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| SUMMARISED EDITION |

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ANNUAL REPORT
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IN SPAIN, 2005

Approved at the ordinary meeting of the Economic and Social Council on May 31, 2006

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INTRODUCTION

As president of the Spanish Economic and Social Council (CES), it is for me a matter of great satisfaction to present the report on the socio-economic and employment situation in Spain. This work, which is one of the CES's main functions, fulfils the obligation laid down in article 7, section 1.5 of Act 21/1991, of 17 June, governing the creation of the CES, to prepare and present to the government a report containing its considerations on the nation's socio-economic and employment situation.

I must underline the importance of this report, which is the only one at state level that presents Spanish society with an analysis of the evolution of the economic scenario, the labour market and labour relations, as well as life quality and social protection, shared and agreed by the most representative business and union organisations and entities and associations in the agricultural, shipping and fishing, consumer and social economy sectors. I would like to insist on the importance (as a result of the effort it represents) of the agreed preparation of this report, which involves the different viewpoints and levels of awareness of the groups with the technical rigour of those who have taken part in its preparation.

It is perhaps this feature, together with the methodological rigour and detail of the work carried out by the members of the CES and the Department of Studies and Analysis mentioned in the previous paragraph, which affords this report growing credibility and acceptance in professional, university and political areas, shown through the frequent references made to it in numerous documents and publications.

Owing to its analytical significance and the contribution it makes to a more exact diagnosis of Spain's socio-economic situation, I would like to highlight the reference to the context of the European Union, definitively laid down in this edition of 2005, an area essential to understanding the focus of the main indices and the behaviour of the basic parameters for the evolution of our society. This transversal refe-

rence made to the European Union in the report not only helps us gain a better understanding of the current situation, but also enables us to prevent the consolidation of weaknesses that may hinder the socio-economic future of Spain.

Similarly, mention must also be made of the report's analysis of life quality. This focus, which, although it does not constitute a parameter as important as growth, employment or social cohesion, provides very detailed knowledge of aspects that have a more immediate effect on citizens' living conditions and opportunities. Life quality is closely related to the concept of human development, for which the United Nations applies a series of indices whose application to the scenario of the EU-25 provides us with more detailed knowledge of the differences in the living conditions of the Community population as a whole.

Without looking at its content in detail, I would like to briefly highlight the aspects that define the situation and evolution of the sections traditionally included in the report: the analysis of the economic scenario; the labour market; labour relations and employment policies; life quality and the social protection of citizens.

The Spanish economy continued its dynamic line in 2005. In real terms and again due to the boost in internal demand, the growth rate reached 3.4%, higher than the EU-25 as a whole, which closed the year with a growth rate of 1.6%. This growth was accompanied by an increase in employment, albeit largely of a temporary nature.

The growth of the European economy fell by eight decimal points during 2005 despite the notable dynamism of the world economy. The lethargic economic activity was also worsened by the disappointment of both France's and Holland's rejection of the European Constitution.

However, the report shows its increasing concern for the Spanish growth pattern, which is occurring in the context of budgetary stability and surplus in the accounts of the public administrations, in that it continues to depend on the increase in internal demand, whose strength contributed with 4.3% to the growth of the GDP, while external demand made a negative contribution of 1.9%. This significant increase in internal demand, which has created a growing need for finance in comparison with the rest of the world, together with certain structural problems (including our productive fabric's loss in competitiveness) and other problems to do with the current situation (such as the increase in energy prices) reveals some of the weaknesses in our growth model.

The report acknowledges the initiatives taken by the Government to redirect the economic policy towards productivity, including the Vitalisation Plan, the National

Reform Programme within the framework of the Lisbon Strategy and the tax reforms, including the passing of the Tax Reform Bill. At the same time, it points to the urgent need to promote investment in R&D&i and to the improvement in certain aspects of education and professional training.

The second chapter looks at the exhaustive analysis of the main Spanish labour market indicators in the proposals for the relaunch and redirection of the Lisbon Strategy and on the decisive role played by the social dialogue between the government and social players, the results of which are included in the main objectives of the National Reform Programme.

The section on the labour market highlights the good behaviour of its main indicators, which continued their sustained improvements in 2005, with a growth in employment and a fall in unemployment that were greater than in the European Union. The creation of paid employment in the private sector increased by 700,000 people, with a repetition of the significant creation of the number of women employed, which totalled almost 420,000, although this figure is still insufficient.

Emphasis is placed on the effect immigration has had on the structure of the Spanish labour market over the last five years, as well as the extraordinary legalisation process of foreign workers and the decisive influence social dialogue has had on the said process. This legalisation process has produced good results for employment, the recognition of both employers' and workers' rights and obligations, as well as contributions to the Social Security system, since it has led to the affiliation of more than 500,000 people.

However, the report also underlines its concern for certain deficits in employment equality in our country. Indeed, the annual average of the proportion of employees with a temporary contract exceeded 33%, which represented an increase of around 1% in comparison with 2004, although there was also an increase in the number of temporary contracts that were converted into open-ended contracts. Once again, this temporary nature has a more heightened effect on foreigners, since this modality is twice as common among immigrant workers as among Spanish workers, which, given the activity sectors in which they are employed, could represent an association between immigration and the increase in temporary contracts.

The social dialogue, which is one of Spanish society's great assets today, is considered as a key instrument for reaching the objectives set for modernisation, growth and employment in the National Reform Programme. Furthermore, reference is made to the fact that the social dialogue has made it possible for us to deal with the changes in the framework of labour relations in a balanced and non-traumatic way.

Consequently, almost two years after the Declaration of July 2004, an initial balance is given of the intense social dialogue process that has taken place since the said declaration was signed . This process has made it possible to reach agreements in areas as significant as immigration, dependency, training and the prevention of occupational hazards during this period, as well as the aforementioned Agreement for Improved Growth and Employment during this year.

For the fourth year running, in 2005, collective bargaining had a common framework of criteria, guidance and recommendations agreed by the most representative business and union organisations as per the Interconfederal Agreement for Collective Bargaining 2005. This section of the report highlights the fact that the stability of the agreements is based on a predominance of provincial and state sector agreements with regard to the percentage of workers affected and on the fact that they run for terms of two or more years (more than 75% of the agreements signed have a term greater than one year).

Other relevant aspects include salary bargaining, which maintained its moderate level, in line with the rate of inflation, as well as the salary structure and breakaway clause. The latter was included in just under half the supra-company agreements (49.2%), but affected more than two thirds of workers.

As for the prevention of occupational hazards, ten years after the concept came into force, substantial progress has been made largely due to the participation and consensus in this area at all levels of the State Administration and among business and union organisations. Accordingly, we must point out that its application and the increased implantation of the culture of prevention in enterprise have brought about a significant reduction of 20% in the total occupational accident rate over the last five years.

Chapter 3, which makes a detailed analysis of a number of indicators considered by the authors as the most relevant and immediate parameters affecting citizen living conditions and opportunities, studies two sections; the first is dedicated to life quality and the second to social protection.

As for life quality, the report emphasises areas such as education, health, housing, consumerism and the environment, which enable us to verify the evolution of our society's well-being. In the field of education and in accordance with the commitments to reinforcement laid down in the Lisbon Strategy, the report states that the situation in Spain reaches levels of convergence with regard to academic participation and spending on education and it also verifies a rapid approach to European averages in participation in ongoing training and in the proportion of science and *technology graduates. However, it shows concern for the proportion of early school leavers (30.8%) and the low proportion of young people that have reached the higher secondary level.*

Again, one of the subjects analysed is housing, whose increased prices, despite a moderate deceleration, continued to produce an evident worsening of accessibility to housing and an increase in the debt levels of homes. Notice is given that the demand continues to grow due to the fact that housing is considered as an investment asset, as well as a result of intense immigration.

The section on social protection shows that Spain's healthy economic situation in recent years has not led to a similar reinforcement in social protection, albeit true that it has had a positive effect on the accounts of the Social Security system. The report also shows that our social protection model cannot be left out of the debate on the capacity of the European social model in a world where markets have been globalised; nor can it elude the reforms required to ensure its sustainability.

Accordingly, it underlines the fact that the accounts of the Social Security system have improved hand-in-hand with the employment situation. The year 2005 was closed with a surplus of over 1%. In addition, the situation of the reserve fund guarantees the system's solvency until 2020, which implies the existence of a favourable framework for approaching future reforms. Furthermore, the authors point to the impact of ageing (the effect of the incorporation into the retirement pension scheme of the first groups of citizens born after the Civil War has now become evident) and to the improvement in welfare action (compatibility of the SOVI with other pensions and situations of permanent disability).

Another of the areas highlighted in this report refers to social services. During 2005, very significant steps have been taken towards the creation of a National Dependency System, which was one of the Government's first commitments for the new term of office. The creation of this system, which has involved the collaboration of the social players named in the Agreement on the Welfare Action of Care for Situations of Dependency, responds to one of the great demands of families affected by the need to deal with new contingencies resulting from ageing and its associated diseases, among others.

Finally, the Report on the Socio-economic and Employment Situation of Spain is presented to society as the result of rigorous and objective analyses that have been agreed by and between all the social and economic players represented in the CES. The objective of this report is to contribute to the awareness and diagnosis of the variables and effects under study in order to act upon them to maintain the socio-

economic and labour successes achieved in Spain and, in particular, to act in the areas that enable improvements to our current level of development

I would like to close this introduction by acknowledging the excellent work carried out by the members of the CES, the Management of the Department of Studies and Analysis, the Department of Publications and the technical staff that have taken part in the preparation of this report.

ALMUDENA FONTECHA LÓPEZ
Acting President of the Economic
and Social Council

SUMMARY OF CHAPTER I: ECONOMIC OVERVIEW

1. International scenario

The world economy and trade slowed down moderately in 2005 in comparison with the outstanding results of the previous year. The world economy continued to grow notably, albeit at a rate that was slightly lower than the previous year, again spearheaded by the strength of the US and Chinese economies, which was maintained in a context of low interest rates and reduced inflation. The risks involved in the imbalances of the world economy that have been present for a number of years, in particular the foreign and tax deficit of the United States economy, did not come to a head in 2005. What's more, the increased oil prices were not transferred to inflation and did not prevent economic growth; however, should they continue and worsen, they could compromise current outlooks for higher growth in the world economy in the coming years.

The European Union was again one of the areas with the weakest growth, although it showed signs of recovery at the end of the year. Among the other areas, the long-awaited improvement of the Japanese economy is worthy of special note. In the year in which the General Assembly of the United Nations reviewed the results of the Millennium Development Goals, which it established five years earlier, the less developed countries as a whole showed notable growth, but this was more due to the significant growth of oil exporting countries than to improvements in less advanced countries. Indeed, the results of the aforementioned review were not very encouraging with regard to the reduction of the gap between developed and developing countries.

For its part, world trade, caught up in multilateral negotiations known as the 'Development Round', which are not coming up with the results that were anticipated, grew less than the previous year but also in notable fashion, given that it surpassed the average of the previous ten years.

2. European Union

The year 2005 was characterised by the low level of economic activity in the European Union, together with a certain halt in institutional spheres largely due to some countries' rejection of the European Constitution project in May of the said year. Indeed, the rejection of the European Constitution by France and Holland marked the beginning of a period dominated by a certain amount of despondency and growing scepticism. However, the second half of the year came with greater optimism thanks to a slight improvement in activity and the outlook for growth of the European Union in 2006 and to institutional progress.

As for activity, results that were better than expected one year earlier and the improvement in forecasts for 2006 were due above all to the increase in investment and the correct behaviour of the world economy brought about by European exports. Nevertheless, the year closed with growth rates in the EU-25 of around 1.6% (1.3% in the EU-15), eight decimal points lower than the previous year. The 10 new Member States grew at rates that were higher than the EU-15, with growth rates in the GDP that varied between the minimum levels of Malta and Poland (2.5% and 3.2%, respectively) and the maximum levels of Latvia and Estonia (around 10%). For its part, in the EU-15, the difference in growth rates increased and the year-on-year variation in the rates of the GDP varied between above 3.0% in Denmark, Spain, Greece, Ireland and Luxembourg and below 1.0% in Germany, Italy and Portugal.

For its part, the European Union labour market improved slightly during the year, which saw a decrease in the rate of unemployment by four decimals after the peak of 9.1% in 2004.

As for the Union's public finances, contrary to the forecasts made by the European Commission in October 2005, there was a reduction of the budgetary deficit of the EU-25, which stood at 2.3% of the GDP. In the Eurozone, the public deficits with regard to the GDP fell from 2.8% in 2004 to 2.4%, although these figures hide significant differences between Member States, which include the non-fulfilment of the 3.0% reference level of the Stability and Growth Pact by Germany, Greece, Italy and Portugal.

At the time, the outlook for the beginning of the economic recovery of the Eurozone as from the second half of 2005, together with the risks for price stability brought about by the upward trend in oil prices, in the context of ample liquidity in the area, led the European Central Bank to increase the interest rate of the main finance transactions of the euro system by 25 basis points to 2.25% in 2005, which was the first time it had been changed in two and a half years. However, despite this increase, the interest rate differential remained positive for the United States and was even higher than the previous year, which led to a revaluation of the exchange rate between the dollar and the euro in the closing months of 2005, with a reduction of the percentage of appreciation of the European currency over the year.

On an institutional scale, mention must be made of significant progress, such as the relaunch of the Lisbon Strategy, with the inclusion of the new joint guidelines for growth and employment halfway through the year, the green light to accession negotiations with Turkey and the progress made by countries who are candidates for accession in 2007: Romania and Bulgaria.

As for the relaunch of the Lisbon Strategy, whose main features were outlined in the 2004 CES Report, mention must be made of the adoption by the European Council that met in Brussels on 16 and 17 June 2005 of the integrated guidelines for growth and employment for the period 2005-2008. These guidelines constitute the general approaches on which the Member States are to base their economic policies and their national reform programmes.

During the second half of 2005, whilst under the British presidency, there was significant, albeit careful, progress in the European Neighbourhood Policy, the new boost to cooperation between both shores of the Mediterranean with the launch of the action programme for 2005-2010 and the advances made in a Community approach to immigration, as well as the agreement on the financial outlook for 2007-2013, which, after intense discussion, appeared in the European Council that marked the end of the British presidency in December 2005.

The said outlook, drawn up for a European Union with 27 Member States, including Romania and Bulgaria, set the community budget at €862,000 million for the entire period, which represents 1.05% of the gross national income with regard to commitments to spending or 1.0% with regard to payments, a figure that is substantially lower than the proposals initially presented by the Commission and the European Parliament, with a practical distribution that confirms the five large expenditure items presented by the Commission in 2004. From the beginning of the negotiations, Spain was faced with a rather adverse situation due, on the one hand, to the change in the economic scenario from that which was in force during the negotiation of previous financial outlooks (2000-2006), now characterised by economic lethargy and associated fiscal problems in the leading European economies, which led to the clearly defined priority of restricting the budget. In addition, the evolution of the Spanish economy and its growth above the European average during recent years favoured the convergence of certain regions and their situation on the receiving end of structural funds, with a parallel increase in the Spanish contribution to Community income through a higher GDP. Consequently, with regard to the programming period 2007-2013, only four regions in Spain (Andalusia, Castilla-La Mancha, Extremadura and Galicia) will be eligible to receive Community funds as part of the Convergence Objective (formerly, Objective 1), in comparison with the eleven regions that received funds during the period 2000-2006. Indeed, three regions (Castilla y León, Comunidad Valenciana and Canary Islands) will no longer receive Community funds due to their growth, although the Canary Isles will continue to receive funds as an outermost region and, as a result of the statistical effect of the change from a European Union of 15 Member States to one of 25 Member States, Asturias, Murcia and Ceuta and Melilla will also be left out.

