide-ranging gaps, the gap integration rule (first 48 months, 100% of the minimum contribution base in force and the rest, 50% of the minimum contribution base) can have a significant impact; nonetheless, in these cases they also normally receive supplementation benefits.*

*The global partiality coefficient, which reduces the grace periods required in order to receive benefits in the case of part-time workers, was introduced in 2013 and superseded in 2019 after new judicial sentences handed down by the European Union's Court of Justice. A similar goal is pursued by the periods recognised as periods of contributions due to taking care of children or family members (which have the objective of completing the periods of contributions for persons obliged to interrupt their professional careers for this reason); in some cases they were established after the 2011 reform and in others they were improved at that time.*

*The truth is that the periods of contributions have improved in general throughout the system, but in the case of self-employed workers the evolution has been singularly visible; while in 1987 half of new pensioners retired after only 15 years of contributions, in 2018 the proportion was only 1.2 per cent. In general, in the system*

*as a whole, the new pensioners' periods of contributions have clearly continued to increase; the minimum periods have decreased to practically residual levels (1.37%), while periods greater than 30 years are the most common (around 80% of the total). Nevertheless, if the 2012 labour reform is not corrected, the impact on future pensions and periods of contributions may be affected (smaller wages, more job insecurity, temporary employment and involuntary part-time employment).*

- d. How far are the following contingencies significant in leading to ineffectiveness of pension provisions? *Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples.*
- Maternity, paternity, parental leave
  - Study or training periods
  - Sickness
  - Unemployment
  - Care duties (elderly, children, disabled, etc...)
  - Other

*In the Spanish pension scheme, there are instruments aimed at helping to complete periods of contributions; some are applied in relation to the amount of time during which contributions are paid, such as periods credited with contributions for taking care of children or family members, and others to contribution bases, such as a mechanism for integrating gaps. In the case of instruments aimed at directly completing the amount of the contributory benefit to which one is entitled, it is worth highlighting the importance of supplementation benefits and maternity benefits.*

*In current generations, the gender gap is smaller than in previous generations. In 2019, the former maternity and paternity benefits were redefined and unified as a new childbirth and childcare benefit. Among its new aspects, it equals the benefit's duration for both spouses, making it compulsory for each of them to enjoy it for the same period.*

*The 2011 reform developed a series of measures and reinforced others that already existed, with the objective of helping to complete periods of contributions for those who might have been affected due to taking care of their children. In this case, the measures were designed with a unisex format. However, it is clear that women will mainly benefit from such, precisely for having experienced to a greater degree the employment gap to which we refer. The measures are designed as contributory family benefits, whose protective actions consist in periods recognised as periods of contributions, when contribution gaps are observed that are associated with providing care for a child or family member. The following table presents all the measures that are implemented or improved in Law 27/2011.*

<i>Measure</i>	<i>Time recognised as a period of contributions</i>
<i>Periods recognised for taking care of dependent children (Art. 236 LGSS)</i>	<i>9 months (which can be accumulated for each child up to a maximum of 5 years)</i>
<i>Leave to take care of children (Arts. 237.1 LGSS and 46.3 ET)</i>	<i>3 years (if it is combined with periods recognised for taking care of dependent children, both benefits can be accumulated for each child up to a maximum of 5 years)</i>
	<i>(if it is not combined with periods recognised for taking care of dependent children, the periods of 3 years can be accumulated for each child without a time limit)</i>
<i>Reduced workday to take care of children (Arts. 237.3 LGSS and 37.6 ET)</i>	<i>2 years (which can be accumulated for each child without a time limit)</i>
<i>Leave to take care of family members up to the second degree (Arts. 237.2 LGSS and 46.3 ET)</i>	<i>1 year (which can be accumulated for each child without a time limit)</i>
<i>Assimilated periods of contributions due to childbirth (Art. 235 LGSS)</i>	<i>112 days (which can be accumulated for each child without a time limit)</i>
	<i>+14 days (in the case of multiple birth)</i>

