

ECONOMY, LABOUR
AND SOCIETY

REPORT
ON THE
SOCIO-ECONOMIC
AND LABOUR
SITUATION

SPAIN 2025

(EXECUTIVE SUMMARY)

CONSEJO ECONÓMICO
Y SOCIAL ESPAÑA

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

Article 7. Functions:

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

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Y SOCIAL **ESPAÑA**

ECONOMIC AND SOCIAL COUNCIL / CONSEJO ECONÓMICO Y SOCIAL

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REPORT ON THE SOCIO-ECONOMIC AND LABOUR SITUATION OF SPAIN IN 2025

Adopted at the ordinary session of the Plenary
assembly of the Economic and Social Council
on 27th May 2026



CONSEJO ECONÓMICO
Y SOCIAL ESPAÑA

ECONOMIC AND SOCIAL COUNCIL OF **SPAIN**

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PRESENTATION

Antón Costas

President of the Economic and Social Council of Spain

The 1991 Law on the Creation of the Economic and Social Council (ESC) stipulates that one of the Council's functions is to "prepare and submit to the Government, within the first five months of each year, a Report setting out its considerations on the socio-economic and labour situation of the Nation" (Art. 7.1.5). This *Report on the Socio-Economic and Labour Situation: Spain 2025* fulfils this legal mandate, being the 33rd such report to be prepared by the Council. Its three chapters analyse the developments that have taken place in 2025 with regard to the economic outlook (Chapter I), employment and labour relations (Chapter II), and quality of life, social protection and social inclusion (Chapter III).

The ESC is the only permanent institution for institutionalised social dialogue in Spain. Its Plenary Session consists of sixty members who, together with the president, represent the interests, views and preferences of a significant part of our country's economic, labour and social life. Twenty of them represent the country's main trade unions, both national (UGT and CCOO) and regional (CIG and ELA). A further twenty members represent Spain's major employers' organisations (CEOE and CEPYME); fourteen represent the main agricultural bodies (ASAJA, COAG and UPA), the maritime and fisheries sector (ARVI, FNCP and APROMAR), the social economy sector (CEPES) and consumer organisations designated by the Council of Consumers and Users (CECU, HISPACOO, OCU and FUCI). They are joined by six independent members, who are academic experts of recognised standing in the fields of socio-economics and employment.

This Report sets out the shared vision of these sixty Council members and their president regarding Spain's socio-economic and labour developments in 2025. In my opinion, this shared vision, in addition to proven technical expertise, is what gives this document its main added value. This consensus-based vision was developed over several months of work within the framework of the Committee tasked with its preparation, a process that commenced on 24 November 2025 and concluded on 22 May 2026, after a total of 14 meetings. The Working Committee's proposal was submitted to the Plenary Session held on 27 May 2026. The Working Committee was chaired by Rafael Muñoz de Bustillo, and the reporting members for each chapter were Edita Pereira (Chapter I), María Jesús Cedrún (Chapter II) and Matilde Más (Chapter III).

As has been customary during this mandate of the ESC, the Report includes a forward-looking analysis on "The economic, labour and social impacts and challenges of demographic changes". This analysis complements those conducted in the previous two years on the impacts of climate change and technological change.

It is not my intention to summarise the contents of this document in this presentation, which would, in any case, be impossible given the wealth of data, analysis and assessments contained within its pages. I would, however, like to highlight three features that I consider relevant to the performance of the economy, the labour market, quality of life and social cohesion in Spain in 2025. At the same time, I will broaden my perspective to cover the last five years from 2021-2025, since a review of the ESC Reports published yearly during this time reveals a silent and gradual transformation of Spain's production and employment models.

The first feature I wish to highlight is that the Spanish economy has passed the resilience test to which it was subjected in 2025, with flying colours. One might have expected the momentum of balanced growth that it had maintained since 2021 to be affected by extreme global uncertainty, as well as by the weaknesses of its main European partners. However, the Spanish economy has maintained its growth rate, which has been higher than those of the main European economies, without any further deterioration in major macroeconomic and fiscal imbalances.

Quite to the contrary, **2025 marks a turning point in the past deterioration of certain macroeconomic variables.** 2025 is the first year in which the Spanish economy was removed from the European Commission's Macroeconomic Imbalance Procedure (MIP), after twelve years of continuous monitoring and surveillance. It also met European fiscal rules on the deficit and public debt. At the same time, and I think this is especially noteworthy, productivity has risen against a backdrop of strong growth in employment, something that had not occurred in previous phases of expansion.

The only downside to this macroeconomic picture that is worth highlighting, is that for the first time in four years, the external sector has deducted a few tenths of a percentage point from GDP growth, as a result of the decline in the trade balance. However, this has resulted from a rise in imports, which in turn stems from increased demand for investment, rather than from weak exports which, on the contrary, have maintained their rate of growth.

The second feature is that by **2025, the Spanish labour market experienced an improvement in virtually all variables, thus gradually converging with the EU.** Certain aspects that have characterised the Spanish labour market in recent decades, such as the "overqualification rate" of young people or the high number of "NEETs" (young people who are Not in Education, Employment, or Training), are rapidly matching EU levels. This convergence is taking place across most aspects of the labour market.

Of course, it is still possible to make certain qualifications to this improvement in the labour market with a 'but', 'although' or 'however'. I believe that it is worth highlighting what has improved, without ignoring the fact that we must continue our efforts to tackle the gaps and challenges that still remain. The goal must be to ensure that all individuals who seek to work and can do so, are guaranteed decent employment.

The third feature is that **quality of life and inequality indicators have improved in 2025, albeit this improvement is not as marked as those observed in the areas of the economy and employment. People remain pessimistic about Spain's**

economic situation. Incomes are rising and inequality is falling, but the cost of living and housing affordability continue to affect the well-being of families. People are finding it easier to meet monthly expenses, but harder to cope with unexpected ones.

There continues to be a gap between boosted economic growth and employment and improved quality of life. This may be attributed to two main reasons. On one hand, the cost-of-living crisis. On the other hand, access to housing. Against a backdrop of moderate inflation, the resistance of food and energy prices to falling (until the latest spike in the Gulf conflict) has negated improvements in wages and employment, and exacerbated the cost of living. Housing also continues to be an structural bottleneck hole that absorbs the gains made in income. As we noted in the 2023 and 2024 Reports, by hindering workers' mobility, housing acts as a brake on growth and business development. This is without mentioning its negative impact on innovation and economic dynamism. The most innovative societies are those that successfully empower their youth to become independent at an early age. The sooner they achieve this, the more innovative and dynamic they are.

Let me now broaden my vision to cover the last five years of the post-COVID period. A comparison of the ESC Reports for this period reveals that **something positive is happening in the Spanish economy. The economy and labour market are undergoing a transformation, becoming more resilient, inclusive and productive. We are witnessing a quiet and gradual transformation of the Spanish production model, a transformation that has been long awaited and hoped for. It is not merely a quantitative change, but also a qualitative one.** This transformation is underway in both the sectoral structure of the economy and in the structure and quality of employment. If we examine this period from 2021 to 2025, it is clear that the sectoral structure of the economy has shifted towards more advanced, technical and professional services. This transformation is also reflected in a rise in the quality of employment, with significant growth in high-quality jobs. By 2025, and following the 2021 labour reform, the shift in this structure based on the initial term of employment contracts had become established, with permanent contracts accounting for a larger share. At the same time, the rate of overqualified candidates has decreased. Alongside these transformations, productivity has risen moderately but steadily. Unlike the past, this five-year expansionary phase has been accompanied by an improvement in macroeconomic and fiscal balances. These gradual transformations over the course of five years mark a trend towards structural change.

* * *

If I may be allowed one final reflection: **Why are the Spanish economy and the labour market undergoing this transformation?** Firstly, there was a shift in focus in economic and social policies that coincided with the COVID-19 crisis, Compared to European austerity policies during the 2008 crisis which led to a five-year recession in Spain with significant job losses and damage to the productive sector, the current policy of supporting

businesses, employment and families has enabled the economy to recover rapidly and experience healthy and sustained growth.

Another factor that may explain this strong performance over the last five years has been bipartite and tripartite social dialogue, with agreements that have had a highly positive and lasting impact. Examples include the 2021 labour reform; the temporary furlough schemes or ERTE, which exchanged the job losses and damage to the productive sector of the 2008 crisis for temporarily suspended jobs that nonetheless maintained the employment relationship; and the 5th Labour and Collective Bargaining Agreement, reached by the UGT and CCOO trade unions and the employers' organisations CEOE and CEPYME. These agreements, which were achieved through collective bargaining, have created a climate of trust and stability for families and businesses in the face of uncertainty, and have made it possible to sustain household consumption and business investments. These measures and others that have been reached through social dialogue and collective bargaining have fostered a climate of social peace that is a genuine intangible asset of Spanish society, a collective heritage that must be protected and maintained. Without downplaying the "tailwinds" provided by European funds, the capacity for dialogue and agreement is the underlying factor that explains the Spanish economy's strong performance and transformation over the last decade.

* * *

By way of conclusion, I would like to thank the President of the Committee and the reporting members of the three chapters for their excellent coordination of all tasks involved in drawing up this document. I would also like to thank the members who have served on the Committee and the technical support staff from their respective organisations; as well as all members of the Plenary Session who have reviewed and approved the document.

I also extend my thanks to the following experts who have attended the Committee's working meetings to present their views on matters within their remit, thereby enriching these discussions: Judith Arnal Martínez, lead researcher at Real Instituto El Cano, and Julio Pérez Díaz, senior scientist at the Institute of Economics, Geography and Demography of the Spanish National Research Council (CSIC).

Additionally, and most importantly, I would like to thank the entire team heading the Research and Analysis Department for their excellent work in once again drafting this Annual Report. Their expert knowledge of each of the subjects covered in the document is complemented by an additional quality that is by no means easy to achieve: their skills in listening to the views of the Committee's members, in order to present them with consensus-based perspectives.

Finally, I would also like to thank all ESC staff across various departments and services for their efforts and excellent work; their efficiency enables the institution to perform the functions that are legally assigned to it.

ANTÓN COSTAS

President of the Economic and Social Council of Spain

CHAPTER I

ECONOMIC OUTLOOK

2025 may be described as a test of economic resilience in the face of global uncertainty. Economic activity remained resilient in the face of high international volatility, increased technological competition and geopolitical fragmentation; within a context marked by the rapid erosion of the international order, in itself a result of Trump's tariff escalation at the start of his second term as US President.

The global economy closed the year with a growth of 3.4 per cent, similar to that of 2024, and the European Union consolidated its recovery which had commenced the year before (1.5 per cent). With a growth of 2.8 per cent and, for the fifth consecutive year, outperforming the EU average and ranking among the most dynamic of the advanced economies, Spain's economy especially stands out in this regard.