In any case, the new financial outlook anticipates an automatic fall in Spain's net balances, measured both in commitments to spending and in payments. Although Spain will continue to receive Community funds, their effect on the GDP falls substantially, so that, of the countries in the EU-15 that continue to be net receivers, Spain becomes the country that will receive less in terms of GDP, behind Belgium, Greece, Ireland, Luxembourg and Portugal.

3. Spanish economy

The Spanish economy continued its highly dynamic line in 2005 and recorded a growth rate above the European average, again thanks to the boost from internal demand. The growth in activity was also accompanied by the significant creation of employment, although mainly of a temporary nature, as well as high investment levels, all within a context of budgetary stability. However, economic growth continued to look largely to the property sector and the heavy debts of the private sector, encouraged by advantageous loan conditions, for its source of drive. In addition, the increase in demand could be seen in significant increases in imports, which, together with the lethargy of exports, took the trade deficit to the highest ever levels. However, the Government is convinced that there will be a gradual slowing down of internal demand in 2006, together with its redirection towards investment combined with a certain recovery in exports which, together with the slowing down of imports, will enable the reduction of the negative contribution to growth from the foreign sector.

Indeed, the flaws in the Spanish model for growth led the government to try to redirect its economic policy towards productivity through the adoption of the Vitalisation Plan and National Reform Programme of the Lisbon Strategy, which focused on introducing greater competition in regulated sectors to stimulate price reductions and a wider choice for users, as well as different activities associated with productivity, such as the use of information technologies and investment in R&D.

In 2005, the productive sectors underwent more positive development than the previous year, recording increases in activity in all cases, except for farming and fishing.

The GVA of the primary sector fell by 0.7%, largely affected by the rise in energy costs, which brought about industrial action in the farming and fishing sectors, which led to the approval of subsidies by the Ministry of Agriculture, Fishing and Foodstuffs. In the case of the farming sector, together with the increase in fuel prices, the adverse weather recorded throughout the year led to a fall in real income of 12.6% in comparison with the previous year. For its part, the fishing sector felt the effect of the closing down of anchovy fishing in the Bay of Biscay and that of black halibut in the waters that correspond to the NAFO. However, the total catches allowed and the fishing quotas set by the European Union Fisheries Council for 2006 were more evenly distributed than the previous year. Aquatic production continued the expansive trend of recent years, particularly with regard to marine fish farming, with total production for 2005 reaching just over 367,000 tonnes.

Again, the construction sector showed itself to be the most dynamic in 2005, with a growth in GVA of 5.5%, brought about by building work and public works. The notable increase in the number of homes endorsed in 2005 again revealed the high level of the demand in a context of low interest rates and an increase in the foreign population.

For its part, the energy sector doubled its growth rate from the previous year to 4.4%, although the weaknesses in the sector remained with regard to the continued increase in energy intensity, the low level of self-supply, the notable dependence on oil and the still scarce presence of renewable energies.

The GVA of services increased by 3.9%, largely due to the favourable evolution of telecommunications and tourism. Transport services held their own in terms of growth despite the increase in fuel prices, while trade and, in particular, retail trade, was less dynamic than the previous year.

Finally, although industrial activity increased in comparison with the previous year, it grew at a rate of only 0.6%, maintaining its characteristic weakness of recent years, as shown by the figures for industrial production. The car industry subsector continued to suffer from the increase in foreign competition, which, together with a standstill in the European market and the exhaustion of the trade cycle of certain models made in Spanish factories, led to a fall in vehicle production of 8.6% with regard to the previous year, together with a fall in the number of cars registered. For its part, the complete deregulation of the textile sector as from 1 January 2005 led to a notable increase in the imports of finished products from Asia, with the consequent negative effect for Spanish textile companies.

The economic activity continued to take its strength from domestic demand, which contributed with 5.3 percentage points to the growth of the GDP, while external demand contributed with a reduction of 1.9.

The increase in domestic demand was based on the growth in consumption and investment, where both magnitudes behaved in positive fashion but evolved differently, with a slight deceleration of consumption with regard to the previous year and an increase in investments with regard to the same period. Worthy of particular mention is the slowing down of consumption since the third quarter of 2004, albeit true that the slowing down is only moderate. On the other hand, investment began an uphill climb in the second quarter of 2004, peaking one year later to then hit a trend of slower growth.

The foreign sector again evolved negatively. The increase in the foreign deficit was again due to the heavy increase in the trading deficit of goods, as well as to the increase in the deficit result of the income and transfer balances and to the surplus from tourism.

As a result, the accumulated result of the current account and capital balances, which constitutes the capacity or need for financing the economy, represented 6.7% of the GDP, two and a half points higher than the previous year. The trading deficit of goods, which, in balance payment terms, reached 7.7% of the GDP in 2005, was largely responsible for the increase in the need for the foreign financing of the Spanish economy. Although it was lower than the figure recorded for the previous year, the loss in competitiveness of Spanish exports, due to the increase in prices, constitutes a determining factor in the negative evolution of the foreign trade balance for 2005.

The impact of the instability of the world oil markets on energy prices, together with the aforementioned strength of domestic demand and the effects of adverse weather conditions on the price of unprepared foodstuffs, again marked the upward trend of inflation in 2005. Accordingly, in the month of December, prices recorded a year-on-year growth of 3.7%, five decimal points higher than the previous year, which represented an increase in the inflation differential with the Eurozone average.

For their part, the financial markets behaved favourably and the Spanish stock exchanges were among the most dynamic in Europe as a result of the favourable economic situation, the good results and balances of listed companies and the high liquidity of the international financial system.

For the first time in many years, and after the continued process of the reduction of the deficit begun in 1996, the accounts of the public administrations closed 2005 with a surplus equal in magnitude to 1.1% of the GDP. The central administration closed its accounts with a surplus of 0.4% of the GDP due to the containment of spending and to the notably high collection of taxes, which was encouraged by a very favourable economic and labour situation. Similarly, the positive evolution of social contributions, associated with the creation of employment, explained the new surplus of the Social Security system, which reached 1.1% of the GDP, while territorial administrations again recorded slight deficits.

The public budgets of the central and regional administrations for 2006 have been drawn up in the context of relative economic expansion and, consequently, the increase in public income is expected to exceed the expansion forecast for spending. As a result, and as a target of budgetary stability, a surplus of 0.9% of the GDP is anticipated for public administrations as a whole, together with a reduction of the public debt/GDP ratio to 40.3%. As for the expenditure policies included in the general state budget, although the declared aim is to undertake a selective expansion of spending focused on policies which have a greater effect on productivity (education, infrastructures, R&D), the immense majority of expenditure items, and in particular those of a social nature, have been increased above the economy's nominal growth rate and, consequently, their weight on the GDP is also greater.

The year 2005 saw the introduction of two tax reform packages. Firstly, taxes on alcohol and tobacco were increased to finance the health deficit of regional governments and, secondly, a set of measures were adopted to boost productivity. However, the most significant was the approval of a tax reform bill passed by the CES, whose most significant features are the constitution of the Spanish income tax as a dual tax and the reduction of interest rates, together with the elimination of deductions, in corporate tax.

The Spanish innovation system has evolved positively in recent years, although it remains significantly behind our neighbours. Consequently, in 2004, spending on R&D stood at 1.07%, well below the average of the 25 Member States of the European Union (1.90%) and a long way off the levels of the United States and Japan, as well as the 3.0% target set by the Lisbon Strategy. The low investment in new technologies, the still low, albeit increasing, level of corporate spending on R&D&i, the scarcer significance of high-technology exports, the innovative deficits of SMEs, together with the voids in the private-public sector technology transfer system, stand as the main weaknesses in the Spanish R&D&i system. On this scenario, and taking into account that technological progress is a key factor to long-term economic growth because it has a decisive effect on productivity, public policies for the promotion of business innovation take on great importance, including those aimed at improving the private profitability of investment in R&D&i through financial help (subsidies, soft credits and tax incentives), together with those focusing on encouraging the transfer of know-how from the public R&D system to the productive fabric. However, it is also necessary to constitute a system for the systematic assessment of public R&D&i policies, especially those laid down in the Ingenio Plan adopted in 2005, which provides adequate knowledge of the relative effectiveness of the various intervention methods.

The uninterrupted process of growth of the Spanish economy over the last 12 years, comparatively more intense than that recorded in the leading European economies, is closely linked to the scenario of stability and confidence resulting from the process of convergence and integration in the Economic and Monetary Union. The achievements in the area of budgetary consolidation, the flows of European funds and, above all, the reduction and persistence of low interest rates have acted as expansive factors for demand. In addition, on the supply side, the growth process has been boosted by factors such as the credibility reached with regard to inflation control, the dialogue between social players that is sensitive to the moderation of labour costs and aimed at the creation of employment, together with the notable increase in the population associated with the arrival of immigrants. This sustained growth process has been based on the intense creation of employment, also higher than the European Union average, based on increases in the working population resulting from migratory flows and, to a lesser extent, from the progressive incorporation of women into the labour market.

However, the Spanish growth pattern contains certain weaknesses. On the one hand, the dynamism of employment is associated with the growing strength of sectors that involve high levels of unskilled labour, such as construction and services, with temporary employment percentages that are far above the European average and segmentation that is on the increase. On the other, the great relative strength of aggregate domestic demand leans towards private consumption and the investment of enterprise and families in construction, and is based on the growing debt levels of these two players, which, in turn, can be seen as an increase in trade deficit and greater needs for foreign financing for the country.

The weakness of exports and the lack of dynamism in the industrial sector reveal the insufficient structural competitiveness of the Spanish economy, which can be seen in serious voids in comparison with the European Union with regard to investment in R&D&i and the penetration of new technologies, as well as in certain aspects of education and professional training. In fact, if, during the upward cycle of recent years, there has been a continuous approach of Spain's product per capita levels to the average of the European Union, there has also been constant deterioration, in relative terms, of labour productivity since 2003.

WORLD PRODUCTION AND TRADE, 1996-2006

(Year-on-year variation in rates in volume)

Conceptos	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006(f)
World production	4.1	4.2	2.8	3.7	4.8	2.6	3.1	4.1	5.3	4.8	4.9
Developed countries*	3.0	3.4	2.6	3.4	3.9	1.2	1.6	2.0	3.3	2.7	3.0
Developing countries	5.6	5.3	3.1	4.1	6.1	4.4	5.1	6.7	7.6	7.2	6.9
World trade	7.0	10.5	4.6	5.7	12.1	0.3	3.4	5.4	10.4	7.3	8.0
Imports											
Developed countries	6.3	9.4	6.0	8.1	11.6	–0.5	2.5	4.1	8.9	5.8	6.2
Developing countries	10.8	11.8	–0.1	0.1	14.5	3.4	6.3	10.3	15.8	12.4	12.9
Exports											
Developed countries *	6.0	10.5	4.3	5.6	11.7	–0.6	2.2	3.3	8.5	5.3	6.6
Developing countries	9.3	12.8	5.5	3.4	13.3	3.1	7.0	10.6	14.6	11.5	10.9

(f) Forecast.

* Since April 1997, the IMF has included South Korea, Hong Kong, Israel, Singapore and Taiwan, which were previously classified as developing countries, in its contingent of developed countries.

Source: IMF, *World Economic Outlook*, April 2006.

MAIN MACROECONOMIC INDICATORS OF MEMBER STATES AND CANDIDATES, 2004-2006 (Percentage)

Countries	Growth of the GDP			Increasing employment			Rate of inflation[1]			Public deficit[2]		
	2004	2005 (e)	2006 (f)	2004	2005 (e)	2006 (f)	2004	2005 (e)	2006 (f)	2004	2005 (e)	2006 (f)
Germany	1.6	0.9	1.7	0.4	0.2	0.3	1.8	1.9	1.7	–3.7	3.3	–3.1
Austria	2.4	1.9	2.5	0.0	0.6	0 6	2.0	2.1	1.7	–1.1	–1.5	–1.9
Belgium	2.6	1.2	2.3	0.6	0.9	0.9	1.9	2.5	2.4	0.0	0.1	–0.3
Spain	**3.1**	**3 4**	**3.1**	**2.6**	**3.1**	**2.7**	**3.1**	**3.4**	**3.6**	**–0.1**	**1.1**	**0.9**
Finland	3.6	2.1	3.6	0.3	1.6	1.4	0.1	0.8	1.4	2.3	2.6	2.8
France	2.3	1.4	1.9	0.1	0.2	0.4	2.3	1.9	1.9	–3.7	–2.9	–3.0
Greece	4.7	3.6	3.5	2.9	1.4	1.3	3.0	3.5	3.3	–6.9	–4.5	–3.0
Holland	1.7	1.1	2.6	1.6	0.2	0.8	1.4	1.5	1.8	–1.9	–0.3	–1.2
Ireland	4.5	4.7	4.9	3.1	4.7	2.9	2.3	2.2	2.4	1.5	1.0	0.1
Italy	1.1	0.0	1.3	0.0	0.4	0.2	2.3	2.2	2.2	–3.4	–4.1	–4.1
Luxembourg	4.2	4.2	4.4	2.3	2.9	3.0	3.2	3.8	4.1	–1.1	–1.9	–1.8
Portugal	1.1	0.3	0.9	0.1	0.0	0.2	2.5	2.1	2.7	–3.2	–6.0	–5.0
Eurozone	**2.0**	**1.3**	**2.1**	**0.6**	**0.7**	**0.9**	**2.1**	**2.2**	**2.2**	**–2.8**	**–2.4**	**–2.4**
Denmark	1.9	3.1	3.2	0.0	0.7	0.4	0.9	1.7	2.1	2.7	4.9	3.9
United Kingdom	3.1	1.8	2 4	1.0	1.0	0.4	1.3	2.1	2.0	–3.3	–3.5	–3.0
Sweden	3.7	2.7	3.4	–0.5	0.7	1.6	1.0	0.8	1.1	1.8	2.9	2.2
EU-15	**2.3**	**1.5**	**2.2**	**0.6**	**0.7**	**0.8**	**2.0**	**2.1**	**2.1**	**–2.6**	**–2.3**	**–2.2**
Cyprus	3.9	3.8	3.8	1.5	1.5	1.5	1.9	2.0	2.4	–4.1	–2.4	–2.1
Slovakia	5.5	6.0	6.1	–0.3	2.1	1.2	7.5	2.8	4.4	–3.0	–2.9	–2.7
Slovenia	4.2	3.9	4.3	0.4	0.7	0.6	3.7	2.5	2.4	–2.3	1.8	–1.9
Estonia	7.8	9.8	8.9	0.1	1.8	0.8	3.0	4.1	3.6	1.5	1.6	1.4
Hungary	4.6	4.1	4.6	0.7	0.0	0.1	6.8	3.5	2.3	–5.4	–6.1	–6.7
Latvia	8.5	10.2	8.5	1.1	1.5	1.0	6.2	6.9	6.7	–0.9	0.2	–1.0
Lithuania	7.0	7.5	6.5	0.1	2.4	0.9	1.2	2.7	3.5	–1.5	–0.5	–0.6
Malta	1.5	2.5	1.7	1.4	0.6	0.3	2.7	2.5	2.9	–5.1	–3.3	–2.9
Poland	5.3	3.2	4.5	—	2.3	2.2	3.6	2.2	1.0	–3.9	–2.5	–3.0
Czech Republic	4.7	6.0	5.3	0.1	0.9	0.6	2.6	1.6	2.5	–2.9	–2.6	–3.2
EU-25	**2.4**	**1.6**	**2.3**	**0.6**	**0.8**	**0.9**	**2.1**	**2.2**	**2.1**	**–2.6**	**–2.3**	**–2.3**
Bulgaria	5.7	5.5	5.4	2.2	2.0	1.0	6.1	5.0	7.0	1.9	3.1	3.0
Croatia	3.8	4.3	4.4	1.2	0.8	1.0	—	3.3	3.7	–5.0	–3.9	–3.5
Republic of Macedonia	4.1	4.0	4.3	–2.4	4.3	1.2	–0.4	0.5	2.5	0.0	0.3	–0.3
Rumania	8.4	4.1	5.5	0.4	0 2	0 2	11.9	9.1	7.8	–1.3	–0.4	–2.3
Turkey	8.9	7.4	5.8	3.0	1.2	1.7	—	8.2	7.1	–5.7	–1.2	–1.4

(e) estimates and (f) forecasts.
(1) Average year-on-year variation rate of the harmonised consumer price index (2005 = 100), or national.
(2) Capacity (+), need (-) for finance of public administrations in percentage of the GDP.