*Source: prepared by CCOO based on LGSS.*

*Family care, particularly that which is related to under-age children, is one of the main causes that has traditionally explained the gender gap in employment; in an initial stage, by expelling women from the job market and, later on, suspending their professional careers. This gap in employment is responsible for interruptions in the period of contributions and is one of the main causes (along with a smaller salary) that explain the differences in social benefits between men and women. This situation should be corrected by promoting co-responsibility measures between men and women, guaranteeing equal treatment in employment and implementing measures to balance work and family life that do not involve interrupting professional careers, as a consequence of maternity and paternity. However, until these solutions are implemented globally, the Social Security system, as in the case of other public policies, must also help to reduce the effects of the employment gap.*

*In order to help to reduce, among other matters, this part of the gender gap, the 2011 reform promoted a series of measures that have been incorporated into the Social Security's catalogue of benefits as contributory family benefits. These are periods recognised as periods of contributions when payment of contributions is interrupted due to taking care of a child or family member up to the second degree, precisely because maternity and childcare are the factors that, to the greatest extent, have traditionally conditioned the interruption of women's professional careers. These periods recognised as periods of contributions (up to 3 years in the case of leave to take care of a child, up to 2 years in the case of a reduced workday for the same reason, 1 year in the case of leave to take care of a family member, 270 days in the case of the interruption of one's professional career to provide care) are recognised regardless of the affected person's gender, but undoubtedly women are precisely the ones that will benefit the most. However, there are no public statistics that measure the impact of these benefits on the periods of contributions of the newly retired; it would therefore be advisable to include this in the usual statistical information that is provided by Social Security.*

*In the case of incomplete periods of contributions, the contribution gaps will be integrated in accordance with the following rule: "If in the period that is to be considered for calculating the contribution base there are months during which there was no obligation to pay contributions, then the first 48 months will be integrated with the minimum base from among all those existing at that time, and the other months with 50% of the said minimum base."*

*This formula may penalise periods of contributions with extensive contribution gaps, although these normally result in pensions with supplementation benefits.*

*The agreement reached in the Toledo Pact improved the grace periods for permanent intermittent workers and part-time workers, so that anyone that has worked for 15 days satisfies the grace requirement, regardless of the percentage that he/she has worked. It maintained the coefficient of 1.5 for every day worked and the supplementation benefit scheme. This thereby eliminated the discrimination that required many more years of contributions for those that could not access a full-time job (involuntary part-time work, as we have seen above, is highly significant in Spain).*

*There also exists the right to pay contributions for periods of internships, which has been recognised for three main groups, each with its own particular characteristics: interns in companies and institutions, interns abroad and former interns. The contribution base is the minimum one of the General Scheme and no maximum time limit is established as regards paying contributions for these internships. This means that contributions are paid throughout the entire training period, although the planned duration should be stated when the internship is formalised.*

e. What are their major **social** impacts of ineffective pension provisions?

*In the case of regulating part-time employment, the social consequences of not being able to access a pension on equal terms can be clearly seen. If the multiplying coefficient of 1.5 for each theoretical day of paying contributions had been eliminated, this would have resulted in a loss in the pension prospects for all workers, especially those with longer periods of contributions and workdays of around 60-70%.*

*The improvement is clear in the case of those who were not previously entitled to a contributory pension. For example, a person who at the end of their working life has worked 50% of a full-time workday for exactly 15 years was not previously entitled to a contributory pension because it was considered that they had paid contributions amounting to 7.5 years of full-time work. However, with this modification, such a person is entitled to a contributory pension equivalent to 37.5% of his/her contribution base (7.5 years of full-time work x 1.5 coefficient = 11.25 years of recognised contributions). Moreover, he/she can apply for supplementation benefits. The social consequences are clear. Those not entitled to a contributory pension would receive a significantly smaller welfare pension.*

f. Do you see issues for **fiscal sustainability of a fair and effective social protection system**?