Its economic growth was underpinned by strong domestic demand, mainly due to private consumption driven by growth in employment and the population, but also by accelerated investment, thanks to low interest rates, brisk demand, and Next Generation EU funds. However, the rise in domestic demand led to a significant increase in imports, which meant that, for the first time in the last four years, the external sector has had a detrimental effect on GDP growth. This occurred despite a substantial influx of foreign visitors which aided the tourism sector in reaching new heights.

2025 also marked a turning point for the Spanish economy, as it was the first year in which it was not subject to the European Commission's Macroeconomic Imbalance Procedure after twelve years of continuous monitoring and surveillance. European fiscal rules were also met thanks to reduced deficit and public debt, driven by spending restraint and, above all, by strong growth in public revenue. The risk premium fell to pre-financial crisis levels and the markets performed well.

Nonetheless, public perception regarding Spain's economic situation continues to be pessimistic, mainly due to rising costs of living and difficulties in access to housing. This is also taking place against a backdrop of political instability and parliamentary fragmentation, which limits the effectiveness of economic policy and has resulted in the General State Budget being extended, for the third consecutive year, until 2026. Indeed, alongside housing market problems, the Spanish economy must tackle significant structural challenges related to the need to continue improving productivity and investment levels, as well as reduce public debt in order to achieve sustained growth.

Going into 2026, the economic outlook remains critical and is characterised by a high degree of uncertainty due to the escalation of hostilities in the Middle East which has triggered an energy and trade shock. Their impact on the world's economies will depend directly on the duration of the conflict. Although Spain is not directly exposed to an excessive degree, and benefits from high levels of renewable energy penetration, the overall impact has added considerable uncertainty to the economic projections published at the time of drafting this Report.

This first chapter describes this economic outlook in detail and also includes the Council's perspective on the economic impact of Spain's demographic challenge, a challenge that is the main topic of this edition of the Report. With this, the ESC concludes its analysis of the three major challenges currently faced by economies: environmental, technological and demographic; the first two having been addressed in previous Reports.

Conclusions

- The global economy grew by 3.4 per cent in 2025, a similar rate as in the previous year, thereby demonstrating remarkable resilience in the face of high levels of uncertainty –especially in trade– and growing geopolitical tensions. Global disinflation continued, as did interest rate cuts in economies with a relatively restrictive stance.
- The rise in protectionism and later negotiation of bilateral agreements spearheaded by the US led to instability in trade relations throughout the year, alongside developments such as China's restrictions on the supply of critical raw materials. This climate encouraged trade diversification and integration in other regions, amidst a global competition for reliable partners. Despite this protectionist trend, trade in goods and services performed well in 2025, as did Foreign Direct Investment (FDI), driven by investment in Artificial Intelligence (AI) and new technologies.
- For its part, and contrary to expectations, in 2025, the European economy consolidated the road to economic recovery commenced in the previous year, with moderate but sustained growth in economic activity (1.5 per cent). The EU demonstrated its ability to overcome the challenges posed by global uncertainty, thanks to a resilient labour market, falling inflation, and favourable financing conditions.
- EU economic policy was required to address external challenges arising from the Trump administration's trade policy, the new framework for transatlantic relations, and the resurgence of global conflicts. But it also had to face internal challenges such as boosting European competitiveness, advancing the green and digital transitions, making progress on fiscal consolidation, adapting the tax

regulatory framework to the geopolitical reality and to increased spending on security and defence, and effectively completing the Next Generation EU (NGEU) investments by their scheduled date of completion.

- In 2025, the Spanish economy once again demonstrated remarkable resilience in an especially adverse context in which geopolitical and trade tensions, the weaknesses of the main European economies, and domestic political instability have led an environment of high and persistent uncertainty.
- With an annual GDP growth of 2.8 per cent, for the fifth consecutive year, Spain's growth exceeded the European Union average, placing it within the ranks of the most dynamic economies among advanced nations. This trend is considered to be driven by the growth in the immigrant population, the creation of jobs, the implementation of the Plan for Recovery, Transformation and Resilience (PRTR), the influx of foreign tourists, and efficiency gains in the use of factors of production.
- Unlike previous expansionary cycles, this recent growth has been accompanied by a sustained external surplus and a positive contribution from the productivity. As a matter of fact, the Spanish economy has successfully combined high levels of employment creation with improvements in production, a shift that appears to be gaining ground and which may point to a more diversified and sustainable model of growth in the long term.
- In 2025, there was a further redistribution of GDP towards employee wages, driven by several factors. These include strong employment growth; shift in employment creation to occupations with higher added value and skills, and therefore, better paid (the composition effect); the increase in the share of employees; the virtually across-the-board increase in wages due to higher minimums, and increased wages through collective agreements, pursuant to the provisions of the 5th AENC signed by social partners in May 2023; and by the increase in social security contributions.
- In 2025, prices continued to rise at an average rate of around 2.5 per cent, both for the overall index and for core inflation, due to persistent inflation in the services sector.
- GDP increased by 3.3 per cent and was driven exclusively by domestic demand, with private consumption consolidating its position as the main driver of growth. This was mainly due to strong employment and population growth, the rise in the real disposable income of households, and favourable financing conditions, within the context of a sustained fall in debt levels and a savings rate that remained at historically high levels.

- Investment was the component of demand with the highest growth in 2025, rising by 5.8 per cent and driven by falling interest rates, strong demand and the deployment of Next Generation EU funds. At the same time, there was some degree of convergence with the European Union's levels of investment. However, some weaknesses remain in certain components of manufacturing investment, and business investment is still insufficient.
- After three years of driving growth, the external sector was responsible for a fall of 0.8 percentage points in GDP in 2025 due to the sharp rise in imports. This notwithstanding, Spain recorded a net lending position of 4.0 per cent of GDP, the second-highest on record. The wider goods deficit was not offset by growth in the services trade surplus, with tourism setting new records and exports of non-tourism services on the rise. The capital surplus shrank due to a lower influx of European funds, and high external debt remained a significant macroeconomic imbalance risk.
- On the supply side, agricultural income reached a new all-time high in 2025, despite the impact of extreme weather events, consolidating recovery thanks to the increased value of crop production. Furthermore, there was a rebound in both agricultural employment and income per annual work unit (AWU). Meanwhile, there was a decline in the fisheries sector in terms of fleet size, engine power and gross tonnage. Nevertheless, it maintains a strong presence in the EU and the agreement on TACs and fishing quotas for 2026 were received positively. Spain remains one of the world's biggest aquaculture producers.
- Despite a growth of 2.1 per cent, the manufacturing industry was affected by the economic slowdown among its main trading partners, and by geopolitical uncertainty. Within this context, the plan presented for the automobile industry represents a positive step as a concrete initiative; however, the new Law on Industry is still pending approval and this is holding back progress on the Spanish Strategy for Industry and Strategic Autonomy.
- As regards the energy sector, 2025 will be remembered in Spain as the year of the "great blackout", following which the electricity system increased the share of combined-cycle power stations in the generation mix. In any case, the penetration of renewables is well established, offering Spain a potential competitive advantage in terms of low prices within the EU. Greater investment in grids, interconnections, renewable hydrogen storage and development, alongside better regulation of the sector, are crucial to consolidating this advantage.
- The construction sector led growth in 2025 and new-build planning permissions in the residential segment soared. Moreover, the Strategic Project for Economic Transformation (PERTE) for the industrialisation of housing was launched. However, in the short term, it is difficult to address the existing imbalance

between housing supply and demand, which is one of Spain's main challenges. Additionally, although there has been an increase in public tenders for civil engineering works, the rise in adverse weather events has highlighted the importance of investing not only in new infrastructure but, above all, in repairing and maintaining existing ones.

- In the services sector, the areas of retail, hospitality and transport have continued to perform very well thanks to buoyant domestic consumption and, above all, tourism. Meanwhile, non-tourism services –which have become one of the biggest drivers of the Spanish economy, especially those related to ICT and professional, scientific and technical activities– have confirmed their growing share of GVA.
- With the budgets rolled over from 2023, the fiscal consolidation process that was initiated in 2021 has continued into 2025, with reductions in deficit and public debt that enabled compliance with European fiscal rules. This was made possible by moderating the growth of public expenditure, but, above all, by the continued strong growth in public revenue, which reached a historic high as a proportion of GDP. The increase in tax bases within a context of growth in economic activity and employment (consumption, wages and profits), the “bracket creep” in personal income tax, and the positive impact of certain regulatory changes on tax revenue would explain this result.
- There is a high degree of uncertainty surrounding medium-term fiscal projections, due to the increased probability and frequency of natural disasters resulting from accelerated climate change, and international economic and financial instability. These circumstances are likely to alter the macroeconomic outlook and place unforeseen pressures on Spanish public finances in the coming years. Furthermore, the upward trend in age-related public spending, together with the planned increase in defence spending, also translates into a narrowing of the government's fiscal space in the medium term.
- With regard to the Recovery Plan, the approaching deadline for implementing investments, against a backdrop of considerable global uncertainty, is one of the main concerns for public administrations and the business sector, since it raises questions about the system's ability to absorb all available resources within the set timeframe and to maximise their impact on structural change and potential GDP.
- The outlook for 2026 is once again characterised by high global uncertainty, mainly linked to the conflict in the Middle East and the energy shock caused by blockades in the Strait of Hormuz. Although a high risk of inflation is predicted in the short term, Spain has limited exposure, with GDP growth forecast to be around 2.3 per cent in 2026, a rate that is among the highest of the advanced economies. However, the downside risks are significant and, should the conflict drag on, it may ultimately affect the Spanish economy.

CHAPTER II

EMPLOYMENT AND LABOUR RELATIONS

This chapter provides an analysis of employment and industrial relations in Spain in 2025. The study of employment looks at labour market behaviour from three perspectives. Firstly, it makes a comparison with Spain's main geopolitical reference framework, the European Union (EU), focusing on average figures, best-performing Member States, and country-specific targets set and monitored under the Action Plan of the European Pillar of Social Rights. Within this context, and regarding employment creation, Spain once again led the way in 2025, accounting for 45 per cent of all jobs created in the EU that year. It has thus made progress towards achieving the targets set for 2030 and continues to converge with Europe in terms of employment and unemployment rates. This achievement notwithstanding, there remain significant gaps and structural challenges, especially in terms of higher rates of overall and long-term unemployment and among women, as well as young and older people.

Secondly, it includes a review of the key indicators of economic activity, employment and unemployment in Spain, followed by a closer look at the characteristics of individuals, jobs and occupational and sectoral dynamics. In 2025, the Spanish labour market continued to display strong employment creation, reaching an all-time high of 22.5 million employed persons in the fourth quarter. The unemployment rate continued to decline as well, standing at under 2.5 million people by the end of the year, making it the lowest rate (10 per cent) since 2007, although it remains significantly higher than the EU average.