Source: Eurostat and the European Commission, *Economic forecasts spring*, 2006. April 2006.

MACROECONOMIC TABLE, 2001-2005 (Year-on-year variation rates)

Concepts	2001	2002	2003	2004	2005
GDP and demand aggregates					
Gross Domestic Product	3.5	2.7	3.0	3.1	3.4
Final consumption	3.4	3.2	3.1	4.8	4.4
— Homes	3.2	2.9	2.6	4.4	4.4
— Public Administrations	3.9	4.5	4.8	6.0	4.5
Gross fixed asset formation	4.5	3.3	5.5	4.9	7.2
— Capital goods	—	—	2.5	3.7	9.5
— Construction	—	—	6.3	5.5	6.0
Goods and services exports	4.0	1.8	3.6	3.3	1.0
Goods and services imports	4.2	3.9	6.0	9.3	7.1
Internal demand (1)	3.7	3.4	3.8	4.9	5.3
External demand (1)	–0.2	–0.7	–0.8	–1.8	–1.9
Prices and costs					
GDP deflator	4.2	4.4	4.0	4.1	4.4
CPI	3.6	3.5	3.0	3.0	3.4
Unitary labour costs	—	—	2.9	2.8	2.3
Labour market					
Employment variation	4.1	3.0	4.0	3.9	4.8 (2)
Employment rate	10.6	11.5	11.5	11.0	9.2
Productivity variation	—	—	0.4	0.5	0.3
Foreign sector (in % of the GDP)					
Trade balance (goods and services)	–2.3	–1.9	–2.1	–3.8	–5.1
National finance capacity	–3.1	–2.2	–2.5	–4.3	–6.7
Need for finance of public administrations (in % GDP)	–0.52	–0.27	–0.03	–0.14	1.10
Pro memoria					
Nominal GDP (millions of euros)	679,842	729,021	780,550	837,316	904,323

(1) Contribution to growth.
(2) Corrected figure of the impact of the methodological change in the PPS in 2005.

Source: INE and Ministry of the Economy and Taxation.

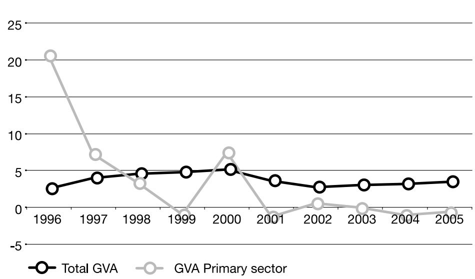
WORKER SALARIES BY SECTORS IN 2005

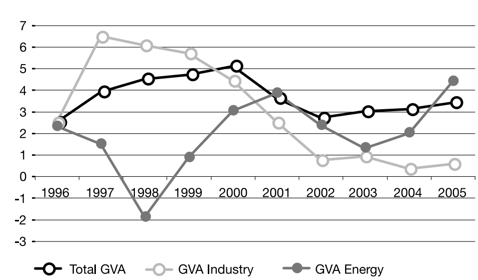
(Current prices. Millions of euros, thousands of persons and year-on-year variation)

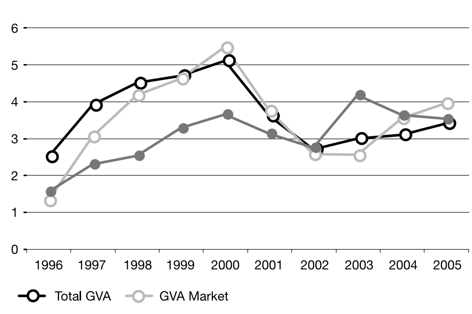
Sectors	Worker salaries		Number of workers		Salary per worker	
	Millions of euros	Var. %	Thousands	Var. %	Thousands	Var. %
Farming and fishing	5,640	5.8	496.2	4.5	11,366.4	1.2
Energy	5,274	3.2	116.5	–0.7	45,270.4	4.0
Industry	75,702	3.1	2,719.9	0.3	27,832.6	2.7
Construction	53,309	11.2	2,177.0	8.9	24,487.4	2.2
Services	286,573	6.1	9,940.0	3.3	28,830.3	2.7
Market	185,286	5.8	6,600.4	3.3	28,071.9	2.4
Non-market	101,287	6.7	3,339.6	3.2	30,329.1	3.4
Total	**426,498**	**6.1**	**15,449.6**	**3.5**	**27,605.8**	**2.5**

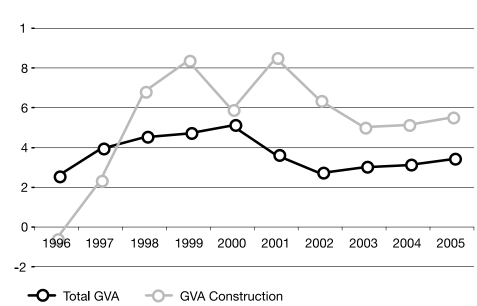
Source: INE, *Spanish National Quarterly Accounts.*

GROSS VALUE ADDED BY SECTORS, 1996-2005 (Annual variation rates)









Source: INE, *Spanish National Quarterly Accounts.*

SUMMARY OF CHAPTER II: LABOUR MARKET, EMPLOYMENT POLICIES AND LABOUR RELATIONS

1. Labour market

In 2005, the main indicators of the Spanish labour market continued their sustained improvement, with a growth in employment and a reduction of unemployment that were higher than the European Union, thanks to the higher growth rate of the Spanish GDP. The level of employment grew by around 1.6 points and the average unemployment rate fell by 1.4 points to 9.2%; the average number of people with a job reached 18,973,000 and the number of unemployed stood at 1,913,000.

It is no exaggeration that immigration has radically changed the Spanish labour market over the last five years, as shown by the figures of the new working population survey. Furthermore, mention must be made in 2005 of the extraordinary legalisation process of foreign workers. This process, which was heavily influenced by social dialogue, was based on the existence of a commitment to employment contracts, unlike its immediate predecessors. And, perhaps, among other things, thanks to the support from social players, it has thrown up good results, achieving not only the legalisation of residency, but also that of employment (and contributions to the Social Security system) of more than 500,000 people.

The sector composition of the growth in employment in the last five years points to the greater strength of the latter in the construction and sector services, in comparison with a very modest evolution of industry and a clear standstill in the primary sector. The review of the figures for the period 1996-2004 with the correction of the weight of the immigrant population merely highlights these trends, especially since 2001. In the services sector, which grew by more than 2 million people between 2001 and 2005, several branches of economic activity stand out due to the behaviour of employment, which was more dynamic than the whole: hotel and restaurant industry; other business activities; health and veterinary activities, social services; homes that employ domestic help; real estate activities; public drains. In general, this set of activities illustrates the current pattern of growth of the Spanish economy, which clearly has an underlying productivity problem.

The breakdown by areas of activity of the said sector composition also shows the effect on the growth of employment of the rapid incorporation of foreigners into the Spanish labour market. They have a very different productive specialisation: more than 54% of foreign males work in the construction sector, the hotel and restaurant sector and farming, in comparison with fewer than 30% of Spaniards; similarly, more than 56% of foreign females work in homes that employ domestic staff and in the hotel and restaurant industry, where only 12% of Spanish females do the same work.

The creation of employment continued on the basis of paid workers in the private sector of the economy, where it grew by more than 700,000 people (6%). And, again, much more so among women: almost 420,000 more (9%), in comparison with just under 300,000 men (4%). In the public sector, the increase in employment, set at 64,000 people, corresponded to each gender evenly; sufficient for women to again represent 51% of the total number of paid workers in the sector, as in 2004.

With the 2005 PPS, this new, greater increase in the employment of paid workers involves a high level of temporary employment. As an annual average, the proportion of paid workers with a temporary contract was higher than 33%, almost 1 point more than in 2004. Consequently, in just over two years, temporary contracts have again increased sufficiently so as to reduce the difference with the Spanish labour market of 1996 to half a point, just before the implementation of the policies for the promotion of open-ended contracts, which focused on putting an end to it.

The breakdown by sector type and gender also indicates that the behaviour of the public sector has been very negative in this area. Besides this, this new upsurge of temporary employment has largely coincided with the increase in immigration. The combination of temporary employment as an 'entry condition' on the said market, the more dynamic nature in the generation of employment of various activities in which temporary employment is much higher and the specialisation of the immigrant population in some of these activities could indicate an association between immigration and the upsurge of temporary employment. Indeed, for paid workers in the private sector, the average figures for 2005 show a percentage of temporary workers that is almost double in the case of foreigners in comparison with Spaniards. Finding the reason for this association is a different problem.

Mobility on the labour market, shown in the figures for the flows of people starting and leaving employment, increased slightly in 2005, with an annual total of 9.9 million starters and 9 million leavers corresponding to the workers involved in the Labour Situation Survey. If the figures corresponding to other movements within companies are added, totals are obtained that fully explain the annual volume of contracts recorded: 17.2 million contracts for a population of paid workers of 15.5 million. This total, recorded in 2005, represents a new annual growth, but one that is lower than the figure recorded for 2005, despite the higher rate at which the employment of paid workers has increased.

The different modalities included in the statistics gave a total of almost 843,000 new open-ended contracts recorded in 2005. There is a slight fall in 'promoted' open-ended contracts, largely compensated by a new increase in ordinary open-ended contracts and higher growth in conversions, of which just over 700,000 were recorded, 14% more than in 2004.

The highest figures for temporary employment: work or service and temporary contracts, which can be joined by the substitution contract, albeit to a far lesser extent, cover most of the contracts signed.

Overall, in 2005, these three modalities accumulated 15.2 million temporary contracts, 97% of the total. The importance of very short-term contracts on the total number continues (in the cases of specific terms). The short term of training and fellowship contracts continues to merit attention, although these modalities have much less numeric importance with regard to the total number of contracts registered, as well as the high frequency with which they are extended.

The processing of dismissals continues to involve the problem, repeatedly pointed out in each edition of this report, of the lack of undisputed figures to process the evolution of individuals and, above all, valid figures to compare the costs associated with each kind of dismissal with their frequency. This is necessary to assess the results of the successive occasions on which, since 1994, their legal and administrative constitution has been reformed in an attempt to adapt it to its functions as a way out on the labour market. Until these voids are corrected, it is best to simply offer the aggregate figures provided by the various sources available. In 2005, dismissals (including those agreed with the administrative body) were the initial cause for access to the right to unemployment benefit of 295,000 beneficiaries, a figure that is more than 7% higher than that of 2004. The statistics on mediation, arbitration and conciliation included just over 57,000 conciliations due to agreed dismissals, almost 16% less than in 2004; the total number of conciliations (with and without agreement, attempted unsuccessfully and with other outcomes) totalled almost 131,000; a fall of 8% that continues the trend begun with Act 45/2002. Finally, according to the statistics on social and legal affairs, in 2005, just over 61,000 cases ended in dismissal, around 2% less than in 2004; almost half of which correspond to cases settled by sentence, a quarter by agreements and the rest as a result of abandonment and other causes.

For their part, the collective dismissals included in redundancy schemes increased in 2005, with more than 34,000 workers affected (almost 10% more than in 2004). Considering the branches of activity of enterprise, the number of affected workers grew, basically, in the manufacturing industry and in mining; haulage, which had generated a significant volume of dismissals through redundancy schemes in previous years, showed a notably lower figure. In the manufacturing industry, two branches represent one quarter of the workers affected by redundancy schemes in 2005: the manufacture of other haulage material (although we could speak of shipbuilding) and the car industry. Textiles and dressmaking, which accumulate more than 20,000 collective dismissals over the last five years, accounted for another 17%. It must be remembered that the figures of the working population survey showed a negative balance of approximately 36,000 people for employment in the dressmaking industry between 2001 and 2005, as well as an accumulated loss of around 23,000 people in the car industry. In short, these figures are worrying, since they reveal that the appearance of strong competitors on an international level has not yet met responses that are capable of restructuring activities that have significant weight on the Spanish industrial structure in order to achieve growth.

2. Active employment policies

The intermediate assessment of the European Strategy of Lisbon revealed less favourable results than were initially anticipated, which led the European Council of March 2005 to relaunch and redirect the said strategy. The relaunch focuses on creating more, better quality employment, for which the Member States must carry out a number of reforms, laid down in their respective national reform programmes, in the macroeconomy, microeconomy and in employment.

In the area of employment, the emphasis has been placed on the promotion of active employment policies, active ageing and the modernisation of social protection systems, as well as the improvements of the capacity for adaptation of labour and enterprise, together with more flexible labour markets. The promotion of innovation and the improvement in the training of human capital become fundamental elements capable of boosting the productivity and competitiveness of the European economy.

In Spain, the indicators of the European Employment Strategy for 2005 have shown better results than for the EU-25 as a whole, but they are still not enough. Accordingly, the national reform programme presented last October laid down a number of quantifiable objectives for 2008 and 2010 along the lines of training and the labour market which, if they are attained, will bring Spain in line with European targets. In this context, permanent training stands as a fundamental element for improving the employability and adaptation of both employed and unemployed workers to the changes that occur on the labour market. Union and business organisations made declarations on the content of the national programme, but they have failed to give details about the aspects that are more directly related to employment, albeit true that they were negotiating the reform of the labour market through the panel on social dialogue.

