MOPACT PROJECT WP 3 (Task 1)

National report for the conceptual framework on innovative, effective, sustainable and transferable strategies to enhance the extension of working life and lifelong learning

Country: SPAIN

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Introduction

Work Package 3 (WP3) of the MOPACT project will identify innovative, effective, sustainable and transferable private and public-sector strategies that encourage and enable older workers (1) to stay longer in employment (pre & post-retirement age) and (2) to intensify lifelong (vocational) learning in the later stages of their working lives. The WP will draw on international best practice to integrate measures for extending working lives that enhance quality of work and well-being of workers involved.

Task 1 in WP3 seeks to develop a conceptual framework. This will develop standards for identifying innovative, effective, sustainable and transferable strategies in age-related employment and lifelong learning. The analysis in this report is based on examination of literature together with interviews with key informants from research and academia, government, and employer and employee organisations. To protect the identity of our informants, their names have been removed.
In recent years, a number of structural reforms have been implemented in Spain that will affect the labour market prospects of older workers. While the most important measure is perhaps the extension of the legal retirement age from 65 to 67 years, within an ambitious reform of the pension system; a variety of other measures designed to incentivize the extension of working lives have been introduced, mainly through the legal framework. Social security payments and tax reductions have been introduced in Spain to make the hiring of older workers financially more attractive for companies. At the forefront of the debate on the desirability and need of prolonging working lives are the negative consequences of the ageing of the population on the sustainability of the public finances. As in many European economies, the ageing of the population and the delayed entry into the labour market of young people is putting an increasing pressure on the welfare system, but Spain’s public pension system is particularly vulnerable in the current economic environment. The positive effects of active ageing on individuals and its positive externalities on the society as a whole constitute an essential part of the debate on the benefits of promoting an extension of working lives.

This report is based on examination of literature together with interviews with key informants from research and academia, government, and employer and employee organisations. To protect the identity of our informants, their names have been removed.

1. Extending working lives

General assessment of the labour market for older workers

Labour market participation of older workers in Spain is lower than in other developed economies. Figure 1 -extracted from Doménech and Garcia (2012)- shows the activity rate for the group of workers between the age of 55 and 64 in comparison with the OECD average. The activity rate for those 55-64 years is significantly lower than that in other major OECD economies, although it has increased by more than 10
percentage points since the mid 1990s. Figure 2 shows the employment rate for workers between 55 and 64 years old in Spain as well as the OECD average. Employment rates in Spain rose considerably after the economic crisis of the early 1990s during times of economic boom. At the onset of the current crisis, employment started to deteriorate again. In the current recession destruction of employment have been concentrated amongst the low-skilled people of all ages.
Figure 1. Activity rates of workers aged 55 to 64 years in Spain.

Source: Garcia and Domenech (2012) from OECD and BBVA research.

Figure 2. Employment rates of workers aged 55 to 64 years.

Source: Garcia and Domenech (2012) from OECD and BBVA research.
The group of workers aged 55-64 constitute a heterogenous group. Table 1 and Table 2 contain details of the activity and employment rates for several age and gender groups, which have been drawn from information contained in the Spanish Labour Force Survey (Encuesta de Poblacion Activa).

It can be seen that activity rates are highest for individuals aged between 45 and 49 years, for both men (92%) and women (75%). Activity rates however, experience a sharp decline at 60 years of age. The average activity rate for those between the ages of 60 and 64 is 46% in the case of men and 31% in women. The activity rates for those aged 65-69 is below 6% in men and around 4% in women. Unemployment however is lower amongst the older workers (Table 2), but the incidence of long-term unemployment is higher.

**Table 1. Activity rates by age and gender, Spain, 2011.**

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 and over</td>
<td>60.1</td>
<td>67.6</td>
<td>52.9</td>
</tr>
<tr>
<td>45-49</td>
<td>83.4</td>
<td>91.9</td>
<td>74.9</td>
</tr>
<tr>
<td>50-54</td>
<td>78.5</td>
<td>88.9</td>
<td>68.3</td>
</tr>
<tr>
<td>55-59</td>
<td>65.7</td>
<td>78.4</td>
<td>53.6</td>
</tr>
<tr>
<td>60-64</td>
<td>38.2</td>
<td>46.4</td>
<td>30.6</td>
</tr>
<tr>
<td>65-69</td>
<td>4.9</td>
<td>5.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Over 70</td>
<td>1.0</td>
<td>1.0</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Source: EPA, 2011 (quarter 3)

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1 The source of these statistics is the Report by Spanish union UGT: “Segundo Informe sobre los trabajadores de mas edad, 2012.”
Table 2. Unemployment rates by age and gender, Spain, 2011.

<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>16-19</th>
<th>20-24</th>
<th>25-54</th>
<th>55 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unemployment rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>21.5</td>
<td>60.5</td>
<td>42.3</td>
<td>17.1</td>
<td>14.3</td>
</tr>
<tr>
<td>Males</td>
<td>21.0</td>
<td>61.2</td>
<td>43.3</td>
<td>16.3</td>
<td>14.5</td>
</tr>
<tr>
<td>Females</td>
<td>22.1</td>
<td>59.5</td>
<td>41.1</td>
<td>18.1</td>
<td>14.1</td>
</tr>
</tbody>
</table>

Table 3 shows the average activity rates by detailed age breakdown in comparison to the EU-27 average. Spain typically has lower activity rates than the in the EU-27 as a whole, but the largest difference is in the older groups, particularly for women.