*No. The case of Spain shows that, by means of a wide-ranging social and political agreement, a retirement model can be centred on the idea of balancing the principles of payment of contributions and solidarity, which still corresponds to the four characteristics with which the system was originally defined (accessibility, flexibility, adequacy and sufficiency).*

*Most of the reforms have been carried out in a context of dialogue and wide-ranging agreements. Therefore, after the agreements attained thanks to social dialogue in 1996, 2001, 2006 and 2011, the reforms of 1997, 2002, 2006 and 2011 have included elements that, as a whole, have enabled a balance between adequacy and sufficiency, guaranteeing the sustainability of benefits.*

*In Spain, there also exists a clear margin of action in fiscal matters since the total tax contribution in 2018 amounted to 35.2% of GDP in Spain compared to 40.1% in the EU 28 and 41.5% in the eurozone. Closing this gap would enable the use of part of this margin (several percentage points more of GDP) in order to increase our likewise lower levels of social expenditure in relation to GDP; this would enable us to sustain a more complete, effective and fairer social protection system.*



- g. Is the lack of transparency or satisfactory information about pension entitlements and obligations limiting *effectiveness of* pension provision; and, if so, which categories of workers and the self-employed are most affected?

*The lack of transparency, in general, does not limit the effectiveness of pensions; nonetheless, it is true that consulting data related to workers' pensions on the website "Tu Seguridad Social" (Your Social Security) should be more accessible, like the Public Administrations' other websites. On the other hand, information regarding the calculation of the future estimated pension (both public and private), as agreed in the 2011 reform, has still not been sent. Now, with the transposition of the IORP Directive to Spanish legislation, the private sector will be obliged to provide such information, just as the public sector (Social Security) does. Nevertheless, the lack of regulations in this regard prevents the information from being homogeneous and, therefore, useful.*

## Challenges to Adequacy

### Q. 2.4

- a. Is there a prevailing/institutional/constitutional reference or definition of adequacy that is used as standard in your country? How do you define adequacy?

*The amount of the minimum pensions is determined each year by means of the General State Budget Law, or another legal regulation if the budget is extended. And although there is no explicit legal stipulation linking them to any other indicator, in practice the amounts are established around the threshold of relative poverty risk. According to the latest data published by the National Statistics Institute (INE) in the 2018 Living Conditions Survey, the threshold of poverty risk for homes was 8,522 euros per year in the case of a home with one adult, which amounts to around 710 euros per month (calculated as 60% of average income).*

- b. Do you use any specific indicator to assess it in your country?

*In practice, as we saw in the previous point, this would be the threshold of relative poverty risk established by the National Statistics Institute (INE).*

- c. Please provide the TU's view of the significance of the two main adequacy indicators used by the Commission (Theoretical Replacement Ratio/TRR; Aggregate Replacement Ratio/ARR – Pension Adequacy Report - PAR 2018).

*The ARR is a way of measuring gross average pension compared to gross average income. It therefore serves to establish a relationship between both variables and to show the relationship between them. It is useful in this way. It can be used to*

*evaluate adequacy but not sufficiency. The TRR, in the case of Spain, does not take it into account, since the salary used is that of the National Statistics Institute's Quarterly Labour Cost Survey and it is imputed to self-employed workers as well in order to calculate the replacement rate and profit rate in both cases. The TRR is calculated for a worker retiring at the age of 65 without any contribution gaps. The EC declares that, in such conditions, the 2011 reform does not have any effect on the TRR. In any case, this measurement, the same as the previous one, could be useful for evaluating the adequacy of a very specific case, but it should take more cases into account, in order to evaluate the adequacy and sufficiency of pensions with different periods of contributions.*

- d. How would you define “ageing in dignity”?

*A retired person should have an adequate and sufficient old-age pension that enables him/her to lead a decent life, and be guaranteed effective care in a situation of dependency with a sufficient degree of adequate benefits.*

- e. Do you have in mind any specific indicator that could help in assessing “ageing in dignity” in your country?

*The reference included in Article 4.1 of the European Social Charter (Right to a fair remuneration) is probably a reasonable objective in order to determine a country's minimum wage: Recognising the right of workers to sufficient remuneration that provides them and their families with a decent standard of living; established as an amount, it would be equivalent to 60% of the average wage. From here on, a coherent relationship should be maintained between the contributory and welfare systems and between all of them and the interprofessional minimum wage.*

*Another indicator that can be used is the coverage levels of the System for Autonomy and Dependency Care in the different degrees of dependency (slight, moderate, high dependency), as well as the sufficiency and quality of benefits.*

- f. What are the major deficiencies (if any) in the provision of adequate pensions?