The actions related to programmes for the promotion and management of employment include information and guidance programmes for the unemployed and support for finding employment, the modernisation of public employment services, temporary employment plans for the unemployed, incentives for the employment of the disabled and support for self-employment. In particular, they include the launch halfway through 2005 of the Spanish Public Employment Services Information System, which seeks to integrate the information used by the various public employment services on the management of active employment policies and unemployment benefits after the transfer of competencies and services to the regional governments. As it makes it possible to know and provide access to all demands for employment made by all the public employment services, this new system increases the transparency and consistency of the processing of the offers of and demands for employment, improving the service given to citizens. In addition, it is expected to enable worker mobility all over the country.

The launch of the catalogue of professions that are not easily covered is a response to the aim of speeding up the covering of vacancies by employers. The catalogue, which is referred to in the regulations laid down in Organic Statute 4/2000, includes the professions that are not easily covered on a quarterly basis, broken down by provinces. Accordingly, any employer can cover a certain vacancy by resorting to a foreign worker and automatically process the corresponding residence and work permits in Spain if the profession in question is listed in the catalogue.

In accordance with the methodology laid down in the Decision of 8 February 2005 issued by the State Public Employment Service and after consulting the public employment services of the regional governments and the Tripartite Labour Commission on Immigration, the catalogue was drawn up for the last two quarters of the year. However, in view of the coming-into-force of the Spanish Public Employment Services Information System in May and the criticisms made by the social players on the validity of the methodology used, in November, a new preparation procedure was established and has been in use since 2006; however, the temporary information available shall continue to be used until four quarters after its implantation.

Since the 1997 Interconfederal Agreement for Employment Stability, the employment policy has focused on the promotion of stable employment for unemployed workers and the conversion of temporary contracts into open-ended contracts through a number of incentives. These incentives are laid down in the Employment Promotion Programme which, associated with budgetary provisions, is established each year. In 2005, the Employment Promotion Programme, laid down in the General State Budgets Act 2/2004, of 27 December, upholds the general lines of the incentive scheme in force the previous year.

The results highlight the increase in the conversions of temporary contracts into open-ended contracts, which has accelerated substantially since 2003 together with a reduction by a similar amount of contracts without bonuses. The main bonus collective, unemployed women between 16 and 45 years of age, totalled just over 134,000 new ‘promotion’ contracts in 2005, 8% less than the previous year. However, the other two smaller collectives, that of unemployed workers between the ages of 45 and 55 and that of unemployed workers between the ages of 56 and 65, showed increases of almost 5%. Without a doubt, the most notable feature of the contract collective is the significant increase in contracts not associated with promotion measures, which almost quadrupled last year, while conversions moved in the opposite direction. There was also an increase in the number of contracts with bonuses for the disabled, which has shown an upward trend in the last three years; even so, the effect is hardly noticeable with regard to certain basic indicators on the situation of this collective in employment. Various regulatory initiatives have recently been launched to improve the situation, but it is still too early to assess their impact.

With the review of the Lisbon Strategy, the investment in human capital and, consequently, ongoing training take on greater relevance and become a fundamental objective to obtaining an increase in productivity. According to the most commonly used indicator to monitor the said strategy with regard to training (percentage of the population of 25-64 years that have taken part in any kind of ongoing training in the last four weeks), Spain was among the countries in the European Union with the least favourable results up to 2004. In accordance with the ad hoc model of ongoing training implemented by Eurostat in 2003, the level of participation in any kind of training for the population group of 25-64 years stood at 42% in the EU-25. Spain, with 25%, was among the countries with the lowest level of participation.

However, clear progress has been made, such as the efforts in recent years to identify qualifications and skills more appropriately thanks to the National Catalogue of Professional Qualifications. In this area, the year 2005 saw the establishment of new qualifications and the incorporation of their corresponding training modules into the Professional Training Module Catalogue. At the same time, certain professional qualifications established by Royal Decree 295/2004, of 20 February, have been updated.

Similarly, mention must be made of the signing by the social players of the 4th National Training Agreement, although this took place in 2006. The said agreement, which is to remain in force until the end of 2010 and may be renewed by the parties involved, seeks a more active way of promoting the development of an integrated training model for employment that improves permanent training, maintaining the bases that have enabled its development over the last thirteen years. The aim is therefore to reinforce training on demand, extend the supply to workers and use the available financial resources in a better way, especially the quotas paid by enterprise and workers.

At the same time and as part of the development of this agreement, the social players and the government signed the Professional Training for Employment Agreement, which supports the creation of a single employment training system that integrates the current continuous training and occupational training subsystems in order to improve training quality and further adapt the management capacity of regional and central governments. Both agreements are the result of the negotiations held by the panel on social dialogue since mid-2005.

In any case, the new system, which is expected to be regulated by royal decree shortly, requires a more rational organisational structure, albeit based on the existing idea, as well as appropriate and sufficient finance. Accordingly, recommendations point to a greater rationalisation of spending and the consequent redistribution of the budget among the employed and unemployed in accordance with their corresponding weights on the labour market.

With regard to the ongoing professional training subsystem, the 2003 regulation seems to be obtaining results in the last year as far as the increase in training plans, the workers trained and the budget for training are concerned. The number of participants trained in companies involved in the bonus scheme has increased from just under 600,000 in 2004 to more than 900,000 in 2005. There has also been an increase in the participation ratio (in other words, the number of participants trained in comparison with those notified) of almost two points. Although two thirds of the participants received generic training courses, during the year there has been a slight reduction of this figure in favour of specific training, together with a slight increase in distance and mixed training in detriment to in-class training. In any case, the level of training given continues to be largely of a medium or higher level and computer literacy remains low. With regard to company size, most participants come from firms with more than 1000 workers, although their weight has fallen slightly (from 51% to 43% between 2004 and 2005) in favour of SMEs.

With regard to occupational professional training, the year 2005 saw the development of the actions laid down in the National Professional Access to Employment and Training Plan, with the results of the access in 2005 of 70% of the almost 230,000 students trained in 2004, in keeping with previous years. Men continued to have better access to employment rates (almost 6 points higher than women) and the profiles according to age and academic level continued to show that access to employment falls with age and increases with the level of training. With a much lower number of students, industry stands out for its relatively higher access rates: 75% in 2005, in comparison with 69% in services. Three branches of industry showed insertion rates of over 80%: heavy industry and metal constructions; the car industry; the manufacture of electromechanical equipment. In services, there was only one: transport and communications.

The budget on which all these active employment policies are based reveals that Spain allocated 2.1% of its GDP to employment policies in 2004, two decimal points lower than the average of the EU-15, with a significant reduction in the weight of spending on passive policies and a significant increase of almost 5% per year since 1998 on spending on active measures. Even so, the weight of the former still stands at 71%. Similarly, Spain is among the countries that dedicate the least effort to employment policies with regard to its rate of unemployment. Consequently, in 2004, Spain dedicated 0.198 points of its GDP to employment policies for each unemployment rate point in comparison with the European average of 0.287. With regard to active employment policies, the spending in Spain reached only 0.05% of the GDP per unemployment rate point and, together with Greece and the United Kingdom, it is the country in the EU that makes the lowest relative effort in this area. In accordance with its breakdown, spending on training represented 5.8% of Spain's total, almost half that of the EU, while spending on employment incentives, mainly bonuses on social security contributions, stood at just over 11% in Spain, almost double the weight of the EU-15 total.

3. Social dialogue and labour relations

3.1. **Social dialogue**

The launch in 2005 of the new cycle of the Lisbon strategy involves significant implications for both the Community and Spanish social dialogue. On a European scale, after the end of the cycle that meant the completion of the first work programme jointly adopted by union and business organisations, the attention turns to the demand for a clearer contribution from the social dialogue to the social and economic objectives of the EU as a whole.

European social players are firmly agreed on the need for the Lisbon process on the basis of a diagnosis, which is also generally shared, regarding the challenges facing Europe as a result of globalisation, through technological progress and demographic trends. On the bipartite level of dialogue, the most significant result was the joint text signed by the CES, UNICE, UEAPME and CEEP in March in a framework of actions for gender equality. With this text and from their competencies and responsibilities, the European social players seek to contribute to the promotion of equal opportunities between men and women. In addition, they have to take into account the initiatives developed in recent years in the area of professional qualifications and competencies, as well as the role of national social players in the application of employment guidelines in the Member States. Elsewhere, the second consultancy phase in business restructuring was developed, together with the role of the European business committees, opened by the Commission in its communication on restructuring and employment.

In any case, the valuation of how far the European social dialogue assumes a central position in the application of the new Lisbon Strategy must consider the objectives and initiatives assumed by mutual agreement by the social players for the next few years. Therefore, the new work programme jointly adopted for the period of 2006-2008 and its development focused on European priorities in employment will be crucial.

As for Spain, the launch of the new Lisbon cycle has revealed the strategic value of social dialogue, as it appears as one of the key instruments for reaching the global targets for modernisation, growth and employment laid down in the National Reform Programme. Social dialogue has shown itself to be the instrument that enables a balanced and non-traumatic approach to changes in the framework of labour relations, an examination of the imbalances that characterise the Spanish labour market and an orientation of the dynamics and content of the union agreements, all of which has reinforced their political value in the current term of office.

At the end of 2005, the first full year of development of the process launched on the basis of the July 2004 declaration enabled an approach to an initial balance of compliance with the broad social dialogue programme it contains, structured around thirteen areas of negotiation. On the one hand, during 2005, important agreements were closed in matters crucial to the objectives of development and social cohesion, fundamentally the agreement for creating a system to deal with situations of dependence. In addition, agreements were reached in key aspects of labour relations, such as guidance for collective negotiation (ANC 2005), the Out-of-Court Settlement of Disputes (ASEC III) and professional training (Professional Training for Employment Agreement), and progress was made in the social dialogue regarding the prevention of occupational hazards, among other matters.

In addition, the end of the year brought with it a complex situation due to the continuation of important areas that remained open without an agreement, basically negotiations on the labour market. Finally, the significance of the objectives proposed and the commitment of the social players and the government led to the signing of the Agreement for Improved Growth and Employment in March 2006. As with the reform carried out in 1997, and also on the basis of a broad consensus, the agreement looks to achieve significant results in terms of the creation of stable employment.

Together with the social dialogue on a state and interconfederal level, dialogue processes were also continued on two other planes. On the one hand, the sector dialogue that is making inroads through the creation of important instruments for the future of the productive fabric, employment and labour relations, such as sector watchdogs and, on the other, the negotiation of social and economic development and employment pacts continued in the area of regional governments, a process that has been ongoing for more than one decade.

3.2. **Collective bargaining**

For the fourth year running, the collective bargaining of 2005 included a common framework of criteria, guidance and recommendations agreed by the most representative business and union organisations (CCOO, UGT, CEOE and CEPYME), laid down in the Interconfederal Agreement for Collective Bargaining 2005. For yet another year, the continuity of this type of pact was based on a favourable balance of the contribution it has made to dealing with the context of the economic uncertainty of recent years in a better way and on its beneficial effects for sustained economic growth, as well as on the maintenance and creation of employment.

The ANC 2005 included a set of guidelines based on ten blocks of subject areas. The area of salary bargaining came up with a line of substantial continuity of criteria, given that the balance of the policy implemented by the social players in this area is valued as highly positive. Accordingly, it included the intention of continuing with a policy of moderate salary growth that would enable adaptation to the economic scenario, support the fall in inflation and improve competitiveness, boosting productive investments and favouring stable, secure employment. In addition, the agreement laid down guidance for employment and contracting, flexibility in work organisation, unjustified absenteeism, permanent training, sector watchdogs, equal opportunities and treatment for men and women, occupational health and safety, corporate social responsibility, stress at work and collective bargaining structures and bargaining procedures, introducing new ideas with regard to previous years.

During 2005, the bargaining took place on a favourable economic scenario in which Spain has continued to grow far above the average of its Community partners and with positive results in the evolution of employment that point to an increase in activity and occupation and to a reduction in unemployment. However, the said scenario has also been characterised by the sharpening of certain imbalances in the economy and the labour market, such as the significant increase in inflation, the deterioration of competitiveness in the exports sector, low work productivity and an increase in the rates of temporary employment.

On the regulatory level, 2005 saw the reintroduction of the option for union agreements to include mandatory retirement clauses for reasons to do with employment. Act 14/2005, of 1 July, governing clauses in union agreements that refer to the fulfilment of the ordinary retirement age, which originated in an agreement by and between the most representative business and union organisations and the government, restored the legal base that provided complete legal certainty to the possibility of agreeing this type of clause in union agreements for reasons to do with employment. In addition, halfway through the year saw the approval of a new regulation governing the extension procedure of union agreements, adopted by virtue of Royal Decree 718/2005, of 20 June, also the result of the agreement by and between the government and the social players, which updated the regulatory development of article 92.2 of the Workers' Statute to introduce certain new concepts to improve and speed up the extension procedure.

At 31 March 2006, 4,717 agreements with economic effects had been recorded in 2005, which affected 1.1 million enterprises and 9.33 million workers. The evolution in the previous four years, together with the pro-cyclical nature of the collective bargaining, point to the final figure reaching around 5,500 agreements. We are witnessing a trend of continued growth in the number of agreements and workers covered, as a result of the appearance of new bargaining units each year, especially the appearance of new company agreements. Consequently, although the figures are as yet provisional, in 2005, 317 new agreements were registered, affecting almost 300,000 workers, most of which are company agreements and also include an average number of workers that is significantly lower than that traditionally involved in company bargaining procedures.

With regard to the collective bargaining structure, the provisional figures for 2005 confirm the stability which, in general terms, is presented by the said bargaining, based on a predominance of provincial and state sector agreements in terms of the percentage of workers affected. The figures for recent years point to a tendency towards a relative loss in weight of collective enterprise bargaining in terms of workers affected, which is due to various causes and contrast with an also relative tendency to greater protagonism for sector bargaining, mainly on a state level. In addition, the analysis of the structure by activity branches reveals a scenario of fragmentation and atomisation that points to the convenience of developing the constitution of various bargaining levels in the context of the ANC's recommendations.

A further relevant tendency is the growing negotiation of agreements with terms of two or more years. At present, more than 75% of the total number of agreements signed are for a term of more than one year, which may be contributing to the reduction of industrial dispute and a climate of greater social rest.

In the area of salary bargaining, the trend of moderation followed in recent years was maintained as a projection of the ANC's recommendations. After the application of the backup clauses, the average salary increase in 2005 stood at 3.95%. The fact that it represents a greater increase than 2004 does not mean that it can be considered as altering the aforementioned trend of salary moderation in view of the figure for inflation at the end of the year. In other relevant areas of salary bargaining, such as those related to the breakaway or to the configuration of the salary structure, in 2005, the bargaining was very similar to that of previous years. The breakaway clauses were included in just under half the supra-company agreements (49.2%), but affected more than two thirds of workers. For its part, 76.6% of the agreements registered included salary structure clauses and 27% included productivity-linked salary incentives, where this type of complement is on the increase.

The average number of working hours agreed in 2005, according to figures available at 31 March 2006, stood at 1,752.5 hours per annum, equivalent to 38 hours and 22 minutes per week, which represents hardly any change with regard to the previous year. For its part, the effective number of working hours was reduced by more than seven hours per annum in comparison with 2004, largely due to the increase in the number of hours not worked in 2005. By sectors, the greatest fall in the number of effective working hours was in services. In addition, as has occurred in recent years, most of the agreements registered in 2005 have annualised the calculation of the number of working hours. In turn, schemes were introduced for the irregular distribution of the working hours in 27.4% of agreements in 2005, affecting 48.5% of workers.