Table 3. Activity rates by gender, in Spain and the EU-27

<table>
<thead>
<tr>
<th>Age</th>
<th>All</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Spain</td>
<td>EU-27</td>
<td>Spain</td>
</tr>
<tr>
<td>15-64</td>
<td>77.3</td>
<td>76.9</td>
<td>82.7</td>
</tr>
<tr>
<td>45-49</td>
<td>83.3</td>
<td>84.0</td>
<td>85.7</td>
</tr>
<tr>
<td>50-54</td>
<td>80.4</td>
<td>82.1</td>
<td>89.0</td>
</tr>
<tr>
<td>55-59</td>
<td>58.3</td>
<td>71.1</td>
<td>70.2</td>
</tr>
<tr>
<td>60-64</td>
<td>28.1</td>
<td>39.4</td>
<td>41.1</td>
</tr>
</tbody>
</table>

Source: Eurostat, 2011.

While the Spanish labour market has traditionally behaved in a marked pro-cyclical nature, the impact of the economic cycle on the employment situation of workers close to retirement age may have been lower than for the population as a whole. Domenech and Garcia argue that: "This is due to both institutional characteristics of the labour market which benefit older workers - fewer temporary contracts, increased bargaining power, high redundancy costs, etc. - and individual characteristics – e.g. greater experience". 
A wide range of both supply and demand factors have been suggested to explain the lower labour market participation of older workers in Spain compared to other European countries. On the supply side a significant role is played by Spain’s less skilled workforce. Figure 3 (from the study by Doménech and Garcia (2012) shows that there exists a positive correlation between the average number of years of education in a country and the activity rate of the older group. Spain is as one of the OECD countries with lower levels of participation rates and years of education. Countries that also show a similar pattern are Portugal, Italy and Greece. At the other side of the spectrum we find other EU countries such as Germany and Sweden.

Figure 3. Activity rates, employment rates and level of education, 2011.

A higher incidence of temporary work and a lower incidence of part-time work are observed amongst older workers in Spain. The use of temporary and fixed-term contracts is considered a useful tool to increase labour market participation amongst women and older workers. It can help workers to meet their family responsibilities, and facilitate work-retirement transitions. However, it may also increase the discretionary power of employers in terms of working hours and dismissal and increase precariousness of older worker employment in the labour market (OECD, 2012).
Active and healthy ageing in employment and quality of work/life

The European Year of Active Ageing 2012 aimed to promote the quality of life and well-being of older people, and to promote solidarity between the generations. A good working life is considered essential to promote active ageing with important health benefits.

Supporting work-life balance practices is at the core of active employment strategies. Work-life balancing and gender policies are considered important factors to achieve the overall goals of promoting economic growth and competitiveness, better jobs and a greater social cohesion in Europe (Lisbon strategy). An analysis of the situation with regards work-life balance in Spain is provided by the Union General de Trabajadores (UGT) of the region of Extremadura in Spain within the EU-funded project BILANCIA².

In Spain the issue of work-life balance still is mostly relevant for women. Similar to other southern European countries, women do more unpaid work than men, and bear more responsibilities in terms of housework and caring for children and the elderly. Spanish women spend three hours longer than men on tasks related to home

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² The project BILANCIA, financed by the Department of Employment, Social Affairs and Equal Opportunities of the European Commission, provides an in-depth analysis of the social and economic impact of work-life-balancing strategies in six EU-member states (Poland, Hungary, Italy, Romania, Germany and Spain). Participant organisations in the project are trade union organizations and training institutions, which through information and communication mechanisms and as negotiators in collective bargaining are well placed to influence the implementation of work-life-balancing in companies in Spain. The objective is to support workers’ representatives in creating frameworks for a better reconciliation of work and private duties of workers and employees and a higher level of engagement of employers in these issues at a regional, national and European level.
and family, and have one hour per day less free time than men. Culturally, the use of free time is conceived differently by men and women. For the majority of men, time spent on paid work is what determines the time they spend on family duties, and there is a clear separation between work and leisure. In the case of women, usually there is less distinction between working days and holidays and they feel less free to allocate their time, which is usually organised around the families’ needs. Many women who decide to enter the labour market are thus facing the need to reconcile work with caring for a child or a relative, with detrimental consequences for their quality of life and independence. It is revealing that 80% of all part-time contracts are held by women in Spain.

The unions’ view is that achieving a more effective and balanced distribution of responsibilities, equality of opportunities and quality of life for both women and men would require developing actions and strategies by companies and social agents beyond those mandated by the government laws. Unions are promoting new ways of work organisation that encourage flexible work. Flexible working arrangements, job breaks and childcare support are some of the important tools to achieve gender equality by facilitating labour market participation of women whilst also allowing them to meet their care and family obligations. Some initiatives are focusing in helping people who interrupt their careers to care for relatives to stay in touch with the employers. It would be desirable that these workers continue to receive information, training and are encouraged them to participate in work meetings.