Three variables related to personal characteristics may be traced throughout this analysis: gender, on monitoring the evolution of gender gaps in the labour market; age, with a particular focus on young people and older workers; and nationality, a factor that is becoming increasingly relevant to the analysis of the Spanish labour market. The latter variable highlights the boost to employment provided by the immigrant population in Spain in recent years, and again in 2025¹, when 80 per cent of the increase in the labour force was due to immigration, which accounted for over 21 per cent of total employment. Thus, the recent employment growth has been concentrated within the migrant population, within workers with higher levels of education, and young people

1 Recent in-depth analysis in Report 1/2025 of the ESC, *The Migration reality in Spain: Priorities for public policies. Conclusions and proposals: Key messages*.

and those over 50. At the same time, it must be remembered that structural problems and growing difficulties persist within these two age groups, which have been analysed in detail, and therefore require greater attention and more effective public policies. Another noteworthy trend is the positive growth in the employment of women in 2025, with record highs in labour force participation, employment and social security enrolment, although structural problems such as the “motherhood penalty” of women in the workplace persist and, as analysed, further entrench the gender gap in employment.

As regards the nature of employment, in addition to high levels of job creation, the post-pandemic period of growth has been distinguished from the previous recovery period (2014–2020) by the correction of imbalances such as the high prevalence of temporary employment in Spain, mainly by bringing it down in the private sector, and by the decisive role played by social dialogue between 2020 and 2022. In 2025, permanent employment once again grew at a faster rate than the overall total, driven by the private sector. Temporary employment rates thus fell to historically low levels (14.9 per cent), fully comparable to the rest of Europe, as was already noted in the previous edition of this Report. Although Spain continues to have the highest employee turnover rate in the EU, the higher proportion of permanent employment has led to a fall in the overall rate, as analysed in the section on labour flows, a trend that helps reduce labour market segmentation. With regard to the nature of work, there has been a new increase in part-time employment in 2025, however, involuntary part-time work continues to fall, and the reasons for such involuntary part-time work continue to be different for women and men, thus perpetuating gender imbalances and roles. Finally, the analysis of sectoral and occupational dynamics of employment in 2025 reveal a deepening of the positive changes that have already been observed, moving towards a greater proportion of advanced services and occupations requiring higher qualifications and skills.

This first part of the chapter is rounded off with the analytical framework for public policies that operate directly and specifically within the labour market to ensure people’s right to access and remain in employment, and to meet the needs of productive sectors. The detailed analysis of active labour market policies (ALMPs) in terms of resources, types of measures and programmes implemented, and on new developments in strategies and action plans, commences in 2025 with a new four-year strategic framework, the Spanish Active Employment Support Strategy (EEAAE) 2025–2028, and a new plan for its annual implementation, the Annual Plan for the Promotion of Decent Employment (PAFED) 2025. It highlights the progress that must be made for an effective and successful implementation of the Strategy and proposes improvements to address persistent systemic weaknesses, including the need for an adequate assessment of interventions, programmes and strategies, a key factor in promoting those that are most effective and efficient.

The second part of this chapter discusses the dynamics and outcomes of social dialogue in the EU and in Spain, as an asset that is part of its political and social model by

recognising the role of social partners and incorporating their participation in the formulation of public economic, labour and social policies. In these times of uncertainty and rising risks, such steps are all the more necessary for building trust. In 2025, further initiatives were adopted to boost social partners' roles with the signing of the new Pact for European Social Dialogue, and the holding of the Porto Social Forum in collaboration with social partners and EU institutions to discuss the future course of the EU by means of enhanced competitiveness and the role of the Social Agenda. Spain's favourable economic climate has provided a conducive environment for reaching agreements, although the political context has become increasingly complex and uncertain. Within this context, various tripartite and bipartite dialogue forums have played an active role in the areas of labour, training and social protection.

This is followed by an analysis of the developments that have taken place over the year in the major areas of industrial relations and the tools used by key players: collective bargaining, industrial action and mechanisms for resolving disputes. 2025 marked the final year of the 5th Labour and Collective Bargaining Agreement (5th AENC) and therefore, this year's analysis examines the negotiating clauses related to matters covered by the criteria and recommendations of this Agreement regarding employment and recruitment, partial and flexible retirement, training and professional qualifications, measures for internal flexibility, gender equality, and technological, digital and ecological transitions.

The report also analyses developments in labour policies and certain initiatives that are under consideration or in the process of being drafted, in addition to the administrative oversight of implementations via the Labour and Social Security Inspectorate, and labour court activity data. Finally, the report analyses a key policy area for employment and labour relations: policies aimed at ensuring worker health and safety policy through regulatory frameworks, specialised bodies, strategies and initiatives for action, as well as an analysis of trends and the current situation of workplace accidents in Spain. In 2025, the incidence of fatal well as total occupational accidents fell while the incidence of occupational diseases rose, being higher amongst women.

Conclusions

- There was strong employment growth in Spain in 2025, with record levels of employment and social security affiliation. The country once again led the way in job creation within the EU, accounting for 45 per cent of the EU total against a European backdrop of slowing employment creation. This strong performance has enabled Spain to make progress towards meeting the European targets for 2030 and achieving convergence with the rest of Europe. However, there remain significant gaps such as the gender gap, in addition to structural challenges. The unemployment rate remains the highest in the EU (at around 10 per cent).

Compared to the rest of Europe, Spain still has higher rates of NEETs, temporary employment, employee turnover and involuntary part-time work, as well as lower rates of women's labour force participation.

- Despite increased geopolitical tensions and global trade uncertainties, as well as conflicts at both national and international levels, in 2025, the Spanish labour market continued the path of improvement it has taken in the post-pandemic period. Improvements have been evident both in employment, with a notable contribution of the foreign population, and in unemployment. The total number of hours worked has increased, as has the number of hours actually worked, and hourly productivity has also improved. There was also a moderate recovery in real wages (with more contained inflation), in line with wage negotiation guidelines (AENC), and this was reflected in wage agreements. However, in real terms, the recovery in purchasing power has been uneven and concentrated amongst the lowest earners in the income distribution.
- Similar to recent years, employment creation has relied heavily on the immigrant population, which has been key to labour force growth and employment. Youth employment and of those over 50 is on the rise, but problems persist: under-25s continue to be concentrated in low-skilled jobs; and the 55-64 age bracket faces growing difficulties (higher relative unemployment, comparatively poorer conditions in new jobs and a high proportion of long-term unemployment). The share of skilled employment is increasing and overqualification is falling, although Spain's rate continues to be high by European standards. Finally, as over the past decade, wage employment continued to grow more than self-employment in 2025, with the private sector generating most of this wage employment. Part-time employment also increased once again, retaining a significant element of involuntary work, differentiated by gender, and with strong links to women's greater proportion of unshared care responsibilities.
- The above notwithstanding, there was a positive trend in women's employment, with record highs in labour force participation, employment and Social Security affiliation. However, gaps remain despite the progress that has been made. These include motherhood and childcare penalties and a higher rate of part-time work due to family responsibilities, all of which weaken women's labour market opportunities and lead to shrinking employability, more career interruptions and fewer opportunities for promotion throughout their working lives. If factors such as occupational segregation and the lower representation of women in specialist training programmes and in the most vibrant economic sectors are taken into account, this serves to explain the lingering gender pay gap which has recently shown signs of stagnation, despite narrowing significantly over the last decade.

- The labour market has also shown positive trends at the regional level; and while regional differences in employment and unemployment have narrowed in recent years, they still persist. These gaps are explained by structural factors linked to the productive specialisation of each region and by labour force participation rates, which have also converged, in part thanks to increased women's participation in the labour force.
- In 2025, employment in Spain continued the recent trend of stronger growth in the services sector, although growth was slower in information and communications and the hospitality sector declined when compared to 2024. This year, the performance of the manufacturing industry, construction, administrative services and transport has been especially noteworthy, accounting for more than half of the total increase in employment, with only the hospitality sector and domestic labour displaying falling rates. From a broader perspective, between 2019 and 2025, there was a shift in the sectoral structure towards more advanced services, as well as a consolidation of technical and professional occupations, in line with rising skilled employment, although sectors such as the primary sector, industry and construction also witnessed an increase in certain lower-skilled jobs.
- By 2025, and following the 2021 labour reform, the employment structure had definitively shifted from one based on the initial term of contracts, with permanent contracts accounting for a larger share; however, this trend appears to have slowed due to a slight decline in these contracts, and a rise in temporary fixed-term contracts. Simultaneously, Spain continues to display the highest levels of employee turnover in the European Union. This is not only due to changes in employment but also to the frequency of staff departures, particularly due to expiring contract terms and the greater dynamism of the labour market. While the larger proportion of permanent contracts has helped to bring down overall employee turnover, there has been an increase in staff movements within this category, especially amongst permanent seasonal workers, even if comparability with the pre-reform period is limited by the expansion and transformation of this employment type. As regards employee departures, individual and collective redundancies fell in 2025, although contract terminations rose slightly.
- For yet another year, Spain ranked amongst the EU-27 nations that devote the highest percentage of their GDP to active labour market policies (ALMPs). However, the expenditure deficit in relation to unemployment rates persists, which measures the coverage of expenditure on the unemployed, and in terms of expenditure per jobseeker, approximating the intensity of actions for each jobseeker. The analysis of resources allocated to active labour market policies (ALMPs) must be complemented by an analysis of the effectiveness and efficiency of

spending; however, this still requires a closer connection between spending measures, including comparative ones, and the outcomes they achieve.

- The effectiveness of public employment services depends on a sufficient number of specialised professionals to meet the needs of jobseekers and businesses, as well as on the effective integration of digital technologies, including AI, to support their tasks. However, shortcomings persist in comparative terms in Spain, such as the high ratio of jobseekers per profession or the lack of professional profiles specialising in the needs of the productive sector.
- 2025 witnessed the consolidation of the system of recruitment incentives aimed at workers facing the greatest barriers to employability. These incentives are mainly focused on people with disabilities, but should also significantly reach other priority groups such as the long-term unemployed. In its first full year of implementation, the employment support scheme enabled the combination of unemployment benefits with employment for gradual (re)integration into the labour market, although it only benefited 6.1 per cent of recipients.
- The new Spanish Active Employment Support Strategy was also launched, setting out the direction of ALMPs for the 2025–2028 period. The effective implementation of the Strategy depends on a number of steps that have yet to be taken, such as rolling out the common portfolio of guaranteed services, once the content, scope and allocation of resources associated with these services have been finalised; targeting user groups with specific requirements such as the long-term unemployed or older jobseekers; support for businesses as a necessary element in matching labour supply and demand, and further development of assessment methods.
- In March 2025, the Commission and European cross-industry social partners signed a new Pact for European Social Dialogue that will seek to boost the latter's role in shaping social, employment and labour market policies. The Porto Social Forum in September 2025 highlighted the importance of social dialogue at the EU level in promoting quality employment. In 2025, the Commission conducted the first phase of consultation with social partners “on the possible direction of EU action to improve working conditions, health and safety at work and implementation of workers' rights (Quality Jobs Act)”.
- Although there were negotiations in various tripartite forums for social dialogue on labour issues in Spain, agreements could not be reached with all social partners. Several agreements were signed between the Government and major state-level trade union bodies: the Agreement on the improvement and modernisation of the Law on Occupational Risk Prevention; the two Agreements to increase the national minimum wage for 2025 and 2026, in addition to other commitments and measures regarding the regulation of the national minimum

wage; the Agreement on a draft support protocol for transgender people in the workplace; and the Agreement to extend bereavement leave following the death of a family member and to introduce leave to care for a family member in palliative care, among other aspects. Meetings were also held by other tripartite social dialogue forums, and discussions on certain matters remain ongoing.