*The main deficiencies in the Spanish pension system are in the welfare system, since the pensions are very low. In the case of contributory pensions, this problem is solved thanks to supplementation benefits and maternity benefits.*

- g. What determines these deficiencies?

*You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for*

*those that are regarded as the most salient, provide a concise explanation, with data and examples.*

- Lack of provision of minimum pension
- Volatility of complementary pensions
- Low rates of return from funded pensions
- Wage levels
- Contribution levels
- Worked hours
- Repartition of contributory obligations on employer/employee
- Length/continuity of careers
- Purchasing power erosion
- Lack of indexation
- Cost of living
- Services for old age provided publicly/without out of pocket expenses
- Need of personal/private (out-of-pocket-expenses) for health and long-term care
- Others

*Establishing a sufficiency threshold for the lowest pensions is a controversial subject. In the Spanish model, in general, the minimum level of contributory pensions seems to be around the threshold of relative poverty risk (60% of average income), and in the case of non-contributory pensions, at the threshold of severe poverty risk (30% of average income). It is debatable whether the latter threshold can be classified as an actual sufficiency reference. This is a matter that affects current pensions.*

*Salary levels and, therefore, contributory levels have been affected by the wage reductions experienced in the years after the 2008 crisis and, especially, after the 2012 labour reform, which weakened the workers' bargaining power. This can undoubtedly have an effect on future pensions. It would therefore be advisable, among other measures, to reform the labour legislation so that workers can negotiate with companies in balanced conditions.*

*In relation to the number of hours worked, Spain has a higher percentage of part-time workers that would like to work more hours, as seen above; moreover, most of them are women.*

*In order to correct part of the effects of part-time employment, legislation regarding the recognition of contributions paid in relation to part-time contracts was reformed thanks to an agreement between the government, trade unions and employers in July 2013. At that time, the problem was the fact that the legislation establishing the minimum contributions for receiving the said pension (15 years) required their payment as full-time work; and the mechanisms established then for compensating periods of contributions paid as part-time work (calculating "theoretical" days for*

*every 5 hours worked and applying a multiplying coefficient of 1.5 to each theoretical day for which contributions were paid) were effective in contracts above a certain percentage of the workday, but they did not suffice to guarantee an old-age pension in employment contracts involving a low percentage of the workday. As a result of that reform, a so-called “global partiality coefficient” was introduced into our legislation that, in practice, guarantees that all the grace periods required for any Social Security benefit are reduced proportionally in relation to the average percentage that each worker has worked throughout his/her working life. This means, with regard to retirement, that only 15 years of contributions are required, regardless of the percentage of the workday that has been worked. Moreover, this reform that was agreed in 2013 included full access to supplementation benefits for such workers, in the same conditions as any other pensioner.*

*A new sentence published by the European Union’s Court of Justice centres on the effect that the legislation currently in force has on calculating the percentage of the old-age pension’s contribution base. The underlying matter is fairly similar to the one presented years ago; the compensation mechanisms that currently exist in order to improve the period of contributions for part-time workers (application of a multiplying coefficient of 1.5 for each day of contributions) are not sufficient in the case of employment contracts involving limited workdays. In this regard, the multiplying coefficient of 1.5 guarantees an identical effect to the one enjoyed by full-time workers when the part-time worker has a workday that is equal to or greater than 66%. However, below this percentage the coefficient’s effect decreases as the workday percentage drops. In this regard, CCOO demands a comprehensive revision of the legislative framework that is affected by the sentence and the guaranteeing of a unitary regulatory model, which requires its negotiation in the context of social dialogue.*