There are also initiatives to help in the care of dependent people, by creating companies’ own day-care centres, or signing agreements with day-care centres. The differences between the prevalence of these practices in large companies and SMEs are substantial in Spain. The majority of work-life balance measures currently being introduced in Spain are in response to changes in the normative and legal framework.
There is a generalised lack of flexibility of the organisation of work in Spain. The VI Survey of Working Conditions in Spain (2011) revealed that workers between 55 and 64 years are exposed to a large degree of rigidity regarding working hours. A higher flexibility in working time and a progressive reduction in the number of hours would be desirable for older workers and improving working conditions should prevent early exit from the labour market. This has been an issue in particular occupations and sectors, such as construction where older workers tend to be over-represented. Many older workers exit the labour market for reasons of poor health or disability. Despite illnesses the provision of sickness and disability benefits needs further reform to reduce their use to exit the labour market early.

International evidence suggests that employment later in life may prolong cognitive assets, protect against dementia and delays symptoms of Alzheimer for sufferers (Lupton et al, 2012). But from 55 years of age, individuals are more vulnerable to a series of pathologic processes that can be aggravated by poor workplace and working time conditions. More information and training should be given to workers on how to maintain their physical and psychological capabilities while at work (e.g. stress management) and advice for a healthy lifestyle (nutrition, sport) etc.

Experts consider that more information should be provided to workers aged 50 years and over on the potentially negative consequences associated to early retirement, in terms of both physical and mental health and life expectancy (Ceoma, 2010). It would be recommendable to launch information campaigns for the general public highlighting the importance of extending working lives for the society as a whole.

**Employability/Workability and Age Management**

The definition of age management stresses that ‘age related factors should be taken into consideration in daily management, including work arrangements and individual work tasks, so that everybody, regardless of age, feels empowered in reaching [their] own and corporate goals’. In terms of age-friendly policies and
actions Eurofound (2011) proposes several reforms to enhance active ageing aimed at influencing better and longer work lives. Some of them focus on the need to reform health service to strengthen the role of occupational health and safety. Adapting individual tasks to the needs and capabilities of older workers is essential to promote well-being and productivity amongst older workers. Some of the age-friendly measures proposed are: decreasing the physical work load, job breaks, assessing risks when scheduling shift work, flexible time arrangements (Eurofund, 2011).

There is a perception among many employers that productivity declines with age, and attitudes towards older workers continue to be negative in many segments of the society. However these are not generally based on objective evidence. The notion that older workers are less productive than younger workers often lacks substance; in fact, work absenteeism is found to be generally lower and commitment higher amongst older workers. The relationship between age and productivity is undoubtedly a complex one. Empirical evidence indicates that productivity tends to follow an inverted U-shaped profile, where significant decreases take place from around 50 years of age (Skirbekk, 2004). The benefits of having more experience, specialisation and adaptability can be very valuable. Although health and physical capabilities deteriorate with age, other functions may improve. These can be:

“Strategic thinking, sharp-wittedness, considerateness, wisdom, ability to deliberate, ability to rationalise, control of life, holistic perception and language skills”.

A reduction in individual productivity at older ages may be particularly strong for tasks where problem solving, learning and speed are needed, while in jobs where experience and verbal abilities are important, older individuals’ maintain a relatively high productivity (Skirbekk, 2004). It is recognized that older workers face difficulties in adjusting to new ways of work.
The attitudes towards change of older workers have been the subject of study by the National Institute for Occupational Safety and Health. The main difficulties encountered by older workers are: perception of threat and fear of losing a job, cognitive effort to learn, questioning of own abilities, fear of failure and losing the job, the lack of control over own work and technological change. On-the-job training should give older workers the opportunity to strengthen their capacities and minimise negative attitudes towards change.

The main factors hindering the employability of older workers according to employers in Spain (Ceoma, 2010) are: “reluctance to change”, “lack of adequate skills”, “lack of motivation”, “low productivity”, “lack of functional and geographical mobility”.

Some of the factors that explain the poor labour market situation of older workers in Spain can be attributed to the characteristics of the individuals (e.g. their lack of qualifications). However in many cases older workers are excluded from the labour market when they are not willing to accept the precarious working conditions and wages offered by companies. Thus salaries paid below their productivity can alter significantly the incentives to stay in work longer. Many employers are influenced by stereotypes that affect perceptions of older workers’ productivity and perceive employees’ wages as costs rather than sources of generation of income Fernandez et al (2007). Many companies perceive older workers as more expensive than the younger ones and choose to employ cheaper younger people.

The industrial relations system is therefore under scrutiny as in many cases older workers’ compensation tends to exceed their productivity levels, due to the prevalence of seniority-based wage systems. Hence, focusing on performance-related pay rather than on seniority payments could be effective (Ceoma, 2010). Experts advise on the need to link salary increases to workers’ productivity improvements. Increasing flexibility in the working time arrangements and the redesign of functions for older workers could also prove useful mechanisms to
promote longer working lives, as could making labour relations between companies and older workers more flexible through for example flexible retirement policies.

**Specific labour market policies targeted at the older workers**

*Passive labour market policies* seek to ensure a minimum level of income support for individuals and families. Individuals that have contributed to the social security system can claim contribution-based unemployment benefits. In addition, older workers can claim specific income-based non-contributory unemployment benefits. *Active labour market policies* instead are focused on the employability of the workforce, providing incentives to work or extend the working life. Only in recent years, active and targeted specific measures have been included in the general employment policies in Spain.