- In the area of Vocational Education and Training, which falls within the remit of the Ministry of Education, Vocational Training and Sport, talks continued to be held in the tripartite committee on the reform of vocational training to adopt the implementing regulations of Organic Law 3/2022 of 31st March on the planning and integration of vocational education and training. Of particular note is the creation of the constituent elements and management tools of the National Vocational Education and Training System, as well as the procedure for the assessment and accreditation of basic skills acquired through work experience, non-formal learning pathways and informal learning.
- Within the framework of bipartite dialogue, the most representative employers' organisations and trade unions have signed, in March 2025, the Agreement to Improve Coordination between Vocational Education and Training and Workplace Training Systems, which seeks to establish an effective and coordinated collaboration between Vocational Education and Training and Workplace Training Systems.
- The wage increases agreed in collective bargaining in 2024 and 2025, which are still provisional (3.31 and 3.56 per cent respectively), are in line with the guidelines of the 5th AENC for those years and broadly confirm a recovery in wages agreed on an aggregate basis for the majority of the wage-earning population covered by collective bargaining. Taking into consideration the agreed wage change in real terms, there was once again a slight gain in purchasing power (0.86 per cent) across the collective bargaining sector as a whole, following the losses recorded in 2021 and, above all, in 2022. However, this has not been sufficient to enable purchasing power to increase over the last ten years, during which the agreed cumulative real wage increase has been -0.76 per cent.
- An analysis of the clauses of collective agreements on specific topics contained in the 5th AENC reveals that, in general terms, collective bargaining for the 2022-2025 period has regained the capacity to influence key areas of labour regulation, but certain limitations remain in other areas. As regards the areas analysed, it may be stated that while the overall assessment of the period is positive in certain strategic areas, there is still significant room for improvement in others.
- By December 2025, around 54 per cent of all Spanish companies with 50 or more employees had filed and implemented an equality plan, a proportion that is increasing over time. As pointed out by the ESC in previous Reports, regardless

of the fact that some plans may have had difficulties in negotiation, and despite the significant progress in the total number of registered plans and proportion of companies covered, the data still indicate a wide margin for improvement in the rate of coverage of equality plans.

- On the 30th anniversary of the signing of the Agreement on Out-of-Court Settlements (ASEC) on 25 January 1996, it is evident that the Spanish system has well-established mechanisms in place for channelling labour disputes through procedures for resolution that are created and managed, primarily, by the collective autonomy of social partners. In 2025, the intervention rate of the Inter-Confederal Mediation and Arbitration Service (SIMA in Spanish) in supra-regional collective disputes that were referred to mediation stood at 93.4 per cent, indicating a growing role in the resolution of such disputes.
- According to provisional figures, there were 648 strikes in 2025, 59 fewer than the previous year, and below the average for the previous ten years (687), within in a year that once again experienced significant growth in economic activity and employment. The fall in this type of industrial action occurred almost completely in the private sector; conversely, there was a slight upturn in the public sector.
- In terms of labour policy, an increasingly complex parliamentary context has influenced the outcome of certain key labour-related initiatives, such as the draft law to reduce the working week. However, several regulations were approved at the domestic level as well, including measures on work-life balance, the regulatory implementation of the Workers' Statute on training contracts, and minimum wage levels for 2025 and 2026. There are some other initiatives that are currently being drafted or are in the legislative pipeline. As regards EU legislation, several labour directives are pending transposition, some of which are now past their deadlines.
- In 2025, the new Strategic Plan for Labour Inspection and Social Security (ITSS) 2025–2027 was approved. It constitutes the roadmap to be followed by the ITSS over the next three years, in order to achieve high levels of quality whilst fulfilling its assigned role as the body responsible for ensuring compliance with social legislation and workers' rights. This Plan is organised primarily around two key areas: firstly, defending workers' rights, and secondly, ensuring high-quality public services.
- The number of cases resolved by labour courts fell slightly in 2025, after the significant rise recorded in 2024, which, in turn, had been preceded by two consecutive years of decline. Additionally, and despite a slight improvement in resolution rates, pending cases and backlogs in 2024, from a broader perspective, the data reflect an underlying situation of greater backlogs and delays in the labour

courts when compared to other courts. This is all within the context of a common structural problem of delayed processing and resolution of legal cases.

- At the EU level, in 2025, attention continued to be paid to highly relevant issues in occupational health and safety, such as climate change, occupational diseases, mental health and the workplace impact of advances in digital technologies. The initial results of the Fourth European Survey of Enterprises on New and Emerging Risks (ESENER 2024) were published in early 2025, and have shed light on occupational safety and health risks identified in European workplaces across all sectors, with prolonged sedentary behaviour and repetitive movements remaining key concerns. Meanwhile, the latest OSH Pulse 2025 worker survey conducted by EU-OSHA and published in September, provides a snapshot of the challenges and risks arising from climate change, digitalisation and the psychosocial work environment currently affecting Europe's working population.
- The First Action Plan (2023–2024) of the Spanish Strategy for Safety and Health at Work (EESST) has led to the implementation of 106 measures, with progress having been made on virtually all of them by early 2025. Meanwhile, the Second Action Plan (2025–2027) contains 197 measures to be implemented over the three-year period; it builds on the actions initiated in the first plan and incorporates new measures to achieve a higher degree of compliance with the EESST's objectives and lines of action.
- The rate of workplace accidents among employed workers fell again (by 3 per cent), for the third consecutive year since the post-pandemic spike. Recent trends show a downward shift, with figures now clearly below pre-pandemic levels, a trend that must be consolidated. There is clearly a favourable trend, especially particularly within a cycle of strong employment growth. However, as indicated in the previous edition of this Report, this is linked to the fact that in recent years, job creation has been concentrated in sectors with a lower-than-average accident rate.
- Conversely, the rate of occupational diseases rose again, up to 103.2 per 100,000 people in employment, and, while it increased for both sexes, the rise was greater among women, widening an already existing gap. The data highlight the need to reinforce the gender perspective together with the age perspective in occupational disease prevention, taking due account of health conditions with regard to the gender -based distribution of employment.

CHAPTER III
QUALITY OF LIFE, PROTECTION
AND SOCIAL INCLUSION

In 2025, challenges in the areas of social and welfare policies continued to be marked by improvements in the indicators of material living standards and inequality, although they were not as pronounced as those observed in economy and employment. This chapter of the Report, devoted to quality of life, social protection and inclusion, takes this observation as the main stepping stone in its first section, which analyses living conditions from the perspective of income and its distribution, focusing on the evolution of inequality, the risk of poverty and material deprivation.

Together with inequalities in income distribution, persistent inequalities between men and women as well as violence against women stand out among the main threats to social cohesion. For this reason, the second section of this chapter highlights the situation and the initiatives adopted in 2025, emphasising Spain's comparative position based on the reports of various international organisations.

Within a context of increased prices and supply shortages, difficulties in accessing housing and meeting the associated costs continued to be one of the main social problems in 2025. The third section of the chapter analyses not only key indicators of housing affordability and the risk of housing exclusion, but also the relevant measures that have been adopted, and the discussions on this issue. It also examines the challenges of urban regeneration and resilience.

Spain has been especially hard hit by the climate crisis and its consequences. Given this context, the fourth section examines the status of key environmental indicators such as water management and quality, emissions reduction, ecosystem conservation, fire prevention and the restoration of degraded areas, from a social perspective, in a year marked by record areas of burnt land and an increased frequency of extreme weather events. At the same time, the areas affected by the previous year's DANA continue to grapple with the social consequences.

Section Five completes the analysis of the drivers of well-being by examining trends and consumption habits and, especially, the actual level of access to goods and services that sustain living standards over time. The growing burden of housing costs, inequalities in consumer spending and the impact of the cost of living, as well as the monitoring of trends such as digital consumption, are a part of the analysis, in addition to supply chain vulnerabilities for essential goods, as was highlighted by the unprecedented widespread power cut of April 2025.

The sections from 1.6 onwards deal with the main dimensions of the social protection system: health protection and the healthcare system within the context of the care crisis; the dependency care system; social security and pensions, as well as the challenges to these areas within the current context of increasing life expectancy; unemployment and severance protection, as well as social inclusion, diversity and non-discrimination policies.

In 2025, this social protection system as a whole continued to display its robustness and broad scope, but also certain weaknesses in its functioning. These aspects are described in each section by means of a review of the latest indicators that report in each case the spending effort, the evolution of the number of beneficiary households and individuals and their profiles, the initiatives undertaken within the year, and the monitoring of the results of previous years' initiatives. All of this is examined from the perspective of quality and equal protection that includes the gender perspective.

The need to boost the effectiveness of public services and benefits emerged in several areas throughout the year, as is noted throughout this chapter.

The section of this chapter which is devoted to the main topic addresses the social impacts of demographic changes, which both form the backdrop to, as well as shape, policy design regarding welfare, social protection, equality and non-discrimination. There are numerous challenges as well as opportunities in this area, and the section especially focuses on childcare. This is a demographically shrinking group that is also becoming increasingly important from the perspective of equal opportunities and social cohesion; the management of an increasingly diverse society resulting from immigration (the only demographic factor that currently guarantees growth); and the care challenge posed by significantly increased life expectancy, which may be summarised by the dual concept of 'living longer and better'.

Conclusions

- Living standards, as measured by income, have continued to improve for the majority of the population in 2025, buoyed by the favourable economic and employment cycle, the contribution of immigration, wage trends, moderate inflation and increased coverage of certain social benefits.
- However, the cumulative effect of several years of inflation, and especially its effect on the cost of essential goods, have continued to affect household budgets. This meant that the cost of living and the lack of housing affordability continued to affect well-being in 2025, especially for the most vulnerable households.

Incomes are on the rise and inequality is falling, but the cost of living continues to influence social well-being

- Growth has not been sufficiently inclusive. Inequality is a structural issue in Spain and despite a further slight decline in its main indicators, one of every four households remains at risk of poverty or social exclusion, while child poverty affects more than a third of children under 16, and 36.6 per cent of households are unable to cope with unexpected expenses. This is a reflection of the situations of economic insecurity that may test the resilience of households in future crises. Although wealth inequality has eased somewhat, it remains pronounced, and depicts a model that is heavily reliant on home ownership, according to the Household Financial Survey.
- Within a context of shifts in spending priorities that may undermine social protection efforts across the EU, Spain still lags significantly behind the EU average, especially in areas such as housing, family support policies and social inclusion. There is also significant room for boosting effectiveness, a need confirmed by both European institutions and public opinion, as demonstrated by the results of recent studies on the welfare state in Spain carried out by the CIS (Centre for Sociological Research).
- Significant initiatives have been rolled out to tackle these problems, such as the National Strategy to Prevent and Combat Poverty and Social Exclusion 2024-2030 and the National European Child Guarantee Implementation Plan (ECG) 2023-2030, alongside short-term measures adopted or extended to support the most vulnerable households in coping with price rises for certain essential goods. However, neither the social protection system nor social inclusion policies alone are sufficient to reverse the structural problem of inequality; it is necessary to improve the efficiency, quality and parity of all distribution and pre-distribution components of the welfare state.