*In the case of periods with extensive contribution gaps, the gap integration calculation formula integrates the first 48 monthly periods without contributions at the minimum contribution base of all those existing at that time and, if there are more than 48 monthly periods to be integrated, the other months are integrated at 50% of the said minimum base. Cases involving lower contributions are entitled to a supplementation benefit. The formula penalises more workers that have paid contributions with higher bases. In the case of workers belonging to the Special Self-Employed Workers Scheme, the integration of contribution gaps is not contemplated and the bases of any months for which no contributions were paid are calculated as zero.*

*Until the 2013 reform is reverted, pension indexing (Pension Revaluation Index or PRI) will undoubtedly be a problem for pensioners, whose spending power may deteriorate in the future. This has been corroborated by both the OECD and the European Commission, as seen above.*



*In relation to the Care System for Persons in a Situation of Dependency (SAAD), the statistics of its beneficiaries reveal a certain stabilisation for some time at around 1.3 million people entitled to one of its benefits, to whom we would have to add the proportional part of the 128,000 people that have applied to be evaluated but are still awaiting a decision. The universe of total SAAD beneficiaries is therefore estimated to be around 1.4 million people.*

*It should be pointed out, however, that SAAD's information system lacks systematised official statistics regarding the flow of applications, registrations and cancellations, as well as average processing times for the evaluation and reception of benefits. This poses an important obstacle to determining the correct functioning of this aspect of the system and a serious limitation to transparency in its management.*

*In relation to the applicants' profile, the universe open to protection from the system is closely related to the phenomenon of longevity. The majority presence of women stands out (64% of the total), especially in older ages, which are precisely the ones that account for the largest number of applicants –close to 75% of registered applications are from over-65s. This same profile also applies to actual beneficiaries, 65% of whom are women and 72% are over the age of 65.*

*As the total number of people recognised to be in a situation of dependency has stabilised at around 1.3 million, a fairly stable and clearly balanced profile has been maintained regarding the recognised degrees of dependency.*

*Twenty per cent of applicants are determined to have an insufficient degree of dependency to be entitled to one of the system's benefits; around 26% are recognised as 1<sup>st</sup> Degree dependence, which is equivalent to slight dependence; 30% as 2<sup>nd</sup> Degree (moderate dependence); and 24% of the cases as 3<sup>rd</sup> Degree (high dependence).*

*It is worth noting that at the end of 2018, 88.77% of people recognised as 3<sup>rd</sup> Degree and 2<sup>nd</sup> Degree were covered by a benefit, while in the case of 1<sup>st</sup> Degree, only 64.65% were covered. This means that, out of the close to 350,000 people that are still waiting for a benefit, there is a total of 3<sup>rd</sup> and 2<sup>nd</sup> Degree dependents, i.e. practically 1 out of every 3 people on the waiting list have high or severed dependency.*

- h. **Who** do these deficiencies affect? Please, consider employees, self-employed and atypical workers

*As observed above, the deficiencies affect people that have not paid into the system for at least 15 years, since they receive very low welfare pensions, people with high or severe dependence and self-employed workers, especially those involved in false self-employment whose situation is especially precarious.*

*It now also affects full-time workers, who are at risk of poverty and social exclusion – 12.6% (12.1% in 2008)– rising sharply to 59.1% in the case of the unemployed (42.1% in 2008). As expected, being unemployed multiplies the risk of poverty, increases the number of people with severe material deficiencies and, obviously, the probability of living in homes with low employment rates. Moreover, the reduced coverage and amount of unemployment benefits has resulted in a strong increase in the rate of poverty and/or social exclusion risk. Also noteworthy, among the active population, is the data regarding the poverty and/or social exclusion risk of part-time workers, which rose to 33.7% in 2017 (25.6% in 2008). This is significant if we take into account that, from 2007 to 2017, there has been an 18.2% increase in the number of part-time workers, while full-time workers decreased by 12.0%, and we have to remember that 73.3% of the former are women. There are almost ten million people at risk of poverty or social exclusion, of whom 28% are unemployed and 17% are full-time wage earners and 7% are part-time ones. More than half of the population at risk is active, which is a clear indication of the Spanish job market's poor health. All of these effects that currently exist in the job market will have an impact on future pensions. For all of these reasons, it is also urgent to correct all of the job market's inefficiencies, since they have a great impact on the pension system.*

- i. What are the major social impacts of these deficiencies?