In Spain there has been an increase in the flexibility in the supply of vocational training programmes with a closer focus on the reality of the labour market, for example with the creation of a qualifications inventory that allows a better mapping of workers’ capabilities. A report by Eurofound (2011) on active management strategies in Spain stresses the need to improve the quality of training by *integrating occupational and vocational education* –targeted at the unemployed people- with *continuous* vocational education -targeted at employed people-.

Priority is given to unemployed people who are over 45 years old to participate in "Talleres de Empleo" (employment workshops) and other vocational programmes. Vocational education, however, continues to be perceived largely as of poor quality and has little social recognition in Spain. The incidence of employer-provided training is insufficient and is often considered by employers as a cost rather than an investment.
Measures to support demand for older workers have been implemented within the Employment Promotion Programmes (*Programas de Fomento de Empleo*). One way of improving the employment situation of older workers, mainly of those with low education, is by providing subsidies that decrease the costs of retaining older workers. Measures introduced in 2006 were intended to:

- Encourage maintenance of the permanent contracts of people aged 59 or over who have worked for four or more years in the same company by reducing the employer’s social security contributions by 40% for up to a year.
- Encouraging maintenance of the permanent contracts of people aged 60 or over by decreasing the employer’s social security contributions by 50% when a worker reaches 60 years of age, and this reduction increases each year by 10% until reaching 100% when the employee turns 65.

Under the umbrella of the 2011 "Social and Economic Agreement for Growth, Employment and Guarantees", an "Active Placement Income" benefit has been implemented for unemployed persons aged 52 years and over. This measure is intended to provide longer-term financial support to those unemployed people with the most adverse economic situation.

The Spanish Strategy for Employment for 2012-2014 recognises the need to continue the reduction of social security contributions by lowering the eligibility age from 60 to 55 years old. More emphasize needs to be put on work-life balancing measures and protecting reduced working time employment contracts.

*Estrategia 55* is the name of the “Global Strategy for the Employment of Older workers”, a tool that sets out the general framework for policies aimed to improve employment amongst the older population in Spain. Particular attention is paid to working conditions and security and health in the workplace. *Estrategia 55* establishes procedures to evaluate risks and capabilities of older workers considering factors such as their limited mobility, vision and hearing, their physical capabilities, their ability to take decisions etc. One way of re-designing work is to consult with
older workers on measures to improve their work. Social partners have recently been involved in the elaboration of Estrategia 55 with the idea of increasing participation of older workers. In the recent past, trade unions and employer organisations did not actively support active ageing strategies.

**Social innovation**

One notable initiative seeks to promote the sharing of work duties between younger and older employees, combining their different capabilities. The EU Social Innovation Competition was launched by the European in 2012 with the aim to find social innovation solutions to help people move towards work or into new types of work. A Spanish project, consisting of the creation of an inter-generational professional network was one of the winners (Mitwin.net). The aim of this project is to reduce youth unemployment by job sharing among young and older employees. It is conceived to facilitate contact between people in order to share a job post and knowledge, with the main goal of reducing the high rate of youth unemployment. The initiative MITWIN.NET proposes that older workers share a job with younger people, allowing those approaching retirement to share knowledge with those being incorporated into the job market, easing both entry and exit from the job market and addressing youth unemployment.

**Good Practices**

The need to identify best practices which facilitate gradual retirement transitions and reduce obstacles to part-time work would be steps in the right direction towards achieving more flexibility in the organisation of work in Spain (OECD, 2003). This could enhance the retention prospects of older workers and their ability to adapt to a changing environment. The re-organisation of working hours and job rotation may prove and effective way of reducing the erosion of skills and minimise redundancies of older workers. Social security contributions on part-time contracts should also be brought in line with those applying to full-time contracts.
Private-Public collaboration

Employment policies aimed at promoting active ageing have been regarded as highly inefficient in Spain. Public employment services have traditionally been focused on the provision of benefits, and job-search mechanisms do not function well. The on-going process of de-centralisation of the public employment services in Spain has not helped the situation due to the separation between the administration of benefits (the regions) and payment (the Social Security) - OECD, 2003. A review of the role of public employment services is on the policy agenda.

The Spanish Service of Public Employment (SEPE or Servicio Español Publico De Empleo) has established a program for collaboration between public and private institutions in order to provide more personalised services to job seekers. Priority to most disadvantaged workers will be given as it is known that private employment agencies tend to focus on more “employable” workers. Experts consider that more incentives should be given for employment and HR agencies to prioritise employment of older workers.

Adult education

Increasing training opportunities for older workers is important. Both demand side (employers) and supply side factors (employees) have to be taken into account. Policy makers must address not only financial incentives for firms but also the motivation of older workers to enter training programmes.

The EU- funded project GRUNDTVIG is a multi-country collaborative initiative seeking to improve education amongst older workers. Grundtvig is a multi-national project funded by the European Commission’s Lifelong Learning Programme. The project includes study visits for older students (aged 50 years and over) in 4 countries: Spain, Romania, UK, Iceland.