*Uneven progress
towards full gender
equality*

- Gender equality, which is one of the key indicators of democratic societies, has witnessed uneven progress in recent years in both Spain and Europe. On one hand, certain indicators are clearly improving, especially those related to women's participation in decision-making in the public and private spheres. On the other hand, certain political factions seem to display a certain degree of scepticism regarding the achievements of women's movements and the very concept of feminism.
- Nevertheless, within the European context, Spain continues to rank relatively highly in terms of gender equality, occupying fourth place in the EIGE index in 2025 with 70.9 points out of 100, ranking only behind Sweden, France and Denmark.
- With regard to shared parental responsibility, one of the key legislative milestones of recent years –equal and non-transferable parental leave– has now been

in force for five years. Initial studies regarding the implementation of this law suggest that its ability to promote equality may be limited by the fact that around 80 per cent of men take their full leave at the same time as the mother.

- Violence against women is not limited to physical violence within a relationship or between former partners, and there is growing social awareness of the various forms it can take, both within and outside a relationship. Vicarious, economic and digital violence have been incorporated into the amended version of the State Pact against Gender-Based Violence, approved by Parliament in early 2025, which has expanded from 290 to 462 measures. *Greater awareness of the various forms of violence against women*
- According to available official statistics, approximately 6.5 million women in Spain (30.3 per cent of the female population aged 16 and over) have experienced some form of gender-based violence in their lifetime. The proportion of women who have suffered sexual violence outside a relationship has risen from 6.5 per cent in 2019 to 14.5 per cent in 2025. It is estimated that more than one million children live in households where incidents of gender-based violence have occurred in the past year.
- Femicide at the hands of a current or former partner has, for two consecutive years (2024 and 2025), reached the lowest relative and absolute figures since records first started being kept. Conversely, there was a worrying resurgence in vicarious violence in 2024, with the murder of nine children. Procedures for the approval of a draft Organic Law on Measures against vicarious violence have been initiated, and the ESC has issued an opinion on this subject (ESC Opinion 8/2025). Convictions for gender-based violence, meanwhile, continue to rise, a trend that was interrupted only in 2020.
- The Comprehensive Organic Law against Trafficking in Human Beings is still awaiting approval (ESC Opinion 3/2023).
- In 2025, housing affordability and homeownership represented one of the biggest challenges to social cohesion in Spain, directly affecting the formation of households and young people's independence. Thus, in 2025, housing affordability was the main problem or ranked amongst the top three problems in Spain for 39.9 per cent of individuals surveyed by the CIS. *Increased difficulty in accessing housing and its impact on vulnerable groups*
- While home ownership continues to be the predominant form of housing occupancy (73 per cent of households) despite the slow but steady rise in rents, high prices –for both forms of occupancy– make housing access unfeasible for a sig-

nificant proportion of the population. This in turn hinders young people's independence and becomes a driver of growing inequality, despite improvements in employment, average incomes and favourable borrowing conditions.

- Prices averaged € 2,230 per square metre for the private housing market (a year-on-year increase of 13.1 per cent) and € 1,208.7 per square metre for social housing, conditioned by a shortage of new builds, with the result that second-hand properties accounted for 78 per cent of all sales.
- The number of households continued to rise to 19.7 million, and the shift in their composition and geographical distribution is a factor worth considering when designing housing policies. The proportion of single-person and smaller households increases, as the population ages, immigration increases, and other far-reaching social transformations take place.
- House rentals have continued to rise and are now the form of occupancy for one in five households in 2025, with market-rate rentals predominating (16.7 per cent of households) compared to below-market-rate rentals (3.5 per cent). The implementation of the Housing Rental Reference Index (IRAV), which caps rents in areas with tight housing markets, appears to be fulfilling its purpose, although the roll-out of Law 12/2023 of 24 May on the right to housing continues to be limited. Furthermore, the stock of social and affordable housing remains small (3.3 per cent of the total housing stock), well below the EU average (around 8 per cent).
- Of the initiatives launched in 2025 to tackle the housing crisis in Spain, the 2026–2030 National Housing Plan and the launch of the State Housing Agency (Casa47), which will manage the public stock of affordable housing, are especially noteworthy.
- The proportion of people affected by energy poverty fell in 2025, but 15.9 per cent are still affected. It is hoped that the adoption of the second National Strategy Against Energy Poverty (ENPE 2026–2030) will address the gaps left in the implementation of the ENPE 2019–2024 as regards the population facing housing and energy vulnerabilities.
- To tackle the consequences of the 2024 DANA, a series of housing measures were launched in 2025, specifically aimed at increasing the climate resilience of urban centres, that is, to enhance their capacity to prevent and combat the impacts of climate change-related flooding.

The climate and environmental crisis is exacerbating the challenges associated with social cohesion

- The triple global environmental crisis (climate, biodiversity and pollution) was established in 2025 as one of the biggest challenges faced by public authorities due to its growing social impact, leading to initiatives and declarations at COP-30

on the interrelationship between climate change, pollution and biodiversity loss, and its impact on human health and the survival of species and ecosystems.

- In 2025, the European Environment Agency (EEA) highlighted Spain's progress on various environmental indicators, such as increased organic farming and protected areas, renewable energy promotion, and the implementation of the Strategic Health and Environment Plan. However, targets in the areas of waste management and the circular economy continue to fall behind the commitments made.
- Noteworthy initiatives approved in 2025 include Law 1/2025 of 1st April on the prevention of food loss and waste, aimed at reducing waste generation throughout the food chain, and Law 9/2025 of 3rd December on Sustainable Mobility (the subject of ESC Opinion 12/2022), promoting public transport and active mobility, low-emission vehicles and the integration of environmental criteria into urban planning.
- In 2025, temperatures were extremely high across most of Spain, with an average of 15 °C. Thus, alongside the high temperatures that were recorded, factors such as accumulated dry biomass due to rural depopulation, the decline in extensive livestock farming, and inadequate prevention policies, staffing levels and resources in forestry services, increased the scale and severity of the wildfires.
- The Government has proposed a State Pact to tackle the Climate Emergency, aimed at ensuring a coordinated response to extreme weather events and boosting the public authorities' mechanisms for adaptation, mitigation and recovery. Additionally, the Sustainable Development Strategy has been amended to include a new National Challenge 3: Sustainable territorial structuring to improve social cohesion and address the climate emergency.
- Since 2021, household spending has risen largely due to inflation: in real terms, consumption is growing at a much slower rate and, in 2024, remained below pre-pandemic levels, while essential expenses (housing and food) absorbed an increasing share of the budget, reducing the scope for adopting lifestyles more geared towards well-being and social participation.
- Furthermore, significant inequalities persist; while expenditure is rising across all households, those at the lower end of the scale have narrowed the gap with those who are better-off. However, a considerable gap remains between the two groups, as well as in their spending patterns (allocating up to 60 per cent of their budget to housing and food).
- Within this context, digitalisation and e-commerce are becoming firmly established, nonetheless, digital divides and specific risks remain for certain groups

Increased household spending has not yet led to improved well-being

such as minors, among whom mobile phone ownership has, nonetheless, slightly fallen.

- The massive power cut in April 2025 has exposed systemic vulnerabilities that especially affect the most vulnerable households.

High levels of expansion in education, but with persistent structural weaknesses

- The Spanish education system continued to combine high coverage and access with persistent weaknesses in outcomes, equality and structural adaptability, which requires stepping up policies aimed at effective inclusion and boosting the system's capacities.
- Spain leads EU nations as regards participation in early childhood education, with rates exceeding 96 per cent amongst 3 to 6-year-olds, thus meeting the European 2030 target ahead of schedule. The enrolment rate for the first cycle of early childhood education reached a peak of 49.2 per cent, although there are differences according to age (around 13-14 per cent for children below the age of 1 compared to 70-71 per cent for children aged 2) and sector, with a greater relative share of private schooling, given that public funding is not yet universal at this level.
- High levels of participation in higher education are also recorded, with over half of the population aged 25-34 having obtained such qualifications. However, the distribution of the population by educational level continues to display lower proportions of intermediate level education, which is linked to the need to reduce early school leaving (ESL), which remains a significant problem by European standards. In 2025, the rate stood at 12.8 per cent, which was a historic low, however it was still above the European target of 9 per cent for 2030.
- Preventing the concentration of ESL amongst vulnerable groups remains a key challenge. It is therefore necessary to boost policies aimed at equal access and improving educational attainment, especially with regard to programmes to prevent early school leaving, to consolidate the role of Vocational Education and Training as a pathway to enter and remain in education, and to address regional, gender and socio-economic inequalities in outcomes.
- Vocational Education and Training (VET) continues to expand, with a notable increase in enrolment (4.6 per cent in the 2024-2025 academic year), and a predominance of public institutions (70 per cent) as well as a growing proportion of private ones. This development should be aligned with a stable planning of places and resources, early career counselling initiatives and measures to reduce gender segregation, which is especially pronounced in certain branches. Con-

solidating the dual nature of all Vocational Education and Training will require significant efforts to engage with and build links to the world of work.

- In 2025, the university sector has been marked by the ongoing implementation of Organic Law 2/2023 on the University System (LOSU) and, notably, by the adoption of Royal Decree 905/2025, aimed at strengthening quality assurance, course planning, and the requirements for the creation and approval of new universities and institutions, within a context of private sector growth, expansion of e-learning, and pressures on public funding. There is a clear need to ensure the consistent and coordinated implementation of the new quality standards, as well as to boost the efficiency and adequacy of university funding, moving towards stable multi-annual frameworks.
- There is a growing expansion of postgraduate studies and a gradual increase in dual university education programmes, leading to challenges in terms of improved employability and ensuring that the education provided is tailored to the needs of the labour market while also strengthening regional and social equality in access to and retention in university studies.
- Spain has one of the highest life expectancies in the world, at an average of 84 years at birth. However, this achievement necessitates a restructuring of the healthcare system towards continuous care, prevention and healthcare coordination to support an ageing population and the increased prevalence of chronic diseases.
- Primary care remains extremely busy, with 390.6 million consultations in 2024 (compared with 366.8 million in 2019) and an average of 8.13 visits per person per year. However, visits to A&E services are increasing, having reached 35.8 million visits (0.75 per person), indicating problems with access and growing pressure on the healthcare system. At the same time, specialist and hospital care is also growing rapidly: nearly 37.7 million hospital visits in 2024 and around 130 million visits to specialists, mainly driven by A&E and outpatient activity. This increased demand coexists with long waiting lists, pointing to structural imbalances in the system.
- Waiting lists remain at critical levels, with more than 853,000 patients awaiting surgery in 2025 and an average waiting time of 120 days. At the same time, over 4 million patients are waiting for their first specialist consultation. This situation is also characterised by significant regional disparities and undermines equitable access, thus encouraging people to take out private insurance, which has grown to account for a considerable proportion of hospital admissions.
- Spanish public healthcare expenditure has grown steadily, reaching 6.7 per cent of GDP and 14.8 per cent of public spending in 2024. This increase reflects a

Healthcare services have improved, but not enough to stem the rise in waiting lists

post-pandemic cumulative rise of 20.3 per cent and consolidates the greater role of healthcare within the welfare state.