*The first problem that arises in relation to pensions is a problem of sufficiency, which in the most severe cases can lead to poverty and social exclusion. In cases of dependency that are not handled properly, the previous bad conditions are made even worse.*

- j. Do you see issues for **fiscal sustainability of a fair and adequate social protection system**?

*No. As commented above, in the context of wide-ranging social and political consensus, there should not be a problem if the system is suitably funded, which would enable it to cover situations of need for anyone who may experience such at some time of their life. In Spain, there also exists a certain margin since tax collection in 2018 amounted to 35.2% of Spain's GDP, compared to 40.1% in the EU 28 and 41.5% in the Eurozone.*

## Other challenges

### Q. 2.5



What are the **challenges and the opportunities related to occupational pension policy/schemes** concerning their contribution to formal coverage, effective coverage, adequacy (and transparency) of pension systems?

*Supplementary pensions are voluntary in Spain. They form part of collective bargaining, especially in large companies. The main challenge, both from the point of view of the job market and the pension system, is the level of wages. Workers with low wages logically prioritise more their current income and their objectives in collective bargaining are centred on this. The objective of supplementary pensions should be precisely an additional (not a replacement) pension to Social Security pensions. Therefore, the priority is to improve workers' wages, which will also help to reinforce the first pillar of pensions, which is the pillar that should result in an adequate and sufficient pension for workers reaching the age of retirement. Once this first objective –a quality job market– has been attained, it will be capable of developing a supplementary pension system, which would help to fill the gap between the last salary and the pension received.*

*Supplementary pensions have had, in Spain, a logical development in view of the wage structure and pre-distribution of existing incomes. There is ample room for growth, but this will be linked to wage increases and job stability.*

#### Q.2.6

Is there any other particular (set of) challenge(s) that you deem key or that should be addressed as a priority in order to give impetus to upward convergence?

a. *Please, explain the reasons of your answer.*

*Yes, gaps in the social protection system's coverage. Especially in relation to minimum incomes, unemployment protection and the sufficiency of benefits. The minimum living income has now been approved. Its benefits will range from 462 to 1,015 euros; in our opinion, its implementation should be accompanied by a revision of minimum pension and unemployment benefits, in order to maintain a consistent relationship between the contributory and welfare systems and between all of them and the interprofessional minimum wage.*

*Although the minimum living income is a positive measure, it is not sufficient since there will still be important gaps in the coverage of unemployment protection. In this regard, the Popular Legislative Initiative (PLI) submitted by the trade unions, with 710,000 signatures, should start going through Parliament.*

b. Please provide data.

*In the 1<sup>st</sup> quarter of 2020, there were 1 million homes with all of their active members unemployed (7.5% of homes with active population) and at the end of 2019, there were 565,000 homes with 1 million residents (1,024,000 in the 4<sup>th</sup> quarter of 2019) that lacked any income (salary, pension, benefit).*

*The long-term unemployment rate remains at 43.5% (4<sup>th</sup> quarter of 2019). There are 1,387,000 people that have been unemployed for more than a year, and in the case of 954,000 of them, for more than two years. These figures are decreasing slowly, thereby increasing the risk that long-term unemployment will become structural for many people. Moreover, this situation is made worse by the low rate of unemployment protection available to them and the low benefits and subsidies that they receive. Fifty-six per cent of the population that has been unemployed for more than a year are women.*

### Q.2.7

How is the Covid 19 emergency impacting your priorities?