The main objectives of this project are:
To develop abilities towards a higher motivation, training and support for the inclusion of older people in different workplaces and cultures.

To increase training in Information and Communication Technologies and promote its use amongst older people.

To increase participation of older workers in life-long learning programmes.

To promote digital activities amongst older workers.

To build inter-cultural linkages between participant countries.

The main expected outcome is a guide of Good Practices with the following contents:

- An analysis of availability and use of technological services in each of the countries.

- Motivational techniques to encourage use of Information and Communication Technologies amongst older people.

- Introduction of older people to use social networks and media, electronic banking, on-line shopping etc.

**Good practices in companies in Spain: Some examples**

Eurofound (2007) reports the results of a qualitative study assessing the impact of experimental initiatives to favour better employment conditions of older workers in four regions of Spain: the Centre, Basque country, Aragon and Catalonia. These initiatives are in the following areas: recruitment, training, exit, promotion, re-deployment and health policies. Five companies were selected for the case studies: a capitalist company, a public municipal enterprise, a private religious organization and two cooperatives. The initiatives are summarised in Table 4:

The main lessons learnt from these case studies can be summarised as follows:

- Measures to promote the employment of older workers can be effective even within a context which is unfavourable to such employment.
Measures are most effective if the older workers constitute a considerable share of the workforce (between 18% and 36%). Measures work better when they offer positive advantages for both employees and employers. Measures are most efficient when they find their place within a general legal framework, within strategic plans (quality), and within the company’s plans on training, ergonomic and sanitary needs and the improvement of external services. Measures tend to have more effect in companies in which the level of worker participation in the management of the company is higher.

Employing older women: MON ORXATA
Mon Orxata is a company established in 2003 by a group of young Valencian people with the objective of restoring the tradition of fresh natural horchata in Valencia. Horchata is a typical beverage of the Valencia region that has historically been part of the regional food culture. Mon Orxata employs mainly local women aged 45 and above as horchata sellers. All employees are offered flexible hours, so that the female employees can combine responsibilities between work and family. From the perspective of the company; employing older women is a key to the success based on values such as tradition, familiarity and loyalty.
### Table 4. Initiatives to foster employment of older workers (Source: Eurofund (2007))

<table>
<thead>
<tr>
<th>Initiatives to Foster Employment of Older Workers in Spanish Companies (Eurofund, 2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zaragoza Firemen: 1) creation of an auxiliary service for elder workers offering less hazardous jobs and decreasing occupational hazard, illnesses and absentism.</td>
</tr>
<tr>
<td>Pikolin: 1) preventive health measures; 2) adaptation of working conditions; 3) gradual retirement causing the reduction the number of absences due to illness, and increased satisfaction.</td>
</tr>
<tr>
<td>Glassworks Mataró (cooperative): 1) flexible contracting with intergenerational knowledge transfer; 2) management coaching done by an external senior; 3) hiring of unemployed local women older than 45, benefiting at the same time from the advantages that exist for this type of contracts.</td>
</tr>
<tr>
<td>Escola Pia: 1) more training than the amount defined in the sector’s agreement, equal access to employment for all ages; 2) preventive sanitary measures for employees over 60; 3) hiring of unemployed people older than 60; 4) intergenerational exchange combined with partial retirement.</td>
</tr>
<tr>
<td>Home Care Cooperative: 1) selection of women that are older than 45 because of their maturity, experience and the fact that, at their age, they have less responsibilities at home; 2) internal mobility allowing the older to access posts that are less demanding; 3) gradual entry into retirement by means of reduction of working hours.</td>
</tr>
</tbody>
</table>
Life-course orientation

Leaving the labour market at an older age implies the maintaining of employability throughout working life, offering an adequate training and intensified opportunities of professional re-training. Education and skills are key elements affecting employability of older workers. The level of educational attainment and incidence of training is found to be considerably lower for older workers than for younger workers in Spain. The lower qualification of the workforce increases the likelihood of losing a job and reduces the opportunity cost of leaving the labour market.

One of the most notable initiatives within age management uses a life-course approach and creates equal opportunities for workers of all ages. Lifelong learning and improving health status from a life-course perspective seem to be among the least controversial issues among trade unions and employers’ associations, in comparison with more debated issues such as wages. Offering flexible forms of work is often emphasised as a key issue to encourage longer careers.

Training is an essential aspect of life-course orientation. Jose Antonio Arce, Member of Aviva Forum of Experts on Savings and Pensions:

“It is true that we enter the labour market at a later stage; according to human capital theory if we live longer, we need to acquire more human capital. It is totally coherent the decision to delay entering the labour market, if this means we will increase our human capital endowments”

Jose Antonio Arce, Member of Aviva Forum of Experts on Savings and Pensions.

Some experts (Ceoma, 2010) consider it necessary to launch information campaigns stressing the importance of life-long learning in both the public and private sector. Companies should be encouraged to establish career paths that adapt responsibilities, tasks and working conditions as workers grow older. This could
minimise the need to lay-offs and early retirements based on age considerations alone.

Within companies there is scope to reform the firm-training systems so that they provide better training opportunities for all, particularly older workers (OECD, 2003). A review of current funding mechanisms and how these are spent would be required to ensure that training courses would be desirable.