Policies on work-life balance and shared parental responsibility have improved, although significant gaps remain

- Parental leave has been extended and the scheme now provides a total of nineteen weeks per parent, thus strengthening care provision during the early stages of life. The paid and non-transferable nature of this leave is also maintained, being two significantly important features that encourage men's involvement in caregiving tasks.
- Regulatory amendments have been made to address cases of discrimination for children born in single-parent families, as highlighted by the Constitutional Court. The reform improves the treatment of such families, extending leave to thirty-two weeks and, in substantive terms, bringing the potential duration of parental leave into line with that of two-parent households.
- Male take-up of parental leave is on the rise, although certain gender differences persist. While 53.9 per cent of leave is taken by the second parent, the average duration remains slightly shorter for men (109 days compared to 113 for women). This difference persists even when men act as the first parent, in which case the average duration of their leave is 3.3 days shorter than that recorded for women.
- The most pronounced gender gaps are found in single-parent families. In 2025, 82 per cent of single-parent households were headed by women. Additionally, in cases where men act as sole parents, the average duration of paternity leave is shorter than that maternity leave, with differences exceeding 25 days (19.5 weeks for women compared to 15.8 for men).
- Both care-related leave and part-time work show limited changes in gender patterns, with no profound shifts in caregiving roles observed in the medium term. In cases of care-related leave, more than eight of every ten cases involve women as the caregivers. Similarly, part-time work is much more common amongst women, and caring for family members is cited as one of the main reasons for this arrangement. In 2025, there were approximately thirteen women for every man in part-time work for care-related reasons, thus reaching the highest figure of the last decade.
- Spain's ageing population is leading to a steady increase in the demand for long-term dependency care, which requires further resources and better planning by the

The demand for dependency care is rising, but resources continue to be insufficient

System for Autonomy and Care for Dependent Persons (SAAD). In 2025, record highs were reached with 2.33 million applications; 1.78 million people with a recognised level of dependency; and 1.67

million beneficiaries, reducing the waiting list to 107,327 people and raising effective coverage to over 94 per cent. However, there remain significant regional inequalities in access and management, as well as structural shortcomings, and the system continues to rely on low-intensity support services, such as telecare or family care, rather than the provision of professional services.

- Furthermore, although dependency spending increased by 11.8 per cent in 2024, this increase has been directed more towards expanding coverage than towards improving levels of care. Processing times continue to be very long and vary significantly between autonomous communities, which has a negative impact on equitable access. To this must be added the pressure on users, who bear a significant proportion of the service cost (co-payment estimated at between 35 and 38 per cent), and the urgent need to boost employment in the sector a key factor in moving towards a more professionalised, community-based and higher-quality care model.
- 2025 marked the thirtieth anniversary of the adoption of the Toledo Pact and the fifth anniversary of the 2020 reform report, which laid the foundations for ensuring the sustainability, adequacy and modernisation of Spanish Social Security. Based on its recommendations, a wide-ranging reform process was launched, which continued into 2025. At the same time, work also commenced on the Monitoring and Evaluation Committee of the Toledo Pact Agreements with a view to its next renewal.
- The financial position of the Social Security system improved in 2025, with the deficit falling to its lowest level since 2011 at 0.4 per cent of GDP, thanks to robust employment growth and the effects of the latest reforms. Non-financial revenue rose by 7.8 per cent, thanks to increased social security contributions and transfers from the Central Government, while expenditure rose by 6.5 per cent, in line with spending trends in contributory pensions and temporary disability benefits.
- In 2025, there were 10.3 million contributory pensions in force (64 per cent retirement pensions and 23 per cent widowhood pensions) and 9.3 million pensioners, with an average age of 70.8 years. The average pension rose to 1,311.7 euros per month, with the gender gap further narrowing to 31.3 per cent.
- In the area of retirement, the trend towards convergence between the actual retirement age (which increased by one month to 65.3 years), and the statutory standard retirement age (66 years and 8 months in 2025 for contribution periods of less than 38 years and 3 months, or 65 years for contribution periods of 38 years and 3 months or more) continued, at the same time guaranteeing access to flexible retirement options in all cases. New registrations rose by 2 per cent, with

The financial position of Social Security improved in 2025, thanks to employment and the latest reforms

increases across all categories except early retirement, and an especially marked increase in deferred retirement.

- The number of temporary disability claims and their prevalence continued to rise, mainly in the case of common contingencies, although the average duration fell slightly. This upward trend, which began mainly during the pandemic, is clearly reflected in spending levels and may be explained by various factors such as dynamic economic activity and employment, the gradual ageing of the population, declining health after the pandemic, increased waiting times for public health services, and problems in the management of benefits.
- In 2025, the supplementary pension system displayed a modest growth in terms of assets and the number of members, driven exclusively by the contributions made, as returns on funds declined. Furthermore, although the bulk of members' accounts is in the individual and associated segments, the proportion of workplace schemes continued to rise due to the 2022 reform of the supplementary pension system.

*Progress and limitations
of the unemployment
and business cessation
protection system*

- After major external shocks such as the pandemic and the war in Ukraine, the system appears to be performing well in 2025, due to the sharp fall in unemployment. The fall in registered unemployment (-6 percentage points), together with a slight increase in the number of beneficiaries (+0.5 per cent), narrows the gap between unemployment and protection to 26.9 per cent at its lowest level since 2010, with the exception of the pandemic.
- Contributory coverage has also increased by 2.9 per cent, with a simultaneous shift in the welfare component, which has fallen by 1.5 per cent when the standard unemployment benefit and the special Active Labour Market Income benefit (RAI) are considered together. This trend is primarily due to the reduction of around 70 per cent in the RAI following the repeal of this benefit in 2024. The number of people receiving unemployment benefits has risen by 5.4 per cent.
- The unemployment benefit reform introduced by Royal Decree-Law 2/2024 has led to significant structural changes. A system of tiered payment levels has been established (95 per cent of the Multi-Purpose Public Indicator of Income –IPREM– for the first 180 days, 90 per cent up to day 360 and 80 per cent thereafter). An Employment Support Supplement (CAE) has also been introduced, which is applicable to both the recipients of the unemployment benefit and recipients of the contributory benefit. Additionally, a reduced amount (80 per cent of the IPREM) is maintained in the case of the benefit for those aged 52 and over, albeit accompanied by a contribution base equivalent to 125 per cent of the minimum base, which indicates a higher level of future protection but a more limited level of current protection.

- The loss of purchasing power of the IPREM over the last decade does not offset the nominal increase in the amounts of the benefits; it is therefore essential to conduct periodic updates of this indicator in order to ensure that beneficiaries do not lose purchasing power.
- Despite recent progress, structural inequalities and limitations persist within the unemployment protection system. Firstly, its dual structure is maintained, with non-contributory benefits predominating (52.2 per cent of the total). Secondly, gender gaps persist, with a higher proportion of women at lower protection levels, lower contributory coverage and lower benefit amounts. Finally, there are significant differences by age, with contributory protection concentrated among those under 50 and a high reliance on non-contributory benefits among older age groups. Taken together, these factors highlight a persistent segmentation of the system which, despite its formally neutral structure, reflects unequal career trajectories based on age and gender.
- Unemployment benefit coverage has risen to levels higher than those recorded before the pandemic, against a backdrop characterised by the expansion of the system following the 2022 reforms. However, a correction in the key indicators may be observed in 2025, with a 29 per cent fall in the number of applications and a decline in the number of positive decisions to 45 per cent. This trend is largely due to the exceptional nature of 2024, when a very high number of benefits were paid on grounds of force majeure due to the DANA floods, mainly in the Valencian Community. Nevertheless, despite these improvements, there remain structural limitations in the system linked to the legal certification of business cessation, which accounts for around 60 per cent of unfavourable decisions.
- The Minimum Subsistence Income (IMV) benefit has established itself as the main social safety net against the risk of poverty. In 2025, more than 700,000 benefit payments were made to more than two million people, representing an increase of nearly 20 per cent compared to the previous year.
- Linking the IMV to the levels of non-contributory pensions as a mechanism for maintaining purchasing power has made it possible to sustain the benefit's protective effect, with an increase of 9 per cent compared to the previous financial year and close to 59 per cent since it came into force.
- Despite its consolidation, the IMV continues to display significant limitations which are linked to the profile of the recipients as well as to certain aspects of its design. The profile of benefit recipients is heavily skewed towards women (almost 68 per cent) and highly concentrated in the middle ages of working life (between 36 and 55 years old, with an average age of 45 in 2025). At the same time,

Progress on the Minimum Subsistence Income scheme and a decline in regional minimum subsistence schemes

problems related to coverage and access continue to be identified, with high rates of non-take-up, especially in the Child Support Supplement (CAPI).

- With the aim of boosting employment incentives, the system governing the compatibility of the IMV with employment will be simplified via a new, clearer and more predictable scheme in 2026: an annual exemption of 6,000 euros has been set and, above that threshold, a partial exemption of 50 per cent is applied, which is extended to 55 per cent in households with disabled members or single-parent families.
- In 2025, the trend in declining regional minimum subsistence income schemes that was observed since the introduction of the IMV continues to be observed, albeit with certain regional exceptions where coverage levels have been maintained or even increased. In this regard, there remains scope for improved coordination between these two mechanisms for combating poverty and social exclusion.

Coverage and persistent inequalities in Non-Contributory Pensions (PNC)

- Non-contributory pensions will cover more than 470,000 beneficiaries by 2025 (+2.3 per cent), making them an essential social safety net for those who do not have access to contributory benefits, especially in old age.
- There is a strong gender bias in non-contributory pensions: 63.4 per cent of the beneficiaries are women, a proportion that rises to over 70 per cent for retirement-related non-contributory pensions, reflecting unequal career paths that limit their access to contributory pensions.