In addition, we are witnessing a gradual increase in employment and contracting clauses in union agreements, where the number that included clauses governing this area in 2005 reached 45.4%, affecting 60.9% of workers; however, the evolution regarding the different types of clauses is not consistent. Furthermore, in the collective bargaining, we continue to observe a reluctant acceptance of internal corporate flexibility, as indicated by the evolution in recent years of clauses on professional classification, functional mobility and productivity incentives. Finally, within the tendency towards the increase in content in the agreements of recent years, for yet another year, mention must be made of the evolution of clauses governing non-discrimination due to gender, which represent the greatest increase in terms of percentage in recent years.

3.3. **Industrial dispute**

In 2005, a number of trends that had been forming in previous years were confirmed, mainly the reduction of strikes and the increase in collective disputes presented before and processed by jurisdictional bodies. In addition, special mention must be made of the signing by the social players of the Third Agreement for the Out-of-Court Settlement of Disputes (ASEC-III) for the period 2005-2008, together with the signing in March of the same year of the Tripartite Agreement for the Out-of-Court Settlement of Industrial Disputes by and between the Ministry of Labour, the business organisations CEOE and CEPYME and the union organisations CCOO and UGT. The balance of activity of the systems for the out-of-court settlement of industrial disputes at both State and regional level again showed signs of the consolidation and strengthening of these procedures as means for reconciling the parties, encouraging debate and the resolution of industrial disputes.

The number of strikes fell significantly to the lowest level of the last 10 years, as well as their incidence, measured by the number of workers involved and the days not worked.

In addition, there was a reduction in the number of matters processed by the administrative bodies of mediation, arbitration and conciliation. In the case of collective disputes, the influence of the higher activity of the bodies for the out-of-court settlement of disputes on the said reduction is unquestionable. In individual disputes, the reduction observed from 2003 is clearly associated with the requirements for access to unemployment benefit and the legal salary system introduced by Act 45/2002, of 12 December.

Particular mention must be made of the matters processed by the industrial courts. In absolute terms, the number of matters resolved fell in 2005. However, the significant number of collective disputes dealt with, the second-highest figure of the last 10 years, confirm the trend observed since 2002 towards a greater use of the courts, in contrast with other indicators of industrial dispute.

In the area of the regional settlement of disputes, in 2005, the activity of the interconfederal mediation and arbitration service, the management body of the ASEC-III, far exceeded the figure of 200 disputes processed, with an increase of 48% in comparison with 2004. They were largely corporate disputes caused by disagreements on the interpretation and application of regulations, agreements and pacts, processed through mediation procedures. The result reveals a significant increase in the number of disputes settled and workers affected.

The actions carried out by the regional bodies for the out-of-court settlement of industrial disputes also increased in 2005. In the case of collective disputes, the increase was almost 10% higher than the previous year, although, beyond the number of cases, the relevance of these procedures can be seen by the fact that they affected more than 1.4 million workers and 54,000 companies.

Most of these disputes occurred in the area of enterprise and almost all of them were dealt with by conciliation-mediation procedures. Of the collective disputes, 45% ended with an agreement by and between the parties. By sectors, the highest number was registered in metal, cleaning, haulage, services and the foodstuffs industry. In addition, the number of arbitration proceedings is still very low and it is interesting to note that half of them took place in Catalonia.

Furthermore, seven regional bodies for the out-of-court settlement of industrial disputes also dealt with nearly 15,000 individual disputes, most of which were registered in the regions of the Balearic islands, Aragón, Navarra and Cantabria. Most of these cases responded to claims due to dismissal, salaries, fines or substantial modifications to working conditions. They ended with the agreement by and between the parties in 58% of cases that were effectively processed.

3.4. **Prevention of occupational hazards**

November 2005 saw the tenth anniversary of the Prevention of Occupational Hazards Act 31/1995, of 8 November. Since then, substantial progress has been made largely as a result of the participation and consensus in this area of the state, regional governments and union and business organisations with a view to a gradual improvement in occupational health and safety levels in Spain. Its application and the greater implantation of a preventive culture in enterprise have led to a significant reduction (around 20%) in the last five years of the total rate of accidents at work involving absenteeism in comparison with the average number of workers affiliated to the

Social Security system in branches that specifically cover this contingency.

However, the said evolution must be seen in relation to figures that reveal an accident rate that is still high. The 5th National Survey on Working Conditions (2003), analysed in the last edition of this report, confirmed two observations: on the one hand, there was a strengthening, albeit not generalised, of the preventive system and corporate health and safety activities; and, on the other, there was a stagnation of many of the conditions under which the work is carried out. In addition, there was increased knowledge of working conditions associated with health and safety by workers and, in short, greater correspondence between hazard and response. Accordingly, the ANC-2005 highlighted the appropriateness of greater joint efforts between enterprise, workers, public administrations and union and business organisations to promote a culture of prevention and favour the specific application of the standards, especially in small and medium-sized enterprises, with regard to the integration of health monitoring and prevention.

Within the framework of the Community strategy for occupational safety and health (2002-2006), in 2005, the European Agency for Safety and Health at Work implemented actions aimed at creating awareness in the population of the hazards of excessive noise at work, as a cause of work accidents and of the increase in stress levels, as well as at publicising good practices in the countries that make up its network. In this context, special mention can be made of the implementation in Spanish legislation of Directive 2003/10/EC, governing the exposure of workers to noise, by virtue of Royal Decree 286/2006, of 10 March, governing the protection of worker health and safety against hazards related to exposure to noise.

In 2005, the Panel on the Prevention of Occupational Hazards adopted important agreements with which it seeks to strengthen the policy on occupational health and safety on the basis of new guidelines, especially through the promotion of a Spanish occupational health and safety strategy, as well as greater importance given to the National Occupational Health and Safety Institute. In addition, the National Occupational Health and Safety Commission reached other agreements which give priority and urgency to the development of awareness, control and monitoring campaigns, as well as specific actions aimed at special collectives.

The year 2005 also saw developments in regulations largely as a consequence of the agreements reached by the panel on social dialogue and as a result of Act 54/2003, which reforms the regulatory framework for prevention, which have basically affected the activity of insurance companies, the support of technical civil servants from regional governments for work inspectors and worker protection from exposure to mechanical vibrations.

Despite the relative improvement recorded in the last period, ten years after the Prevention of Occupational Hazards Act was passed, work accidents continue to be a great problem in Spain.

Taking the incident rate as a reference, two periods can be differentiated during this 10-year period: on the one hand, the period between 1995 and 2000, in which the rate increased continuously from 6,059.8 to 7,558.4; and, on the other, the period between 2001 and 2005, in which there was a gradual fall in the accident rate.

In 2005, particular mention must be made of the stabilisation of the total work accident rate, which fell by 0.8% in comparison with the previous year. In view of the importance of this figure, the significant reduction of 10.5% in serious accidents is worthy of note. By sectors, the tendency to a reduction of accident rates is upheld in construction and services; however, there is an increase in agriculture and industry. Nevertheless, with regard to fatal accidents, the rate has increased in the sectors of industry and construction; it has more or less remained stable in agriculture; and has fallen in the services sector.

In absolute terms, the total number of work accidents reached 1.66 million, which represents a reduction of almost 3% in comparison with 2004. However, accidents leading to absenteeism occurring at work grew by 3.2% in comparison with the previous year, which represents a change in the downward trend that began in 2002. However, this increase is lower than the increase in this period corresponding to the working population whose contingencies for accidents at work is covered (4.3%).

Work accidents leading to absenteeism occurring on the way to or from work underwent an increase of 8.7% in comparison with 2004. However, the significant reduction of more than 25% of fatal accidents of this kind is worthy of note.

In addition, the level of work-related diseases is increasing, with a growth of 8.5% in the number of diseases leading to absenteeism in 2005; however, this increase is lessened by the significant growth in employment of recent years. Nevertheless, work-related diseases are barely included in the statistics, largely due to the particular difficulties involved in their recognition. All this justifies the social dialogue set up with regard to a new list of work-related diseases and the modernisation of the procedure for their declaration, notification and registration.

The social players have called for regional and central governments to get involved in the monitoring and control of the regulations and for companies and workers to give greater importance to the application of organisational measures. In this context, 35% of the actions carried out by work and social security inspectors in 2005 occurred in the area of occupational health and safety. However, this increase in the number of inspections led to a lower number of infractions, work stoppages and penalty proposals, which could be due to a greater integration of the culture of prevention in enterprise.

EMPLOYMENT AND UNEMPLOYMENT ACTIVITY RATES, 2000-2005

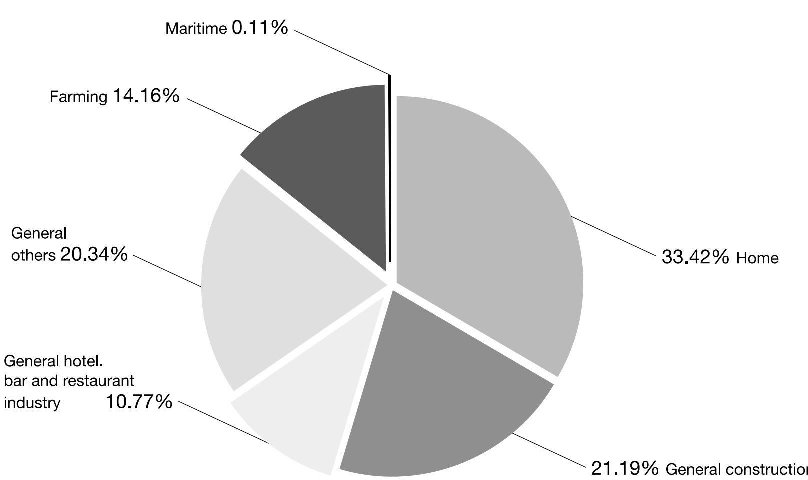
(Reviewed series. Annual averages)

Rates	Annual averages						Annual variations				
	2000	2001	2002	2003	2004	2005	2001*	2002	2003	2004	2005**
Activity (% population 16 and over)	53.6	53.0	54.3	55.5	56.4	57.4	0.6	1.3	1.2	0.9	0.8
Employment (% population 16 and over)	46.2	47.4	48.0	49.1	50.2	52.1	0.6	0.6	1.1	1.1	1.6
Unemployment (% labour force)	13.9	10.6	11.5	11.5	11.0	9.2	–1.4	0.9	0.0	–0.5	–1.4
Absolute unemployment (% population 16 and over)	7.4	5.6	6.2	6.4	6.2	5.3	–0.6	0.6	0.1	–0.2	–0.7

* After the effect of the change in the definition of unemployment.
** After the difference with the sample PPS in the first quarter.
Source: INE, *Labour Force Survey*, 2005 methodology [www.ine.es/inebase].

AFFILIATIONS DUE TO THE 2005 LEGALISATION PROCESS, BY SYSTEMS AND ACTIVITIES

(Percentages of the total number of affiliations resulting from the process, figures at 30 December)



Source: MTAS, *Balance of the legalisation process of foreign workers,* 30 December 2005.

WORKERS IN THE PRIVATE SECTOR BY CONTRACT AND NATIONALITY, 2005 (Thousands of persons, annual averages)

Nationality	Workers private sector			
	Open-ended contracts	Temporary contracts	Total	% temporary contracts
Spanish	7,387.9	3,335.0	10,722.8	31.1
Foreign	749.5	1,077.5	1,827.1	59.0
Total	**8,186.9**	**4,451.0**	**12,637.9**	**35.2**

Source: In-house using the micro-figures of the INE, *Labour Force Survey*, 2005 methodology.

TEMPORARY CONTRACTING RATES IN SPAIN AND THE EUROPEAN UNION BY ACTIVITIES, 2001 AND 2005

(Percentages, second quarters)

	Branches	EU-25		Spain		EU-15	
	(NACE)	2001	2005	2001	2005	2001	2005
a	Agriculture	29.6	31.8	67.8	64.0	34.5	35.9
b	Fishing			23.1	32.3		
c	Mining and quarrying			20.6	25.9		
d	Manufacturing industries	9.9	11.6	25.2	24.7	10.2	10.4
e	Electricity, gas and water	6.1	6.6	15.6	21.2	7.8	8.0
f	Construction	19.1	21.1	58.5	56.1	19.6	20.7
g	Commerce	11.6	13.2	28.7	27.2	11.7	12.0
h	Hotel and restaurant industry	20.9	23.1	42.3	42.0	21.6	23.5
i	Transport and communications	8.6	9.7	24.2	26.4	9.3	9.7
j	Financial brokering	6.3	6.4	11.8	12.8	6.4	6.0
k	Real estate, rents; corporate services	13.0	14.0	29.7	29.4	13.0	13.6
l	PA, defence, obligatory SS	10.9	11.4	16.7	22.3	11.4	11.5
m	Education	15.8	16.4	24.4	29.3	17.4	17.7
n	Health and veterinary services; social services	12.7	13.0	27.2	29.8	13.5	13.2
o	Other social services; personal services	18.0	19.0	33.5	35.9	18.5	19.2
p	Domestic staff	21.8	24.8	40.4	49.0	20.7	23.9
	Total	**12.9**	**14.2**	**32.0**	**33.3**	**13.4**	**14.0**

Source: Eurostat, *Labour Force Survey* [http://europa.eu.int/comm/eurostat].

REGISTERED CONTRACTS OF EMPLOYMENT, BY GENDER AND MAIN CHARACTERISTICS, 2002-2005

(Annual totals in thousands)

Gender/main characteristics		2002	2003	2004	2005
Total both genders		**14,179.2**	**14,668.1**	**16,350.8**	**17,165.0**
Term	Open-ended	1,283.0	1,269.8	1,419.7	1,542.8
	Temporary	12,896.3	13,398.3	14,931.1	15,622.1
Working day	Full-time	11,220.5	11,544.4	12,629.6	13,135.3
	Part-time	2,958.8	3,123.6	3,721.2	4,029.6
Total males		**8,042.5**	**8,247.4**	**9,086.4**	**9,495.2**
Term	Open-ended	714.2	698.9	775.7	844.4
	Temporary	7,328.3	7,548.5	8,310.8	8,650.8
Working day	Full-time	6,990.5	7,147.7	7,795.4	8,111.7
	Part-time	1,052.0	1,099.6	1,291.1	1,383.5
Total females		**6,136.7**	**6,420.7**	**7,264.3**	**7,669.7**
Term	Open-ended	568.8	570.9	644.1	698.4
	Temporary	5,568.0	5,849.8	6,620.3	6,971.3
Working day	Full-time	4,230.0	4,396.7	4,834.3	5,023.6
	Part-time	1,906.7	2,024.0	2,430.1	2,646.1

Source: MTAS, *Bulletin on Labour Statistics* [www.mtas.es/estadisticas/bel].