**Solidarity between generations**

The main unions in Spain have shown opposition to extending working lives and to the reform of the pension system. According to the economist and president of CEPR, Guillermo de la Dehesa, union and older workers who show opposition to staying longer in employment, are showing very little intergenerational solidarity with the younger generations (El Pais News paper, “Pensions and intergenerational solidarity”, December 2012). First, because younger people who are facing very adverse labour market conditions will have to make great efforts to save and to pay pensions of older workers. The labour market outlook for young people in Spain is worrying. The unemployment rate of those aged 16-24 is around 50 per cent double than the overall unemployment rate. In this context of economic crisis, families in Spain have been an essential element of social protection, unlike in other developed economies. Many families are helping children in situation of unemployment, who live at home and off the parents’ pensions and subsidies.

Second, the link of pensions to inflation could also be excessively taxing as Spain is going through process of internal devaluation with decreasing salaries. Third, younger people are not being defended by unions, who are defending the interests mainly of older workers, with indefinite contracts (the so-called insiders) and not those in situations of temporary and precarious employment (the so-called outsiders). Fourth, some union leaders and politicians are trying to convince younger people that extending working lives will have a detrimental effect on their employment opportunities. But it has been shown that those countries with highest
employment rates of older people have also high rates of employment amongst younger groups.

Generational diversity is a topic of special importance in Spain due to the significant ageing of the population brought about by demographic changes such as an increase in life expectancy and a decrease in fertility rates. Good practices may promote cooperation between young, middle-aged, and older generations. Younger and older workers should be regarded as complementary rather than substitutes. Doménech Garcia (2012) gives a potential explanation: “When older workers decide to leave the job market rather than continue working, their non-market output rises”. If this is a substitute for market output, employment is destroyed. Conversely, if a person remains active, their higher income and leisure time will help replace non-market services with market services provided by other population groups, especially younger people”.

In addition, it has been argued that some of the most effective measures that can help increase employment amongst the older people focus on the promotion of teamwork between younger and older workers (Ceoma, 2010)

**Pension/retirement policies**

Older people’s incentives to stay in or leave the labour market are largely determined by the workings of the pension system. Over the last two decades, the reform of the pension system has been the subject of debate, but until recently only minor adjustments had been introduced. In July 2011, the Parliament approved the reform of the Spanish public pension system (BOE, 2011). Doménech and de la Fuente (2013) discusses in detail the contents and implications of the reform of the pension system. The law includes three key measures that will be implemented between the years 2013 and 2027. These key measures are:
• Raising the retirement age from 65 to 67 years\(^3\); extending the pension calculation period from 15 to 25 years and increasing from 35 to 38 the number of contribution years that are required to reach 100% of the regulatory base. Early retirement was available from the age of 61 before the 2011 reform\(^4\). A system of flexible retirement was introduced in 2002 for workers between 61 and 65 year old. Prior to the reform, limited pension rights could be acquired during the last years of employment thus reducing the incentive to stay longer in the labour market. The law of 2011 still allows take up of flexible employment but only for those who have reached the new legal retirement age (67).

• Introduction of a sustainability factor; a quinquennial evaluation of the system. Parametric adjustments will be implemented to ensure sustainability, starting in 2032, although some experts call for an earlier implementation. It will be required that these adjustments take into account the observed increase in life expectancy at 67.

• Additional measures that affect the minimum retirement age and the incentives to postpone retirement age and envisage exceptions to some of the new pension rules. Perhaps the most important of these exceptions is the opportunity of maintaining retirement at the age of 65 for long contribution careers (understood as those of at least 38.5 years) and for workers engaged in especially risky or arduous activities. It is estimated by De la Fuente and Domenech that this provision may in practice exempt up to 50% of the relevant population from the planned increase in the retirement age.

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\(^3\) The retirement age is still 65 for those who have paid national insurance for 38 years and 6 months

\(^4\) In 2013 a person that wants to retire must be either 65 years with at least 35 years and 3 months of contributions, or 65 years and one month with less than 35 years and 3 months of contributions. In 2021, the person will have to be 65 with at least 37 years and 3 months of contributions or 66 with less than 37 years and 3 months of contribution. In 2027 they will have to be 65 with 38 years and 6 months of contributions of 67 with less than 38 years and 6 months of contributions (OECD, 2012).
The introduction of measures such as the increase in the retirement age and the restriction of index-linking of pension payouts are in line with guidelines put forward by the EU\textsuperscript{5}. The objective is to introduce more flexibility into the system. For example, by applying conditions so that pensions do not keep on rising when the economy is in recession or when the public deficit exceeds a given level. Another of the main objectives is to apply a more automatic link between higher life expectancy and changes in the retirement age. Many experts believe that the current reform of the pension system will not be enough and private pension schemes and insurance plans will be needed. Private retirement pensions are rising, but remain at low levels in Spain.

Since the financial crisis, the prevalence of early retirement has decreased and is forecast to decrease to a larger extent with the implementation of the new pension system. Eurofound (2011) reports that the proportion of early retirements as a percentage of all retirements was 44.8\% in 2007. The percentage of early retirements has fallen to 40\% by 2010 (data from the Ministry of Employment).