Equal treatment, social inclusion and diversity: progress and challenges

- The institutional framework is being strengthened in order to make greater progress in ensuring equal treatment and non-discrimination: the National Strategy for Equal Treatment and Non-Discrimination of LGBTI People (2025-2028), the National Strategy for the Social Inclusion of Trans People (2025-2028), and the Independent Authority for Equal Treatment and Non-Discrimination have all been approved.
- Although social acceptance in Spain is at higher levels than the European average, patterns of discrimination, harassment and violence against LGBTI people persist, especially against trans and intersex people. These situations may lead to people concealing their identity or sexual orientation in order to avoid violent or discriminatory situations.
- In the case of migrants, administrative regularity acts as the main driver of social inclusion and integration, helping to prevent situations of vulnerability and exclusion. In this regard, Royal Decree 316/2026 granting provisional access to

work and residence permits was approved in April 2026. These developments are taking place within a context of increasing political weaponisation of immigration by xenophobic political movements, whose nativist rhetoric seeks to make access to public services subject to nationality-based criteria, and which may undermine the very foundations of the model of social cohesion.

MAIN TOPIC: THE IMPACT OF DEMOGRAPHIC
CHANGES

The future of demographic change

One of the biggest revolutions experienced by the world's population in the 20th century is the unprecedented increase in human life expectancy. These global trends are not only shared by Spain but it also stands out in terms of life expectancy at birth, with one of the highest figures in the world: 84 years as of 2024 (86.5 years for women and 81.4 for men), and the highest in the European Union. According to the theory of reproductive revolution, this gain in “years of life” represents an increase in reproductive efficiency that drives down fertility rates. This decline has been especially pronounced in Spain, and approximately since 2015, has failed to offset mortality rates. While demographic projections must be viewed with a healthy dose of scepticism, all the evidence suggests that the proportion of the population aged over 65 will continue to rise over the coming decades, until it accounts for a third of the Spanish population by the mid-21st century.

Demographic change, or shifts in the age groups that make up society and their relationship with regions over time, is one of the main subjects of study in demography and human geography in general. It is also a multifaceted phenomenon whose dimensions are not only interlinked but also affect virtually all areas of public life such as the economy, housing, social services and policies, transport, energy, employment, education, innovation and territorial cohesion, amongst others. This means that a detailed understanding of the main dimensions of this change (essentially, births, deaths and migration) is a key requirement of public policy design.

The ESC has opted to highlight the impact of demographic change on the economy, the labour market and society, as the main topic of its 2025 Report. It builds on the analysis carried out in the two previous editions which focused on the impacts of climate change and technological transformations, respectively. This edition thus rounds off the examination of the structural processes that make up the triple transition: ecological, digital and demographic.

FIGURE 1. ECONOMIC IMPACTS AND CHALLENGES OF DEMOGRAPHIC CHANGE

Demography as an economic variable	
The Spanish economy is facing an unprecedented structural transformation in the wake of the demographic changes of the last two decades. As a matter of fact, demography is not merely an exogenous variable; it has become a structural determinant of potential growth, trend in per capita GDP, and individual well-being. Demographic change exerts an undeniable influence on the economy; however, its medium- and long-term effects are not set in advance, but are influenced by a multitude of interrelated factors, including the course of the economic cycle.	

Macroeconomic impact	
Changes in aggregate demand	Changes in population size and age structure affect aggregate demand by altering consumption and saving patterns as well as investment patterns, across society as a whole. Decisions regarding consumption and saving are influenced not only by individual preferences, disposable income and wealth, but also by expectations of future income, which vary throughout a person's life. On this basis, changes in the size and age composition of the population influence aggregate consumption and saving, depending on the extent and nature of changes in behaviour across different age groups.
Changes in aggregate labour supply	Demographic changes influence the aggregate volume of employment. In principle, a smaller working-age population leads to a smaller labour force as the cohorts reaching retirement age become increasingly numerous. However, the outcome may differ if the labour force participation rate and overall employment rate increase, especially amongst older people who decide to work longer or extend their working lives due to higher life expectancy and better health, improved employment prospects resulting from the decline in the working-age population, or changes to retirement conditions, as has occurred in the past. The quality of the available labour force is also affected, and with it, the economy's productive capacity. Labour productivity is lower at the beginning and end of working life and higher in middle age, growing at a slower rate as the population ages. The influx of migrants can offset these impacts on both the volume of employment and productivity, which highlights the economic importance of these flows for the continued and sustained economic growth and employment in the long term.
Impact on GDP growth and GDP per capita	From a theoretical perspective, the impact of demographic change on GDP trends would be reflected in lower potential growth as a result of a shrinking labour force (a smaller young population and a larger ageing population) and changes in the population structure. However, these changes are currently underway in Spain alongside sustained GDP growth, as the integration of migrants into the labour market has directly contributed to expanding its growth potential. Meanwhile, GDP per capita would also theoretically decline due to changes in population size and the productivity associated with different cohorts. However, the trend in GDP per capita in Spain in recent years reflects an improvement underpinned by sustained growth following the pandemic and by productivity gains.

FIGURE 1. ECONOMIC IMPACTS AND CHALLENGES OF DEMOGRAPHIC CHANGE (continuation)

Impact on public finances	
The increasing proportion of older people exerts a dual pressure on public finances, on both the expenditure and revenue sides, since they are dependent on population growth and its age structure, as well as on productivity trends. The imbalance between expenditure and revenue may jeopardise long-term sustainability	
Impact on public spending	
As the population ages, expenditure related to healthcare, pensions, long-term dependency and care also increases. Available projections on public spending trends in Spain due to demographic ageing point to a substantial rise in pension expenditure resulting from the cumulative effects of the baby-boom generation, with a turning point around the middle of the century, after which expenditure is expected to begin to fall. The influx of migrants in recent years has made a positive contribution, through their integration in the labour market, to mitigating this impact and ensuring the sustainability of the system. Healthcare and dependency care expenditure is also expected to rise. In any case, as already noted, it is important to bear in mind that long-term projections should be treated with caution.	
Impact on revenue	
The impact of demographics is reflected in tax revenue potential and its composition. In the absence of increases in productivity, a smaller labour force leads to lower Social Security contributions and weakens the graduated nature of income tax, given that older taxpayers tend to face lower effective tax rates Furthermore, savings and property and financial asset ownership behaviour resulting from an ageing population would have positive effects on revenue from capital gains. Revenue associated with the transfer of property and wealth tax would also be affected. Finally, revenue from indirect taxes may be affected by changes in consumption patterns across age groups.	
The impact of demographic changes on productive sectors	
Changes in the sectoral composition of consumption	The ageing of the population and the rise in older households are altering consumption patterns: spending on housing, utilities, furniture and healthcare is on the rise, while spending on transport, food, clothing and leisure is falling. This process is driving the “silver economy”, linked to the needs and preferences of older people, an effect that is partially offset/complemented by immigration, which supports the creation of young households and part of aggregate consumption
Sectoral impact of the regional dimension of demographic change	In rural areas, depopulation and ageing are concentrating demand on essential services and making their provision more costly, which favours solutions such as digitalisation, last-mile logistics and mobile services. Some rural and peri-urban areas are exploring new opportunities linked to remote working and new lifestyles. In contrast, tourist destinations and coastal areas face significant seasonal pressures on housing, transport, healthcare and basic resources.
Challenges and opportunities for Spain's productive sectors	These dynamics have an uneven sectoral impact, but all sectors face both challenges and opportunities. Some sectors such as construction and housing, tourism, healthcare, care services, finance, and information and communication technologies will find opportunities for expansion but, in general, all sectors will have to transform themselves to adapt to new patterns of demand and potential labour constraints. Overall, demographic change is accelerating the shift towards a service-based economy and requires public policies, innovation and adequate infrastructure to transform this challenge into an opportunity for productivity and competitiveness.

Source: Authors' own.

FIGURE 2. LABOUR IMPACTS AND CHALLENGES OF DEMOGRAPHIC CHANGE

Labour impacts and challenges of demographic change

European economies are facing a profound demographic shift characterised by an ageing population, decline in working-age cohorts, and the growing importance of migration flows. These demographic shifts are profoundly reshaping the Spanish labour market by reducing the proportion of young people, increasing the relative presence of older workers and altering the composition of employment, unemployment and sectoral and occupational structures. Although this process has been partially offset by increased labour force participation by women, older people and migrants, it presents challenges and opportunities that require a shift in focus from the quantity to the quality of employment, and the management of diversity, in order to foster a more inclusive, productive and resilient labour market.

Effects on the labour market

An increasingly ageing labour force. The labour force is arguably the labour market component most closely linked to demographic trends. In this regard, a clear trend of ageing has been observed in the Spanish labour force over recent decades.

Demographic ageing and the structural transition are transforming the composition of employment in Spain. The progressive ageing of the labour force affects the sectoral distribution of employment, affecting both labour market supply and demand.

On one hand, older workers who remain in employment for longer periods reinforces stability in sectors with lower staff turnover. On the other hand, demographic changes are altering patterns of service consumption and demand, driving growth in sectors that are linked to personal care, healthcare, long-term care and other labour-intensive services. In parallel, sectors such as traditional industry, retail and the primary sector face increasing challenges in attracting young workers. Combined with processes of automation and the reorganisation of production, this is contributing to a gradual transformation of their sectoral structure.

Mitigating Factors

Smaller gender gaps. The twelve-percentage-point increase in labour force participation rates recorded over the last three decades in Spain is mainly due to the large-scale entry of women into the labour market. This process has enabled the partial offsetting of the slowdown in the growth of the working-age population, and has contributed to substantially narrowing gender gaps in labour force participation and employment.

Increasing the number of vacancies. Within the context of a shrinking labour force due to demographic change, the expected rise in the participation rate, in line with European countries that currently have the highest rates, would partially offset the reduction in labour market inflows resulting from the demographic transition.

Reducing unemployment-related inefficiency. In a scenario of demographic ageing, and therefore a labour supply shortage, unemployment rates are also expected to fall. This fall would be further boosted if, the necessary measures were simultaneously adopted to remove the various barriers that hinder access to employment. This possible increase in the employment rate would act as a second factor partially offsetting the foreseeable future decline in the potential labour force due to demographic change.

The contribution of the immigrant population. Finally, it is worth highlighting the role of immigration in mitigating the effects of .

Challenges, opportunities and policy directions

Demographic change may create new imbalances. The demographic processes described are playing out against the backdrop of a labour market undergoing profound labour changes, linked to technological progress, the green transition and the sectoral restructuring of the economy. The result is a complex interplay between demographic trends and changes in production patterns, which leads to new qualitative and quantitative structural imbalances.

But it can also create employment opportunities. An ageing population and increasing demographic dependency are driving a structural expansion in the demand for labour in the dependency care, healthcare and social services sectors. These sectors offer significant potential for creating stable jobs that are less vulnerable to automation, as they involve labour-intensive activities with a strong interpersonal and face-to-face component. In addition to their capacity to absorb labour, these sectors make a significant contribution to social and regional cohesion. From this perspective, demographic change opens up an opportunity to reorient employment growth towards activities with greater social added value and lower cyclical vulnerability, thus correcting historical sectoral imbalances in the Spanish labour market.