FULFILMENT OF THE EES OBJECTIVES BY COUNTRIES, 2005

Total employment rate		**Average growth 2000-2005**		
		Lower than that of the EU-25 (< 0.4%)	**Near that of the EU-25 (0.4-0.5%)**	**Higher than that of the EU-25 (> 0.5%)**
Rate in 2005 (%)	>70	Denmark, Holland, United Kingdom	Sweden	
	65-70	Finland, Austria, Portugal, Germany		Cyprus, Ireland, Slovenia
	<65	Czech Republic, France, Belgium, Hungary, Malta, Poland	Slovakia	Estonia, **Spain**, Latvia, Lithuania, Greece, Italy

Female employment rate		**Average growth 2000-2005**		
		Lower than that of the EU-25 (< 0.9%)	**Near that of the EU-25 (0.9-1.1%)**	**Higher than that of the EU-25 (>1.1%)**
Rate in 2005 (%)	>60	Denmark, Sweden, Finland, United Kingdom, Portugal	Holland, Austria, Slovenia	Estonia
	55-60	Germany, Lithuania, France, Czech Republic		Latvia, Cyprus, Ireland
	<55	Hungary, Slovakia, Poland, Malta	Belgium	**Spain**, Greece, Italy

Employment rates of older workers		**Average growth 2000-2005**		
		Lower than that of the EU-25 (< 3.0%)	**Near that of the EU-25 (3.0-3.4%)**	**Higher than that of the EU-25 (>3.4%)**
Rate in 2005 (%)	>50	Sweden, Denmark, Ireland, United Kingdom, Portugal, Cyprus		Estonia, Finland, Lithuania
	40-50	Greece	**Spain**	Latvia, Holland, Germany, Czech Republic
	<40	France, Italy, Malta, Austria, Poland		Hungary, Belgium, Slovenia, Slovakia

Source: In-house with Eurostat data.

PUBLIC SPENDING ON EMPLOYMENT POLICIES IN THE EU IN 2004

(Percentage of GDP)

Countries	Labour market services	Active policies (categories 2 to 7)	Passive policies (categories 8 and 9)	Total spending	Total spending on active policies per unemployment rate point	Total spending per unemployment rate point
Germany	0.29	0.85	2.31	3.46	0.090	0.364
Austria	0.17	0.43	1.39	2.00	0.090	0.416
Belgium	0.23	0.92	2.41	3.56	0.110	0.423
Denmark	0.17	1.52	2.67	4.36	0.277	0.793
Spain	**0.05**	**0.55**	**1.50**	**2.10**	**0.052**	**0.198**
Finland	0.16	0.78	2.07	3.01	0.089	0.341
France	0.25	0.73	1.72	2.69	0.076	0.280
Greece	0.02	0.17	0.45	0.64	0.016	0.060
Holland	0.32	1.12	2.23	3.68	0.244	0.799
Ireland	0.20	0.49	0.90	1.59	0.109	0.354
Italy	0.04	0.55	0.76	1.35	0.068	0.169
Luxembourg	—	—	0.69	—	—	—
Portugal	0.12	0.55	1.32	1.99	0.082	0.296
United Kingdom	0.36	0.16	0.29	0.80	0.034	0.170
Sweden	0.20	1.00	1.32	2.52	0.159	0.399
EU-15	**0.22**	**0.64**	**1.46**	**2.33**	**0.079**	**0.287**
Countries of the enlargement						
Cyprus	—	—	—	—	—	—
Slovakia	0.08	0.07	0.32	0.48	0.004	0.026
Slovenia	—	—	—	—	—	—
Estonia	0.02	0.04	0.18	0.25	0.004	0.026
Hungary	0.10	0.21	0.38	0.69	0.034	0.113
Latvia	0.04	0.09	0.38	0.50	0.008	0.048
Lithuania	0.04	0.15	0.11	0.31	0.014	0.027
Malta	—	—	—	—	—	—
Poland	—	—	—	—	—	—
Czech Republic	0.12	0.13	0.26	0.52	0.016	0.062

Source: Eurostat, *Labour Market Policy. Expenditure and Participants Data 2004,* 2006.

BALANCE OF THE SOCIAL DIALOGUE 2004-2006

Declaration for the social dialogue 2004	Agreements 2004-2006	Under negotiation or without agreement
Labour market		
To reach a consensus on legal and other kinds of modifications, seeking commitments that bring together worker safety and corporate flexibility.	Agreement for the Improvement of Growth and Employment (Government, CCOO and UGT, CEOE and CEPYME, May 2006).	Self-employed workers' statute project [1].
Employment of collectives with difficulties		
To promote actions aimed at favouring the employment of young people, older workers, the disabled and other collectives with greater problems for accessing employment.	Agreement for the Improvement of Growth and Employment (Government, CCOO and UGT, CEOE and CEPYME, May 2006).	
To find solutions that promote the professional integration of women and improve their working conditions, as well as to enable conciliation between family and professional life in accordance with the principle of equality and non-discrimination.	Labour and Social Security in the bill of the Organic Statute for Equality between Men and Women (Government, CCOO and UGT, March 2006).	
Labour immigration		
Specific dialogue for the regulatory development of the 'Law on Aliens' [sic].	Development and application of the Labour aspects of the Organic Statute on foreigners' rights and freedom in Spain (Government, CCOO and UGT, CEOE and CEPYME, 2004). Laid down in Royal Decree 2393/2004, of 30 December.	
Ongoing training		
To jointly analyse the adaptations required to the current model for work or training with a view to favouring ongoing training throughout the working life.	— Agreement on Professional Training for Employment (Government, CCOO and UGT, CEOE and CEPYME, February 2006). — 4th National Training Agreement (CCOO UGT, CEOE and CEPYME, February 2006).	
Active policies and role of public employment services		
To analyse the design required for the active policies and the role of the public employment services to ensure the effectiveness and efficiency of their functions, as well as the appropriate protection from the lack of employment: active policies and benefits. To ensure the appropriate cooperation and coordination between the administrations and the public and private players involved.	Agreement for the Improvement of Growth and Employment (Government, CCOO and UGT, CEOE and CEPYME, May 2006)	
Revaluation of labour institutions		
To improve the functioning of and participation in labour institutions by social interlocutors; to approach the competencies, role and functioning of the National Consultancy Commission for Union Agreements, the National Commission on Occupational Health and Safety and the Work and Social Security Inspectorate, respectively.	Programme of objectives and requirements of the National Consultancy Commission for Union Agreements, Agreement for the Improvement of Growth and Employment (Work Inspectorate) (Government, CCOO and UGT, CEOE and CEPYME, May 2006).	

[1] Under negotiation or consultation.
[2] Without agreement.

BALANCE OF THE SOCIAL DIALOGUE 2004-2006 *(Continued)*

Declaration for the social dialogue 2004	Agreements 2004-2006	Under negotiation or without agreement
Industrial and environmental policy		
To design industrial and environmental policies that favour investments at a higher technological level, including measures that contribute to avoiding unnecessary restructuring or globalisation. To encourage the participation of social interlocutors in horizontal policies and promote the analysis of industrial sectors through specific watchdogs. To approach the development of commitments and their consequences on production and the implementation of the Kyoto protocol.	— Framework agreement for collaboration to promote the development and modernisation of industrial sectors (sector watchdogs) (Government, CCOO, UGT, CEOE and CEPYME, April 2005) — Institutionalisation of the social dialogue on the effects of production and employment on compliance with the Kyoto protocol (Government, CCOO, UGT, CEOE and CEPYME, 2004), laid down in Royal Decree 202/2006, of 17 February.	Pact for industry [1].
Minimum Interprofessional Salary (MIS)		
To approach the process for its future review over the coming years, the criteria for the review of the IPREM and the changes in the substantive regulation of the MIS.	Increase in the amount of the MIS and rationalisation of its regulation (IPREM) (Government, CCOO, UGT, CEOE and CEPYME, 2004), laid down in Royal Decree 3/2004, of 25 June.	Method for determining the amount of the MIS (reform of Art. 27 ET) [2].
Rights to information, consultation and/or participation of worker representatives		
To jointly analyse the implementation of the Directive that accompanies the Statutes of the European Limited Company. To jointly analyse the current regulations applied to collective rights in new corporate and company situations and the implementation of the Directive that lays down a general framework for the information and consultation of workers in the European Community.		— Implementation of Directive 2002/14 on the general framework of information and consultation[1] *(PA of law under consultation)*
Prevention of occupational hazards		
Preparation and application of active policies aimed at eliminating accidents and promoting a culture of prevention in enterprise and among workers. Strict fulfilment of current regulations and pending developments. Participation of social players in the design, execution and control of the measures within the framework of their competencies.	Various agreements (2005-2006): — Foundation for the prevention of occupational hazards. — Publication of technical civil servants of regional governments. — Control of fulfilment of occupational health regulations. — Regional action plans. — Modification of regulations governing prevention services. — Agreement on the structure and functions of the INSHT.	— Spanish strategy on occupational health and safety [1]. — New list of occupational diseases *(to be signed).* — New tariff for work accidents and occupational diseases *(to be signed).*

[1] Under negotiation or consultation.
[2] Without agreement.

BALANCE OF THE SOCIAL DIALOGUE 2004-2006 *(Continued)*

Declaration for the social dialogue 2004	Agreements 2004-2006	Under negotiation or without agreement
Collective bargaining		
Bipartite social dialogue to develop the capacity for regulating collective bargaining and cover of labour, to create the capacity for adaptation of the collective bargaining and to improve productivity. Constitution of collective bargaining in accordance with the principles of effectiveness and transparency. To confirm its role in the determination of employment policies. To continue promoting systems for the out-of-court settlement of disputes.	— Recuperation of the faculty for agreements to establish obligatory retirement clauses through coherent employment objectives (Government, CCOO, UGT, CEOE and CEPYME, 2004). Laid down in Act 14/2005, of 1 July. — Agreement on the new regulations for the extension of union agreements (Government, CCOO, UGT, CEOE and CEPYME, 2004), laid down in Royal Decree 718/2005 of 20 June. — 3rd Agreement for the Out-of-Court Settlement of Disputes (ASEC III) (CCOO, UGT, CEOE and CEPYME, December 2004). — Tripartite agreement for the Out-of-Court Settlement of Disputes (ASEC III) (CCOO, UGT, CEOE and CEPYME, March 2005). — Interconfederal Agreement for Collective Bargaining 2005 (ANC 2005) (CCOO, UGT, CEOE and CEPYME, March 2005). — 2006 Extension of the ANC 2005 (CCOO, UGT, CEOE and CEPYME, January 2006).	
Institutional participation of social interlocutors		*(Pending development)*
To review the instruments for the institutional participation of unions and business organisations within the framework of their recognition as entities of constitutional relevance.		

BALANCE OF THE SOCIAL DIALOGUE 2004-2006 *(Continued)*

Declaration for the social dialogue 2004	Agreements 2004-2006	Under negotiation or without agreement
Social security and social protection		
To carry out the reforms and improvements required for the system within the framework of development of the Toledo Pact to prepare it for the socio-demographic challenges. To achieve a fairer, more aware and efficient social protection system that continues to help the creation of employment, wealth and welfare. To create supplementary social protection systems, to analyse the problems that hinder the development of those specifically resulting from collective bargaining and to promote these important instruments for saving and welfare.	Revaluation of minimum pensions (Government, CCOO and UGT, CEOE and CEPYME, 2004). Agreement on the action for the protection of care in situations of dependency (Government, CCOO, UGT, CEOE and CEPYME, December 2005). Extension of the term for the adaptation of commissions for the control of employment pension schemes and the extension of the term of adaptation of certain commitments due to retirement-linked pensions.	Social dialogue table on the reform of the Social Security system[1].
Monitoring and Assessment Commission		
Creation of a monitoring and assessment commission with a view to establishing the priorities, calendar and working methods to examine the various matters. Assessment of the measures adopted as a result of the dialogue.	— Agreement which develops the operative bases for the Agreement and social dialogue (Social Dialogue Monitoring Commission, March 2005). — Declaration related to corporate social responsibility (Social Dialogue Monitoring Commission, March 2005).	

[1] Under negotiation or consultation.
[2] Without agreement.
Source: In-house.

NEW BARGAINING UNITS BY AREA AND SECTOR, 2002-2005

	Agreements				Workers			
	2002	2003	2004 *	2005 *	2002	2003	2004 *	2005 *
Total	**433**	**439**	**429**	**317**	**75,253**	**110,989**	**147,343**	**293,872**
Enterprise	418	408	413	298	54,831	78,055	55,679	37,522
Sector	15	31	16	19	20,422	32,934	91,664	256,350
Provincial	8	23	9	11	13,193	15,359	4,195	7,962
Regional	7	7	6	6	7,229	9,415	27,469	86,388
National	0	1	1	2	0	8,160	60,000	162,000
Sectors								
Farming	7	5	6	7	244	145	5,630	375
Industry	113	100	92	65	20,155	29,698	22,928	19,727
Construction	0	4	1	2	0	282	800	90
Services	313	330	330	243	54,854	80,864	117,985	273,680

* Figures at 31 March 2006.
Source: In-house using MTAS, *Union Agreement Statistics.*

EVOLUTION OF THE STRUCTURE OF COLLECTIVE BARGAINING, 2001-2005

(Percentage)

Agreements	2001	2002	2003	2004	2005
Total agreements	100.0	100.0	100.0	100.0	100.0
Corporate agreements[1]	75.8	76.5	76.8	76.4	76.4
Sector agreements	24.2	23.5	23.2	23.6	23.6
Provincial	21.5	20.6	20.2	20.5	20.8
Regional	1.1	1.2	1.5	1.5	1.3
National	1.6	1.6	1.6	1.6	1.5

Workers	2001	2002	2003	2004	2005
Total agreements	100.0	100.0	100.0	100.0	100.0
Corporate agreements[1]	11.7	11.5	11.5	10.6	9.9
Sector agreements	88.3	88.5	88.5	89.4	90.2
Provincial	54.4	54.8	54.4	55.0	53.9
Regional	9.3	9.5	10.4	10.1	10.2
National	24.7	24.2	23.6	24.3	26.1

Figures at 31 March, 2006.
[1] Includes company committee agreements.
Source: In-house using MTAS, *Union Agreement Statistics.*

EVOLUTION OF THE INCREASE IN SALARIES AND THE CPI, 2000-2005

(Agreed average increase including escape clause, in percentage. Figures at 31 March of the following year for the salary increase)

Year	Salary increase	CPI
2000	3.64	4.0
2001	3.68	2.7
2002	3.84	4.0
2003	3.67	2.6
2004	3.62	3.2
2005	3.95	3.7

Source: In-house using MTAS, *Union Agreement Statistics.*

SALARY INCREASES ACCORDING TO FUNCTIONAL AREA OF THE AGREEMENTS, 2005

Functional area	Salary increase
Total	**3.95**
Company-level agreements	*3.42*
Private enterprise	3.68
Public enterprise	3.26
Public Administration	2.13
Agreements at other levels	*4.01*
Group of companies	3.90
Local-district sector	4.29
Provincial sector	4.12
Interprovincial sector	3.55
Regional	3.54
Inter-regional	4.04
National sector	3.95

Figures at 31 March, 2006.
Source MTAS, *Union Agreement Statistics*.