Many experts consider that the concept of compulsory retirement by age should be eliminated. Individuals should be able to decide freely when they want to retire, always establishing the means to guarantee the wellbeing for as long as they stay in employment (Ceoma, 2010).

\textsuperscript{5} This reform is in line with the reforms implemented in other European countries. Spain’s reform resembles closely the Germany reform, but with a higher replacement ratio, that is the ratio between the salary and the first pension. In addition, a lower number of years are required in Spain in order to be entitled to a full pension. After the reform the official retirement age will be 67 in both Spain and Germany, but the number of years required to receive a full pension in Spain will be 38.5 compared to 45 in Germany.
**Paid work after retirement/undeclared employment (during work/after retirement)**

The black economy in Spain has traditionally allowed people to go on working after their retirement. Since 2013, Spanish law has recognised the possibility that work and retirement may co-exist, largely with the intention to secure increased tax revenues and reduced pension payments.

Before the change in the law, the application of partial retirement required a hand-over contract (created by Law 12/2001), that is, a part-time contract covering the number of hours not worked by the semi-retired. Hand-over contracts had offered a possibility for older workers to gradually reduce their working hours and salary by 25% to 85%, and to combine income from employment with a partial retirement pension. In many cases this had been the only way for older workers to access flexible work. A law passed in 2011 (Law 27/2011) expanded and simplified the possibility to retire gradually. The 2011 reform modified the regulation of partial retirement, making it possible for the worker to retire without a hand-over contract.

The legal amendments were followed up with further reforms in the form of Decree 5/2013, implemented in March 2013. By law it is possible now for an individual to continue working after retirement, if under certain conditions. If a retired worker wants to take a full-time or part-time job, either as an employee or self-employed, the state pension will be reduced by the percentage of hours worked. For example, a worker working 50 per cent will receive 50 per cent of the pension. In some exceptional cases it is possible to continue receiving the full pension. Part-time work with a full pension is only allowed in exceptional circumstances e.g. when the job income is below the annual minimum wage of certain occupations (certain academics or health professionals). Some of these laws are controversial as they are perceived as discriminatory. For example, a medical doctor would be allowed to work and receive a full pension but a psychologist would not. The government is planning to change the law to avoid differences in the treatment of different occupations, and put into place new compatibility rules between pension and work.
Another measure recently implemented is that workers over 65 who continue to work or decide to return to work are exempt from social security contributions if they are on an open-ended contract and can prove that have made at least 35 years of national social security contributions.

**Integrated approaches and measures / mix of measures**

The implementation of a number of different measures will be needed to encourage older people to remain in the job market. According to the academic experts, concerted activities are required to remove obstacles that limit both supply and demand. (Domenech and Garcia, 2012). Social consultation between the government, employers’ organisations\(^6\) and trade unions\(^7\) to reach agreements that affect employment and social policies are common in Spain. While officially all the socio-economic players are in favour of measures to extend professional careers and improve the working conditions of older workers, the reality in terms of decreasing precariousness, working hours and improvement of training and education is often different. The lack of an integrated policy may be key in explaining the fact that debates and guidelines do not consistently improve working conditions of the elderly (Eurofound, 2007).

The Toledo Agreements (signed in 2003 and 2004) contained new ways to “integrate and support older workers in the labour market”. A mix of policy changes have been introduced in response to the current economic crisis within the Social and Economic Agreement (Acuerdo social y Económico) established between government, trade unions and employers in February 2011. Together with a reform of the pension system, labour market policies and basic conditions to reform the collective bargaining system. The prevalence of inflexible contracts and the rigid wages imposed by the legal framework result in it being is more costly for firms to

\(^6\) The main is CEOE-CEPYME
\(^7\) The main are UGT (Union General de Trabajadores) and C.C.O.O. (Comisiones Obreras).
keep older workers employed. The combination of an inefficient regulation governing early retirement and the comparatively longer period of unemployment subsidy encourages workers to receive unemployment benefits until these run out, and then to retire at the minimum legal age. The tax regime discourages people from wanting to work for longer.

A recurrent problem in Spain is that the results of social dialogue consultation with the main socio-economic players take time to materialise, so it will take time to evaluate the impact of the most recent initiatives.

**Cross-cutting issues**

The majority of employability policies in Spain are aimed at the overall population rather than any specific group. Most state-funded training initiatives target older workers only as one among several other disadvantaged groups. Some specific measures are currently in place, though, for the long-term unemployed and for women.

Spain’s employment rate of older workers with disabilities is the lowest in the OECD. This is due to the fact that there are relatively few active policies in place – training, ensuring employability, placement in public sector employment – to help people with disabilities participate in the workforce. Also, there are few incentives to work given that people might risk losing their disability entitlements on finding a job. Under the new law of 2011, companies that hire unemployed disabled workers aged 45 years and over in an open-ended contract or fixed-term contract, can access special grants. It also emerges that more incentives are needed for employers to hire older workers, in particular in the case of women. The need to integrate immigration policy with social and labour market policy should also be a priority.
Self-employment, entrepreneurship and independent work in later life

A variety of push and pull factors drive people to start a business. Amongst older people, unique factors can be “insufficient retirement savings, or increasing financial pressures” (OECD, 2012). Currently the main difficulties faced by entrepreneurs are related to the lack of access to credit. Many older workers start their own companies after losing their jobs, but evidence suggests that older people who start a business are driven more by “opportunity” than by “necessity”. Attributes like experience and confidence can be very useful when starting a business later in life.