*The current priorities are implementing the Minimum Living Income for those that do not receive any benefits and, in second place, economically protecting persons that have to adopt exceptional measures in order to combine work and family life, reducing their workday or taking leave for the personal and direct care of persons in need due to age, illness or disability, while the exceptional circumstances related to COVID-19 last.*

*The previous priorities were avoiding dismissals by means of Temporary Workforce Reduction Plans (ERTEs), as well as negotiating their extension and renewal, avoiding dismissals due to COVID-19, guaranteeing benefits to groups that were not entitled to benefits (domestic workers, workers with temporary contracts, artists, etc.), the population's effective right to housing (mortgage moratorium, measures related to rent payment) and the health and safety conditions of workers that could not telework.*





### Section 3. Possible Reforms

*This section seeks information about the trade union's priorities in pension policy; and their involvement in the policy making process and the strategies to have more adequate and effective pension protection for all. **The examples given under each question are for assistance and other issues should be covered, when appropriate.***

#### QUESTIONS

##### Q. 3.1

What are the main demands/actions/reforms that the trade unions propose in order to meet the challenge(s) highlighted in the answers to Section 2?

*Provide a concise description from those listed below, plus any other that you consider relevant in light of your replies in the previous set of questions. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples*

- Minimum schemes
- Employment related or income-based schemes
- Occupational pension provision
- Pensionable age and early retirement schemes
- Regulation of the labour market and active labour market policies
- In-kind benefits, long-term care and social assistance
- Other

*Please, explain also how the proposed reform would address the challenge(s) identified in your replies to the previous set of questions*

*- keeping in mind the possible effects linked to age groups/ gender/ forms of employment and*

*- providing an assessment and considering effects of main issues from the topics listed below, in the light of your replies in the previous section, plus any other that you consider relevant. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples.*

- Formal coverage for specific categories of workers and self-employed
- Effective coverage
- Adequacy of benefits
- Inequalities (gender pension gaps, pension rights of younger cohorts of workers, coverage of atypical jobs)
- Other:

*In relation to pensions, based on all of the most recent analyses on forecasts and projections regarding demographics and/or pension expenditure, we believe that the demographic challenge with regard to pensions is significant but manageable (an increase of around 4% of GDP in 2048, the most demanding year).*

*These additional needs may be reduced by means of measures that seem to enjoy a high degree of consensus, in view of the public positions expressed by different actors: consolidating the separation of sources of funding; reinforcing and restoring the contributions of the pension system, so that everyone pays contributions according to their real income and correcting the loss of spending power experienced by pensions due to the 2013 reform, among other possible measures; providing additional funding from the state budget to complete social contributions and guaranteeing comparable treatment to different generations; reorganising current Social Security contributions...*

*This requires tackling and correcting the detailed situations, replacing once and for all the 2013 reform by returning to the previous context of bargaining and agreements. This involves rejecting the reduction in benefits contemplated by this reform as well as adopting measures that enable us to balance the Social Security's preestablished income and expenditure. This is a priority that should be dealt with in the next pension reform.*

*We have to reinforce income from the job market, by means of contributions, and ensure a fairer distribution of the effort in our tax legislation and structure, which will give us a greater budget capacity.*

*It is necessary to cater to new needs arising from new realities in the job market, digitalisation, wage gap... and that impact social protection systems. We have to eliminate/reduce gaps in coverage and protection, mainly due to insufficient protection in situations of unemployment and the need for supplementing these benefits with subsidies established by the autonomous regions, in order to eliminate gaps in coverage that lead to situations of poverty and exclusion.*

*There have been efforts to cover the important gaps in protection that exist in the unemployment system by means of special and temporary benefits, designed as subsidies or subventions (PRODI, PREPARA, the Employment Activation Programme (PAE)), instead of Social Security benefits that provide full legal and jurisdictional guarantees. We believe that a very important improvement has been made by modifying the subsidy for over-52s but, in the opinion of CCOO and UGT, it is essential to tackle and improve the unemployment protection system as a whole.*

*In the opinion of UGT and CCOO, as long as the government accepts that welfare subsidies must be financed by the state budget, rather than unemployment contributions, there is room for reorganising contributions and creating a reserve fund to maintain the levels of protection with a view to the possibility of a future crisis, rather than reducing protection as in all previous crises. In the case of self-employed workers, we believe that, as in the case of*

*other unemployment benefits, cease of activity has to be managed by the State Public Employment Service (SEPE). Social protection is especially insufficient in the case of self-employed workers.*