AGREED WORKING DAY, BY TYPE OF AGREEMENT, 1995-2005

Years	Total agreements		Company-level agreements		Agreements at other levels	
	Working year	Variation number of hours	Working year	Variation number of hours	Working year	Variation number of hours
1995	1,765.9		1,719.4		1,773.3	
1996	1,767.5	1.6	1,722.8	3.4	1,774.2	0.9
1997	1,767.8	0.3	1,720.8	-2.0	1,774.2	0.0
1998	1,766.6	–1.2	1,716.3	-4.5	1,773.3	–0.9
1999	1,765.0	–1.6	1,716.5	0.2	1,771.5	–1.8
2000	1,761.3	-3.7	1,711.6	-4.9	1,767.9	-3.6
2001	1,758.7	-2.6	1,708.0	-3.6	1,764.9	-3.0
2002	1,756.3	-2.4	1,704.0	-4.0	1,762.5	-2.4
2003	1,752.9	-3.4	1,697.7	-6.3	1,759.6	-2.9
2004	1,752.4	-0.5	1,698.9	1.2	1,758.3	-1.3
2005	1,752.5	0.1	1,694.4	-4.5	1,758.3	0.0
Diff. 2005-1995		**-13.4**		**-25.0**		**-15.0**

Figures at 31 March, 2006.
Source: MTAS, *Union Agreement Statistics*.

EVOLUTION OF THE AGREED WORKING YEAR BY SECTORS, 1995-2005

Production sectors	1995	2000		2005	
	Year	Year	Diff. 00-95	Number	Diff. 05-00
Total	**1,765.9**	**1,761.3**	**-4.6**	**1,752.5**	**-13.4**
Farming	1,795.2	1,777.4	-17.8	1,765.8	-29.4
Industry	1,783.7	1,768.1	-15.6	1,755.1	-28.7
Construction	1,776.4	1,760.7	-15.7	1,747.4	-29.0
Services	1,744.7	1,755.2	10.5	1,750.6	5.9

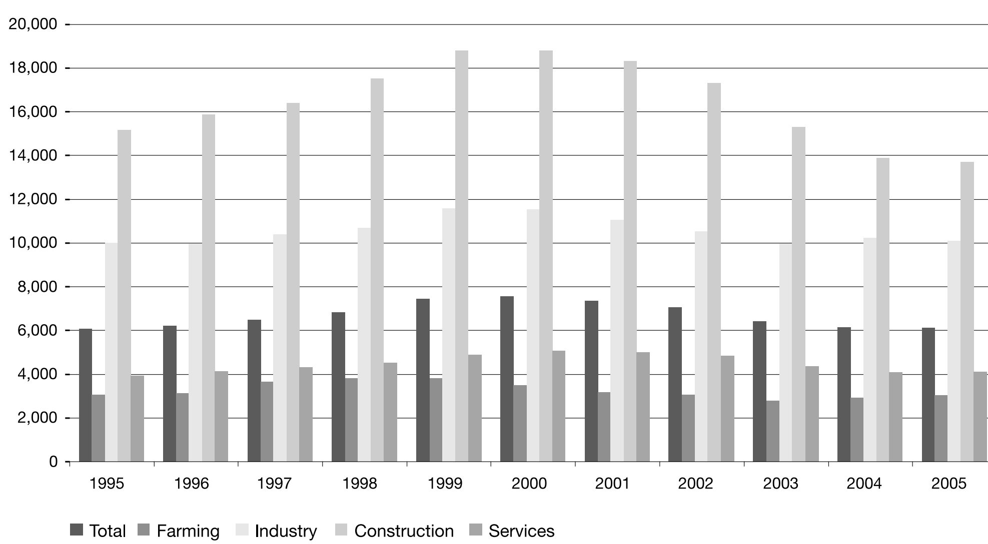
Figures at 31 March 2006.
Source: MTAS, *Union Agreement Statistics.*

STRIKES CARRIED OUT, 1996-2005 (Main features)

Years	Strikes	Participants	Days not worked	Work centres called to strike		Work centres involved	
				Number	Staff	Number	Staff
1996	807	1,078,034	1,552,872	108,035	3,087,895	72,924	2,749,783
1997	709	630,962	1,790,100	167,064	1,669,731	117,833	1,413,390
1998	618	671,878	1,263,536	118,642	1,906,995	56,695	1,493,668
1999	739	1,125,056	1,477,504	91,388	2,463,242	70,333	2,005,513
2000	727	2,061,349	3,577,301	722,129	6,096,555	578,672	5,380,646
2001	729	1,242,458	1,916,987	574,648	5,885,927	293,354	3,288,188
2002	684	4,528,210	4,938,535	2,063,113	17,390,775	1,603,767	15,361,933
2003	674	728,481	789,043	587,485	4,702,704	276,187	2,548,416
2004	707	555,832	4,472,191	74,615	1,607,051	67,435	1,346,916
2005	578	263,831	634,053	34,394	1,203,933	20,055	858,289

Source: MTAS, *Bulletin on Employment Statistics*, March 2006.

OCCUPATIONAL ACCIDENT INCIDENTS INDEX DURING WORKING HOURS, BY SECTORS, IN 1995-2005



Sources: Years 1995-2004. MTAS: *Statistics on Occupational Accidents and Diseases*. 2004 Annual Report. Year 2005: INSHT: Occupational accidents 2004-2005.

SUMMARY OF CHAPTER III: LIFE QUALITY AND SOCIAL PROTECTION

1. LIFE QUALITY AND SOCIAL PROTECTION ON THE COMPARED SCENARIO

The analysis of life quality constitutes a focus that has gained in relevance on the European scenario in recent years. Although it does not constitute a concept as central to the EU's strategic objectives as growth, employment and social cohesion, the life quality focus provides a more focused outlook in the spheres that have a more immediate effect on the living conditions and opportunities of individuals.

It is usually understood that the life quality focus involves three main characteristics. On the one hand, it is a multidimensional concept that extends the usual interest in income and employment as basic conditions for material welfare and life opportunities to other areas of welfare. It also supposes their interdependence, although the specific variety of those areas and their specific forms of interaction are often under debate. On the other, life quality refers to 'the life of individuals' and therefore requires a micro-approach to the living conditions that individuals actually have or are missing. Therefore, and in third place, it includes as many objective indicators of living conditions as subjective indicators of the perceptions and valuations that individuals have of their welfare and that of their societies.

The life quality focus is also related to the concept of 'human development', for which there are regular monitoring indicators to provide the worldwide comparisons laid down by the United Nations, which regularly publishes reports on the subject. In the case of Spain, it is not necessary to refer to basic human rights nor consider the aspects related to social capital or the preservation of biodiversity and multiculturality. These last two features must be included insofar as they guarantee the processes of social integration and sustainability.

The year 2005 has brought with it developments in Europe that reinforce the interest in life quality analyses. After the first year of the enlargement of the EU to 25 members and with another four candidates waiting to join, more details have been revealed of the profound differences in the living conditions of the European population as a whole. The enlargement has increased the differences in almost all the areas of the social situation in the EU. The subjective welfare indicators also provide a much more unequal image, to the point where, and as an example, in most countries in the EU-15, the groups who were least satisfied with their living conditions were more satisfied than the groups with the highest standard of living in the new members.

Although it has not forgotten the original ambition of simultaneous progress in the objectives of economic growth, employment and social cohesion, the reactivation of the Lisbon Strategy during 2005 and the beginning of 2006 has focused on giving greater priority to the first two objectives, as has been shown in detail in the previous two chapters. To offer a more effective confirmation of this refocus of the Lisbon Strategy for the period 2006-2008, although it has continued to propose measures to maintain the drive on all the bases of the strategy, the European Council of Spring 2006 has proposed focusing on the efforts in four areas of priority (investment in know-how and innovation, corporate potential, employment in priority categories and energy policy) fully related to sustainable growth and employment, with very few references to objectives and measures related to the areas of life quality, social inclusion and cohesion. Within this set of priorities, only those related to the drive in investment in education and training, together with the adoption of the European Pact for Gender Equality, can be directly associated with objectives in these areas.

In accordance with the said Community focuses, Spain's National Reform Programme (PNR), the document that contains the Spanish position for the relaunch of the Lisbon Strategy, includes important objectives and measurements in the areas of education, the information society and social protection, but does so by including them in the strategic lines of human capital and the labour market, without establishing specific objectives for social inclusion and cohesion. Regardless of the proposals in the National Reform Programme and despite the progress made, there is a need to reinforce a number of objectives in other key areas to citizen life quality and the scope of social policies such as access to housing, the extension to the highest possible number of citizens of all the options of the information society, sustainable development, public health and consumer protection, social services cover, care for dependent individuals and policies for equality and non-discrimination.

2. Life quality

Any attempt to draw a conclusion before the analysis made in this chapter of the various areas selected as of interest from the citizen life quality viewpoint leads to an unequal overall balance of both the progress and voids detected, which suggests a more careful consideration of the situation in each of the different areas under analysis.

2.1. **Education**

The relaunch of the Lisbon Strategy has brought about a proliferation of analyses of the contribution of education systems and the definition of strategies and initiatives as a contribution to the progress of the said strategy in the area of education and training. Accordingly, the situation in Spain reaches levels of convergence on two main dimensions: the participation of schooling and spending on education, especially in the part that corresponds to public spending. It also reveals trends that rapidly approach European averages, albeit at a distance from the 'best' countries, regarding participation in continuous training and in the proportion of qualified workers in the areas of science and technology. However, the situation on the comparison is clearly negative on a level as important as the proportion of young people that leave school early (30.8%). Negative consideration may also be given to the Spanish distance from the EU average, albeit not so great in these cases, in the proportion of young people that have completed secondary education (baccalaureate and medium level cycles) and in the levels of student knowledge measured by the PISA report. To a certain extent, it can be understood that some of these more negative results are below what would correspond to the level of spending on education in Spain, which would require more care given to the quality of public policies and to problems associated with the organisation of schooling as factors related to these more precarious results.

The challenge of improving teaching quality, especially at obligatory education levels, is also set in an educational reality that is characterised at non-university levels by a growing presence of foreign students and their concentration in public centres (81.6%), as well as by a high level of academic failure.

With regard to regulations, this year has been marked by the attempt to draw up a social pact based on the reform proposed by the Bill for the Organic Statute on Education (LOE) and by its passing through Parliament. The new regulation, passed in 2006, intervenes in areas such as the organisation and autonomy of schools, discipline in the classroom, teachers, school inspectors and educational agreements. It modifies or eliminates certain aspects that were implanted by the LOCE and, for the first time, includes provisions on the possible additional cost of its application.

At university level, the regulatory activity in 2005 focused on reforms that referred to the approval and validation of foreign qualifications and to the modification of the national system for access to university education. In addition, progress has been made in the design of the basics of three key aspects in the new structuring and organisation of university education, such as the development of the graduate qualifications map, the opening of the debate on the implantation of official Master's degrees at postgraduate level and the modification of the LOU. Everything has taken place on the scenario of a continued reduction in the number of university students.

2.2. **Housing**

Accessibility to and the quality of housing are two fundamental aspects of life quality in Spain and, as such, they appear again and again among the problems that most concern the Spanish population. Despite the fact that the new prices issued by the Housing Ministry reveal a moderate deceleration in the upward trend of prices since 2003, this year, the increase in housing prices continues to produce a clear worsening of accessibility and debts corresponding to homes as a result of their mortgage commitments.

In Spain, the boost to the demand for housing and the consequent increase in prices has been strengthened by the increase in the number of homes caused by the intense growth in immigration in Spain, the structural displacement of homes to smaller sizes and the establishment of new homes through tourism. This post has been reinforced by the increase in employment, the increase in available income, favourable expectations on the progress of the economy, and also by the so-called 'wealth effect' and by the consideration of housing as an investment.

On the other hand, although the intensity in the renewal of housing implies higher quality and habitability of the houses, as well as a better adaptation to the current type of homes, it must be pointed out that the non-Community foreigners living in Spain live in more precarious conditions, especially at the beginning of their stay, and occupy the housing market segment with the worst conditions.

State intervention through the public housing policy has been characterised this year by two initiatives: the launch of the State Housing Plan 2005-2008 and the start-up of the Public Rental Agency. The commitment to increasing the sparse rental market as a way of improving citizen access to housing is the common denominator to both interventions.

2.3. **Health**

With the incorporation of the new Member States into the European Union in 2004, the contrasts in the area of health have increased. This can be seen in the indicators applied to life expectancy, mortality, morbidity and lifestyles in the enlarged European Union. Consequently, the least favourable life expectancy in the case of the countries of the enlargement has reduced the average value recorded until recent years in the former EU. In addition, the incidence recorded for certain important causes of mortality, such as cancer and traffic accidents, has increased. However, other indicators, such as those referring to the presence of certain infectious diseases, reflect a more benign situation in most of the new Member States. This reveals the increase in the diversity of health profiles throughout the EU and emphasises the need to examine how to improve health systems to reach a higher level of social cohesion.

Within the framework of the promotion of health, the fight against the negative effects of tobacco consumption represents one of the European Union's priority lines of action and, in accordance with the WHO's strategy, in recent years it has adopted various initiatives related to the control of smoking habits, such as Recommendation 2003/54/EC and mandatory regulations for Member States, such as Directive 2001/37/EC and Directive 2003/33/EC.

In Spain, after intense parliamentary debate, the adoption in December 2005 of Act 28/2005 governing measures against smoking habits has been the main milestone on the institutional panorama this year. The definitive text incorporates some of the amendments presented during the debate, although it does not introduce any significant modification at the anticipated level of restriction to the draft bill, which was the object of a decision issued by the CES. The new regulation focuses on smoking at all work centres and bars and restaurants with certain conditions which, before the law came into force, had been subject to partial regulation only.

In addition, the commitments assumed by the government in the area of health, the strategy for nutrition, physical activity and the prevention of obesity have now been adopted and those which refer to other important areas of interest, such as mental health and ischaemic cardiopathy are still under preparation.

2.4. **Consumption**

The structure of consumption in European homes has undergone notable changes over the last decade as a consequence of economic growth, socio-demographic changes and the sociopolitical changes affecting some of the new members of the European Union, who have protagonised a substantial approach to the patterns of consumption in more economically developed countries. Although it is true that between 1995 and 2003 the proportion of spending dedicated by homes to foodstuffs fell in all the Member States of the EU-25, in most countries of the enlargement, the reduction has been much greater.

In Spain, the consumption figures of the Continuous Survey on Family Budgets for 2005 show a situation of greater optimism and comfort than in previous years. In the last quarter of the year, the homes increased their spending by 6.5% with regard to the same quarter of the previous year, which represents one of the highest growths since the year 2000. At the same time, their debts underwent a further increase, surpassing the EU as a whole, whose percentage of debt of the GDP increased from 44% to 56% between 1995 and 2004. According to figures issued by the Bank of Spain, the total value of family debts in Spain with regard to their available income has increased from 52% in 1997 to 110% in 2005. The acquisition of housing, largely responsible for the total debt of homes, represented an increase in debt of 24.5 in 2005, which represents a new maximum.

At institutional level, the Act aimed at improving the protection of consumers and users is yet to be passed and is to introduce certain significant changes in the pricing systems for chain of title services. The bill was submitted for decision by the CES in the final weeks of 2005. The regulation of the Council of Consumers and Users, which was passed this year, lays down the new requirements to be fulfilled by organisations wanting to form part of this body, among other changes. Other less significant regulations were also passed during the year, most of which were related to foodstuffs safety and came from European directives. Of these, special mention must be made of certain provisions that respond to the farm-to-table focus due to the improvements they represent in foodstuffs safety.