Potential opportunities for young people. Demographic change creates a potentially more favourable framework for the quantitative reduction of youth unemployment, although it does not act as an automatic correction factor. In this regard, the positive impact on younger cohorts will be enhanced by substantial improvements in the functioning of the labour market and in educational and labour market transitions.

And incentives to boost employment quality. When faced with a relatively smaller labour force, employment tends to take on greater economic and social value. Therefore, if managed effectively, demographic change may act as a catalyst for progress towards a more stable, diverse, inclusive and higher-quality model of employment, boosting the resilience of the Spanish labour market in the face of future crises and strengthening its intergenerational approach.

Progress in managing equality and diversity. An ageing population and increasing proportion of immigrants and women are creating a more heterogeneous workforce in terms of age, national origin, gender, educational qualifications, functional abilities, and life and career paths. Within this context, diversity is no longer a secondary feature but has become a structural characteristic of the labour market, whose management is of critical importance. This includes, amongst other elements: policies on lifelong learning and reskilling, life-cycle-sensitive job design and work organisation, and measures for intergenerational succession and knowledge transfer.

ALMPs as a response to the challenges posed by technological change

ALMPs face the challenge of tailoring workforce skills and competences, and providing responses to the demographic changes that are altering its composition.

Certain groups of workers (young people, especially those with low qualifications; those aged over 45; the long-term unemployed - a situation that is often linked to age; migrants; women with low qualifications) have been identified as priority groups under the Law 3/2023 on Employment. Specific programmes are planned to provide support in such cases, as well as guaranteeing access, effective throughout the country, to individualised and personalised employment pathways.

However, the new demographic profile of the workforce also presents opportunities that must be acknowledged and harnessed. This involves promoting lifelong learning, taking advantage of on the synergies between knowledge and experience accumulated over longer working lives, and removing barriers to participation.

Lifelong learning: a driver of lifelong employability

Spain's participation rate in lifelong learning is slightly above the EU average in aggregate terms, although access falls from the age of 45 onwards. This calls for redoubled efforts to ensure greater access to lifelong learning for these worker groups, as a means of career progression, resilience and full participation in the labour market.

A significant proportion of workers' lifelong learning is channelled through the workplace training system.

- The participation of older worker groups (aged 45–55 and 55+) in internal training in companies has become increasingly significant. The intensity of training programmes (in terms of hours per participant) is relatively higher for these age groups. However, the participation of older age groups is lower than their proportion of the employed population. This gap is also evident amongst migrant workers.
- The participation of older age groups, as well as the number of hours per participant in has also increased **in training programmes primarily aimed at those in employment**. However, their participation is lower than their proportion of the employed population, and the gap emerges at an earlier age (46 years onwards). Conversely, foreign workers have achieved convergence, both in terms of their participation relative to their proportion of the workforce and in terms of hours per participant.
- As a minority form of training amongst workers, Individual Training Leave is still concentrated amongst younger and middle-aged groups.
- **Training programmes primarily aimed at the unemployed** display a significant shortfall in reach amongst those aged over 55, despite the fact that the high rates and duration of unemployment in this age group would recommend they be given priority access.

These participation gaps hinder access to training, which is key to maintaining and promoting workers' employability as well as ensuring a supply of skills tailored to labour market requirements. In addition to prioritising reach, there is also a need to promote the availability of training that is better tailored to both participants' and the labour market's needs.

Job placement and coaching

Job placement and career coaching play a crucial role in matching labour supply and demand. Demographic changes are having an impact on the work of public employment services and the profile of the people they serve, with the result that job-seeking by older unemployed people has become increasingly significant (those aged over 55 account for a third of the total). Additionally, there is a positive correlation between age and the duration of job-seeking periods, in a pattern consistent with unemployment profiles. Nearly two-thirds of job-seeking periods for workers aged over 55 last over a year, and half take more than two years.

Although the number of placements secured by public employment services is low (7.4 per 100 of active jobseekers) and there is considerable room for improvements in job placement services in Spain, it is precisely the older jobseekers who have the highest placement rates (twice the average for those aged over 55, and slightly higher for women than for men).

To conclude

- **Lifelong learning is the driving force behind knowledge** and its relevance within a productive sector in constant evolution. Active labour market policies provide a pathway to skills and promote worker employability. However, ALMPs must act according to a **systemic logic** in which workplace training, education systems, and the recognition of foreign qualifications, skills and work experience act alongside public employment services in a coherent, integrated and coordinated manner to provide opportunities for lifelong learning, job coaching and placement, and to enhance employability for the benefit of both workers and businesses.
- It is therefore necessary to boost **coordination and collaboration** between institutions (public employment services, vocational education and training providers, educational institutions) and the relevant public authorities, in order to deliver the required training and employability initiatives, aligning the needs of every worker with those of the labour market as a whole, both from a present-day perspective and with a view to the future.

FIGURE 2. LABOUR IMPACTS AND CHALLENGES OF DEMOGRAPHIC CHANGE (continuation)

Demographic changes and labour relations	
The effects of ageing on labour relations present challenges on various fronts: 1) the need to provide the required skills, both through lifelong training and reskilling, and through education and transitions into employment; 2) the need to adequately protect the health and safety of all workers, especially older workers, and; 3) the need to promote policies with an intergenerational focus and to manage equality within workforce diversity. These challenges require responses not only at the regulatory level and through public policy strategies but especially through joint action by social partners via social dialogue and the instruments of collective autonomy.	
Change management: the role of social dialogue and collective bargaining	
1. European social dialogue	European cross-sectoral and sectoral social dialogue have both played an active role in addressing the labour and social challenges arising from demographic change. The Autonomous Framework Agreement on Active Ageing and an Inter-Generational Approach (2017) represents the most specific contribution by the European social partners towards promoting active ageing and an intergenerational approach within sectors and companies. Principles, aims and objectives of the European Framework Agreement Principles and aims The Agreement is based on the principle that ensuring active ageing and an intergenerational approach requires a shared commitment by employers, workers and their representatives. To this end, it aims to consolidate and improve existing measures and approaches in different European contexts. It sets out the tools and measures to be taken into account by social partners and/or human resources managers, bearing in mind the demographic and labour market realities of each country, in accordance with national practices and procedures. It highlights the need to implement measures, where necessary, at national, sectoral and/or company levels, to facilitate the participation of older workers and their continued presence in the labour market until the statutory retirement age, whilst ensuring that measures are taken to facilitate intergenerational transitions. Main objectives To raise awareness and understanding amongst employers, workers and their representatives regarding the challenges and opportunities presented by demographic change. To provide employers, workers and their representatives, at all levels, with practical approaches and/or measures to promote and manage active ageing effectively. To ensure and maintain a healthy, safe and productive working environment. To promote innovative life-cycle approaches with productive, high-quality jobs that enable people to remain in work until the statutory retirement age. To facilitate exchange and mutual cooperation, and to promote concrete actions for the transfer of knowledge and experience between generations in the workplace.
2. Social dialogue in Spain	In Spain, the urgent need to address the effects of demographic changes on the labour market has been discussed recently in tripartite social dialogue in several areas: In the area of social protection, the Social Agreement (2024) aims to improve the compatibility of retirement pensions with employment, to regulate a new procedure for accessing pensions for workers in high-risk occupations, and to make better use of the resources provided by mutual insurance schemes with a view to restoring workers' health. In the area of vocational skills and the training system, covering both young people and lifelong learning for all, through social dialogue on the vocational education and training system. It is worth highlighting two fundamental instruments of social dialogue to address the effects of these changes in Spain: the Spanish Strategy for Safety and Health at Work (EESST 2023-2027), in the field of occupational health and risk prevention, and the Labour and Collective Bargaining Agreement (5th AENC). – The EESST includes (Objective 2) commitments to manage the changes arising from demographic trends (alongside new forms of work organisation and climate change) from a preventative perspective. – The 5th AENC (initially valid until 2025) addresses demographic change and its effects on work and labour relations in several areas, the criteria and recommendations for which are functionally geared towards tackling the effects of the demographic and generational challenges on workers and businesses.
3. Collective bargaining	In recent years, collective bargaining has addressed these issues in a broad but varied manner. Recent changes to the content of collective agreements highlight a number of areas covered by the 5th AENC which are directly or indirectly relevant to addressing the challenges posed by demographic change: clauses on employment and recruitment, on partial and flexible retirement, on training and professional qualifications, on negotiated internal flexibility, on equality and non-discrimination, and on technological, digital and ecological transitions. Collective bargaining has been including the generational transition with increasing, albeit uneven, intensity, and there remains considerable scope for improvement and further development.

Source: Authors' own.

FIGURE 3. SOCIAL AND DEMOGRAPHIC CHANGE: OPPORTUNITIES AND CHALLENGES FOR POLICYMAKING

Demography and social change: opportunities and challenges for policy		
The social impacts of migration: demography and territory	Opportunities	Immigration is a structural phenomenon driven by opportunities in the Spanish labour market, and represents a source of cultural and social enrichment for our society. Furthermore, the living conditions of the foreign population have improved in recent years. In regional terms, the widespread adoption of flexible remote working arrangements and the renewed social appreciation of rural life may contribute to the gradual repopulation of depopulated areas. Both external migration and regional imbalances arising from internal migration are common phenomena across Europe, and therefore allows for a largely coordinated assessment and strategic planning.
	Challenges	Despite improvements in recent years, the material living standards of migrants are considerably below average. Additionally, there is clearly room for improvement with regard to policies on access to nationality, when compared with neighbouring countries. While the rural exodus as such has come to an end, its effects on the depopulation of rural areas are still being felt. Policies must be promoted to not only encourage young people to move to these areas, but to also enable them to pursue their life plans, in other words, to put down roots there.
Childcare: challenges and opportunities within a context of low fertility	Opportunities	The social and individual benefits of investing in the early years of life are widely recognised by experts; therefore, children are deserving of special attention. The declining number of children presents an opportunity to improve the quality of public policies for children, which are serving an increasingly smaller group. Currently, less than 20 per cent of the population is aged 19 or under.
	Challenges	Spain's child poverty rates are disproportionately high compared to its living standards, thus making it urgent to boost public policies on income support, including, amongst other measures, the introduction of a universal child-rearing allowance. The population of migrant children is a small but highly vulnerable group, requiring special attention with a child-centred approach. Public policies must continue to address the economic barriers to motherhood, with especial attention to housing.
Living longer and better: the challenge of care from a gender perspective	Opportunities	The rate at which life expectancy has increased is, above all, a positive phenomenon. The social significance of old age is changing in line with new ways of experiencing the final stages of life, in terms of health, social participation and lifestyles. People aged over 65 make a crucial contribution to the economy, even when not within the labour market; for example, through informal care for children and dependants.
	Challenges	The biggest challenge of ageing is undoubtedly to maximise the number of years during which people lead an independent life with a minimum standard of living. The paradigm of active ageing, together with the prevention of dependency, must remain the benchmark. Care requirements are expected to continue rising; it is therefore necessary to professionalise and enhance the status of care-related occupations, as well as to encourage men's participation in informal care.

Source: Authors' own.