*It is likewise necessary to harmonise unemployment benefits with other measures, such as minimum incomes or minimum income benefits, in order to protect those of working age that are involuntarily unemployed and lack sufficient income to guarantee a decent standard of living. This would supplement the current social protection system, which has been completely overrun as a result of the crisis and the devastating effects of austerity policies and cutbacks. The recently approved minimum living income covers some of these gaps in coverage, providing protection for a priority group, and helps to improve child protection, being able to guarantee a homogeneous floor of minimum income in Spain. However, it will be incomplete as long as there still exist important gaps in unemployment protection. Therefore, the reform of subsidies, along with Parliament's approval of the Popular Legislative Initiative, backed by 710,000 signatures, in order to implement a Minimum Income Benefit, must give rise to a comprehensive restructuring of the unemployment protection system, thereby providing a solution to the structural gaps in protection experienced by the unemployed in our country.*

*Improving the fairness of our Social Security system is also an objective. The evolution of some special schemes, in domestic or agricultural employment; self-employed work, or unjustified differences in accessing retirement, are recent examples of this.*

*The correction of the very low activity and unemployment rates in over-55s has yet to be carried out in our country. The system facilitates their leaving the job market but not their return. An attempt was also made to limit their access to social protection but, fortunately, this was partially corrected by restoring an unemployment subsidy for over-52s.*

*Periodic reforms and revisions, with a high degree of consensus and, therefore, social legitimisation, are what we need the most, rather than the model of systematic reform that replaces public coverage with individual responsibility, which can only be exercised, where applicable, by those with sufficient means, thereby increasing inequality.*

*It is necessary for the political parties and social representatives to accept their responsibilities; to reinforce the inter- and intra-generational commitment to treat the different generations in a fair, comparable way, with robust sources of funding, from the job market and state budget; to balance the Social Security's financial situation, reinforcing its income structure, and to continue improving its contributions and minimum pensions.*

*For all of these reasons, we also need a tax reform to reduce the great difference with Europe as regards tax collection, amounting to more than 75 billion euros per year, which would help to fund all the reforms commented herein.*

*Last but not least, the trade unions demand a modification of the key aspects of the labour reform, in order to advance towards a new framework of labour relations that is more*

*inclusive and democratic, with the objective of ending job insecurity, avoiding wage reductions and tackling the impact on gender and youth.*

### Q 3.2

What would be the main fiscal sustainability drivers necessary to support your policy proposals? What would be the issues arising? What the desirable sources of financing?

*It is necessary to take measures to combat tax fraud and the informal economy, fiscally harmonise the different autonomous regions in relation to wealth taxes, such as asset and inheritance taxes, avoiding fiscal competition among autonomous regions, making changes in income tax –applying larger rates to income above 60,000 euros, in both the general and savings base, applying the rates of the general base to the savings base and integrating all income into a single base. We have to reform corporate tax, which does not collect much and does so very regressively, since small companies pay larger percentages of their profits than big companies, and restructure VAT –applying the super-reduced rate of 4% to all foodstuffs and non-alcoholic beverages, as well as reducing from 21% to 10% the VAT on electricity, gas and heating, and revising the classification of products taxed at one rate or another, so that the tax collected in this way, with ordinary nominal rates above the European average, can also approach the latter in collection terms. In the case of corporate tax, there should be more cooperation among countries, avoiding the unfair fiscal competition that is eroding taxable income.*

*In the field of pensions, it is necessary to consolidate the separation of sources of funding; reinforcing and restoring the contributions of the pension system, so that everyone pays contributions according to their real income and correcting the loss of spending power experienced by pensions due to the 2013 reform; providing additional funding from the state budget to complete social contributions, guaranteeing comparable treatment to different generations and reorganising current Social Security contributions.*

### Q.3.3

Are there any major actors supporting or opposing your proposal and why?

*There seems to exist a high degree of consensus, in view of the public positions expressed by different actors: consolidating the separation of sources of funding; reinforcing and restoring the contributions of the pension system, so that everyone pays contributions according to their real income and correcting the loss of spending power experienced by pensions due to the 2013 reform; providing additional funding from the state budget to complete social contributions, guaranteeing comparable treatment to different generations and reorganising current Social Security contributions.*