Several projects are collecting stories and experiences about older entrepreneurs. The ‘Memoro’ project in Spain and other European countries (France, Germany, the UK and Italy) collects stories from older entrepreneurs and making short films to promote entrepreneurship among older people.

Since 2011 workers can continue to receive the retirement pension while working as self-employed, if their total income does not exceed the annual minimum wage. They will not pay any further social security contributions and will to obtain any further social security entitlements.

Lifelong learning (LLL)

Low levels of education and skill of older people who receive insufficient permanent training hinders stability in the labour market. It is important that older workers have access to training and equal opportunities to learn and update their skills. The success of Lifelong Learning relies on applying adequate learning strategies and didactics.

In Spain the situation of the Life Long Learning for the adult population between 25 and 64 years is worse than many European countries. Figure 4 shows the situation of Spain in term of the European Life-Long Learning Index, which captures a wide
range of activities (in work, formal education, professional training, personal development etc). Spain ranks just above the EU-23 average.

Figure 4. Life-long learning situation in Spain and in Europe, 2010.

![European Lifelong Learning Index](image)

Source: ELLI, 2010

Figure 5 below shows that in Spain the majority of employed people had low qualifications (42.4%), whilst in the EU as a whole (48.9%) of the employed people has medium qualifications. At the same time in Spain the percentage of the workforce with high qualifications is higher than in the EU as a whole.
The Action Plan on Lifelong Learning for Spain (2011) reflects the current situation of permanent education in Spain and provides an Action Plan (2012-2014) which presents the strategic lines and actions necessary to meet the objectives committed by the European Commission to increase adult learning in the period 2010-2020. This Plan offers also a general framework for the coordinated promotion of policies and common actions in Spain to stimulate and increase the participation rate of adults in education and learning whether formal or informal.

- Facilitate access to university to those over 40 and 45 years old. A programme to facilitating over 25 year olds to access University has been in place for many years. Specific plans exist to encourage older people (over 45 years) to access university are under way. Prior academic qualifications and professional experience will be recognised. The number of training centres accredited for the preparation of exams to access University will increase. There will be more centres offering classes in evening so that people find easy ways to combine work,
study with family life. Strengthening collaboration of Universities with training centres is also recommended.

- Improve conditions for adults to obtain secondary education certificates.
- Improve access to vocational training of adult population.
- Offer formal and informal training to people in risk of social exclusion.
- Promote the wide benefits of life-long learning amongst the population.

It would be desirable to foster continuous training and professional re-training of older workers, which would allow compensation for the deterioration of cognitive performance, and at the same time have a positive effect on the cognitive system. Some academic experts (Doménech and Garcia, 2012) have the view that “Given the current fiscal consolidation and the limited effectiveness of incentives for hiring and maintaining employees, resources used to subsidise employers’ Social Security contributions should be earmarked to fund continuous training programmes”.

**Conclusion**

- The extension of the legal retirement age is one key aspect of the reform of the pension system approved recently in Spain. Pension policies have only just begun to create new flexibilities, notably gradual retirement opportunities. More information needs to be provided to the general population about the implications of recent and planned changes. Raising awareness among the general public that pension regulations (eligibility and amount) are some of the measures that could help to extend working lives.
- The reform of the pension system and other reforms to unemployment and social benefits need to be complemented with actions designed to remove demand-side and supply-side obstacles.
- Entrenched, inflexible dual labour market model, which older workers disproportionately belonging to the ‘insiders’, causing tensions between
suffering youth and relatively secure older workers. This has had the perverse effect of cementing, among some unions, the belief that extending working lives would merely increase the scope of older workers to hang on to secure employment as the expense of marginalised youth.

- Reform of the labour market is limited and there is need for further reforms targeting the duality of the labour market. A balance between increasing labour market flexibility on the one hand and reducing job precariousness on the other is needed. EU and corporate pressure on Spain to reform her labour market may eventually lead to a greater focus on practical facilitators of extending working lives (beyond gradual retirement options).

- While the role of seniority in wage determination has decreased, it is still important in Spain. Large wage increases implied by seniority pay scales may explain why firms encourage older workers to retire early. Social partners should discuss the need to keep a balance between rewarding experience and maintaining employment prospects of older workers.

- It is increasingly recognized that removing obstacles to extending working lives is essential and that subsidising early retirement to solve high youth unemployment could be counter-productive.

- Training of the unemployed continues to be very poor and requires reform, whilst reforms of secondary education and universities are also needed.

- Active ageing policy, workplace/HR and wider employability initiatives are generally underdeveloped, but new strategies are being implemented.

- The need to fight against age stereotypes that shape firms perceptions and attitudes towards older workers in on-going.

- A strength of the Spanish economy is its regionalisation, with local innovative initiatives often generating new ideas, sometimes embedded in and growing out of regional social traditions. Social innovations, if small in scale, may more likely emerge in the regions, away from the influence/auspices of central state.

- Including age as a key element of the social dialogue will be increasingly important as will including age-friendly measures in collective agreements.
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