2.5. **Information society**

The European Union has reactivated the policies aimed at stimulating the information society as a result of its intrinsic importance and direct relation to economic growth and social protection. The idea is to reduce the technological distance or digital gap that continues to occur not only between countries but also on a domestic scale in each country.

Once again, mention must be made of the distance between Spain and Europe in this area, especially with regard to spending on ICT, e-commerce, teleworking and network security. To counter this technological backwardness, the National Reform Programme has put forward a number of key actions within the framework of the Ingenio Programme 2010, more specifically the CENIT and CONSOLIDER programmes and the Avanz@ Plan. The diagnosis is more favourable with regard to broadband access, the availability of online public services, corporate access to the Internet and the proportion of homes that use the net to obtain information or take part in discussion forums. The home is gradually becoming the preferred place for accessing the Internet in view of the infrastructure deployed in recent years. Terrestrial digital television is currently taking off in Spain, with a penetration level of 3.3% in 2005. This is an emerging technology that today has a cover of 80% of the country.

The poor growth in investment in R&D and the increase in the brain drain are currently some of the main weaknesses of the European strategy for the development of a knowledge-based economy.

2.6. **Sustainable development**

The review of the Lisbon strategy and the revitalisation of the Cardiff process, which includes the environmental considerations in the sector policies, approached the need for making targets for economic growth and the creation of employment compatible with others related to society and the environment. In the context of the indicators laid down by the European Strategy for Sustainable Development, reviewed in 2005, there is a predominantly negative evolution of the main non-sustainable trends that affect the environment, especially those related to the climatic change, road haulage, the use of ground space and the management of natural resources.

Spain’s economic growth in recent years has led to an intensive use of natural resources, in particular, energy and land, which is causing a degradation of the environment that may be persistent in certain cases, as shown by the evolution of certain indicators between 1990 and 2004. This period recorded an increase in road haulage and passenger transport, the consumption of energy and water, total urbanised ground space, the generation of waste and the emission of gases with the greenhouse effect, which makes its necessary to redirect certain procedures to attain more sustainable development.

One of the main problems is the availability of fresh water, hampered by a particularly heavy drought situation in 2005. Some actions included in the AGUA programme propose alternatives for improving the availability and quality of the resources at the same time as they promote their more rational use.

3. Social protection

3.1. **The European objectives and framework**

The greater diversity in social situations in the EU and the reactivation of the Lisbon Strategy have been behind the debates and initiatives of 2005 with regard to the European social model. On the one hand, the British presidency contributed to the debate on the capacity of the European social model to deal with the challenge of the said diversity and the current stage of market globalisation. On the other, the commission has stimulated a more decided focus of the reforms on the 'more active' social protection system and on the financial sustainability of pension schemes.

In comparative terms, Spain's favourable economic situation of recent years has not led to significant strengthening of social protection, although it has improved the balance of the Social Security system and, consequently, its sustainability. In 2003, among the countries in the EU-15, Spain was in last-but-one position behind Greece and Portugal in spending on social protection measured in purchasing power parity (PPP). Its efforts represent 60.4% of the average in the EU-15, two points below the level of 1994. In terms of evolution, other countries which were even further from the European average than Spain at the beginning of the decade, such as Greece, Portugal and Ireland, have shortened the gap with the European average of the 15 Member States more quickly.

3.2. Social Security: key trends and situation

With a surplus in 2005 of 1.1%, the accounts of the Social Security system have improved hand-in-hand with the employment situation, which, in turn, responds to the increase of almost 6% in affiliation, with an outstanding contribution from the legalisation of foreigners during the year. At present, foreigners represent 9.3% of the affiliation to the Social Security system and just over 1% of pensioners, variables whose analysis will be of increasing interest in the coming years.

The situation of the reserve fund guarantees the solvency of the system until 2020, which situates the scenario for looking at future reforms in a reasonable term. In 2005, initiatives with a specific impact on certain sectors and collectives have been examined, mainly in the simplification of systems and the improvement of the protection afforded by the system, such as the signing of the agreement for the improvement of the Social Security for agricultural employment, the increase in the level of minimum pensions and the compatibility of the SOVI with other pensions.

Together with the above, the year 2005 saw the confirmation of the results of the regulatory changes specially adopted in 2002 in the area of flexible retirement and the extension of the working life: the increase in permanence in the employment of workers over 55 and 65 years of age, the increase in the average retirement age and the lower proportion of workers on the general system that retire before the age of 65 are indicators of the effects caused by the reforms implemented. In other areas, the scope of the initiatives related to the retirement age, the adoption of Act 14/2005, governing the clauses in agreements referring to the retirement age, re-established the possibility of clauses for the termination of contract on reaching the ordinary retirement age, whose repeal had distorted labour relations.

In terms of the evolution of the pension system, the ageing of the population is becoming more evident. In 2005, the effects of the incorporation into the retirement pension system of the first generations born after the Civil War were clearly noticeable and their number is on the increase. Together with the decisive impact of ageing, the improvement of protection (in particular, the compatibility of the SOVI with other pensions) has contributed to the increase in retirement pensions and situations of permanent disability. Despite this increase, the ratio between affiliates and pensioners (the rate of economic dependence of the system) remains favourable, although, together with the simple evolution of these variables, other matters must be watched, such as the composition of the new applications for affiliation in terms of contribution levels (with a growing participation of groups in the lower brackets) and the ratio between the amounts that correspond to the new pensions to be paid and those whose payment stops, where the former almost double the latter.

The improvement to employment and affiliation also affects the evolution of other economic benefits of a determined duration, such as maternity and temporary disability, which increase with the number of employed workers, but also with the slight increase in the birth rate. The same cannot be said for the family benefits provided by the Social Security per dependent child without disability, whose number of beneficiaries has continued to fall without the introduction of substantial modifications to the low income limit set for their eligibility. Although it increases the scope of protected situations, Royal Decree 1621/2005, which adopts the regulations of Act 40/2003, governing the protection of large families, on which the CES had the opportunity to comment, does not introduce new or greater benefits than the already existing provisions.

3.3. **Supplementary social welfare**

The different instruments of supplementary social welfare continue to appear gradually in Spain. Subscription in 2004 to the pension plan of the General State Administration, which will probably be followed by the various levels of the territorial administrations, represented a significant boost to the development of supplementary social welfare. The two modalities of pension plans and, as the exteriorisation process of pension commitments is completed, the individual plan system are growing at a higher rate than the employment system, albeit true that both have registered significant increases. Other instruments, such as social welfare mutual insurance societies or insurance companies, also carry out significant work in this area.

3.4. **Health**

Together with pensions, health represents another fundamental component in social protection with regard to both volume in spending (of which it absorbs around 30%) and, above all, the value it represents in terms of life quality and social cohesion. The rationalisation of health spending and management is extremely complex, given its practically universal character regarding population cover, the extension and quality of the services provided and the complete decentralisation of its management. In recent years, the initiatives for containing health spending have focused mainly on reducing the increase in spending on prescriptions. The situation in 2005, with an increase in pharmaceutical spending of only 5.6%, suggests that results are being obtained in this area, which does not mean that measures should not be considered for the rationalisation of management in other intervention areas.

During 2005, the debate on the sufficiency and sustainability of the health finance model, which culminated with the adoption of the agreement resulting from the Conference of the Presidents of Regional Governments, has intensified. However, the measures adopted focused more on reducing the cash deficits recorded by the regional governments and on adopting measures to increase the management, information and coordination of the system, with the sole exception of the inclusion of a system quality plan, which has been adopted in 2006.

3.5. **Unemployment benefit**

The improvement to the employment situation and the moderation of unemployment continues to be reflected in the lower increase in citizens receiving unemployment benefits: 2.6%, almost 2 points lower than the previous year. Overall, in 2005, the number of beneficiaries totalled 1,295,200, with an increase in both those receiving benefit from contributions and those corresponding to subsidies, albeit at a lower rate than in 2004. Meanwhile, the number of beneficiaries from temporary farm workers has continued to fall, confirming the downward trend begun in 2002. For their part, the number of those benefiting from the active access to employment income programme increased for the second year running. This evolution increased the cover rate with regard to the previous year by over 6%, taking the net rate to 74.5% and the gross rate to 63.7%.

The budget designed for unemployment benefits in 2005 totalled 13,062.6 million, 5.5% higher than the previous year, of which 99.4% had been carried out by the end of the year.

On a regulatory level, the modifications introduced in Royal Decree 205/2005, of 25 February, which regulates the active access to employment income programme for 2005, are worthy of particular mention and include the following main changes: the extension to the maximum term of the perception of income from 10 to 11 months; the creation of a subsidy as a work incentive for beneficiaries working full-time; and a reduction from three to one months of the waiting period for the income accrual to begin.

3.6. **Social services**

In 2005, the first figures corresponding to the social services users information system were made public. They contain information about the regions in which they have been implanted (so far thirteen) and are organised in a database offering statistical information about the profile of the social services user, each basic service and the professional interventions and resources applied.

In accordance with the type of services requested, those which are related to information and guidance take first place, representing 45% of the demands made in 2004. The complementary resources for the cover of subsistence needs constitute a modality with great demand in relative terms: 26% of users receive this type of service, which is the second-highest. The category of support actions and services for the cohabitation and domestic help unit also includes a good number of users and represents 18% of the total demand. The personal profiles include a high number of elderly individuals, who represent more than one third of the collective, the noticeable presence of women, low levels of training and employment, as well as the increasingly important presence of immigrants.

The report on the social services plan in local corporations points to the absence of significant change in recent years, after the consolidation of the initial drive of its early years. The cover registered by municipal districts increased by only one percentage point. The area of finance has included a tendency to greater involvement of local corporations and the relatively low contribution from the General State Administration.

3.7. **Care for dependency**

The appearance of dependency as a risk differentiated from other contingencies traditionally protected by social protection systems, such as old-age and illness, currently represents one of the most significant tendencies in the evolution of societies and social protection systems in Europe. In Spain, throughout 2005, significant progress has been made in the creation of the National Dependency System, which constituted one of the first commitments the government made for the new term of office and involves the collaboration of the social players as laid down in the agreement on the actions aimed at protecting care for situations of dependency. The aim was to establish new rights for citizens that guarantee care and attention for dependent individuals.

At the beginning of 2005, the Ministry of Work and Social Affairs published a White Paper on care for individuals in situations of dependency in Spain, which proposes an examination of the size and makeup of the collective in an attempt to define a threshold for entrance into the system, together with a formula for establishing various levels to be used as a basis for setting objectives regarding the intensity and frequency of the care services provided. Its contents include the following basic figures: adding together the three levels of dependency established in the document, the dependent population in Spain comprises almost 960,000 individuals, 14.7% of which are ‘heavily dependent’, 31.7% are ‘severely dependent’ and the remaining 53.6% are ‘moderately dependent’.

For its part, the agreement on the actions aimed at protecting care for situations of dependency represents an essential reference point for the configuration and future development of the national dependency care system, since it is the starting point for the future Care for Individuals in Situations of Dependency Act, whose parliamentary process began in 2006 and on whose bill the CES issued the corresponding Decision. The content of the agreement, assumed by the project, referred to the principles on which the SND was to be based, the subjective scope of the right to services for the promotion of personal independence and care for dependency, evaluation and levels of dependency, the comprehensive character of the system and the modalities of the services eligible for inclusion in the corresponding catalogue, the progressive application of the system and the principles of its finance, quality, training and qualification of professionals and carers, the monitoring and alert mechanisms in cases of exceptional risk, as well as the participation and monitoring bodies. The adoption of the future Act will culminate a lengthy process of analysis and participation leading to the creation of a new scope of action for public authorities, which will represent a notable increase and improvement to the intricacies of social protection in Spain.

3.8. **Poverty and social inclusion**

The fight against poverty and social exclusion remains a huge challenge for the European Union and for Spain in particular. Despite the intense growth of the Spanish economy over the last decade, the level of the population below the relative poverty threshold continues (20% in comparison with the 16% of the EU-25) and the level of severe poverty has stopped falling. Furthermore, Spain is the second-ranking country in the EU-25, after Greece, in which the least visible effect on the percentage of reduction of the poverty rate is the effect of social transfers other than pensions. The risk of suffering situations of poverty particularly affects the unemployed, single-parent families, the elderly who live alone, large families and the so-called *poor workers*. The proportion of *poor workers* in the overall employee population rose to 10% in comparison with the 7% average of the EU-15. 29.6% of children and 24.3% of people over the age of 65 in Spain were exposed to the risk of poverty. The phenomenon of social exclusion is particularly acute in the homeless, a heterogeneous group comprising around 21,900 people, which, in recent years, has incorporated a significant number of extra-Community foreigners.

On this scenario, the year 2004 saw the adoption of the 3rd National Action Plan for Social Inclusion of the Kingdom of Spain 2005-2006, registered in the scope of application of the European open coordination method. As from 2006, this method will cover all the areas of social protection, including pensions, health and long-term care, as well as social inclusion. The risks of this new integrating strategy can be seen in the loss of visibility of the specific actions in favour of social inclusion, especially those that are not closely linked to employment. Despite the highly general nature of its proposals and the fact that the plan's lines of intervention and action coincide with actions laid down in the framework of other policies and plans, it does at least contain the explicit commitment to maintaining a national strategy on social inclusion, as recommended by the CES in its Decision on the draft version of the plan.

3.9. **Equality and non-discrimination**

Legislation and policies in equality and the fight against discrimination can play a fundamental role to supporting the Lisbon agenda, contributing to overcoming stereotypes and prejudices related to the capacities of the members of certain collectives. Driven by commitments made in the international context and, above all, the Community context, Spain has implemented new initiatives in this area in 2005 which, in certain cases, are not exempt from controversy, such as the legislative changes that increased the rights of homosexuals.

In the area of gender equality, the Community launched the European Pact for Gender Equality initiative in 2005 as part of the projects linked to the relaunch of the Lisbon Strategy. In Spain, in application of the principle of transversality, the government undertook to implement a wide range of measures in all areas, including the adoption of the future Equality Act, whose process has begun in 2006 after the CES had had the opportunity to issue its decision on the bill. This area has also witnessed progress in the development of comprehensive protection measures against domestic violence, while the debate on the best instruments for favouring conciliation between professional and family life remains open.

The full inclusion in the collective life of the disabled is conditioned to the slow development of policies on accessibility in application of the Equal Opportunities, Non-discrimination and Universal Accessibility of the Disabled Act 5/2003 (LIONDAU), the 2nd action plan for the disabled 2003-2007 and the 1st National Accessibility Plan 2004-2012. In 2005, a necessary step was taken to promote the extension of sign language and support for oral communication. The future national system for dependency care can contribute to correcting part of the current lack of resources for the disabled, a collective with two thirds of its members over the age of 65.

Finally, if any area deserves particular mention among the main challenges facing social policies, it is immigration, one of the main factors behind the socio-economic change experienced by Spanish society in recent years. Beyond its effect on employment and on the affiliation to the Social Security system, various indicators report the maturity and permanence of the immigration of a high number of foreigners that have come to Spain in recent years, as well as their penetration level in all areas. The progression in nationalisations is outstanding, together with mixed marriages, the number of children born to a least one non-Spanish parent, the spectacular increase in the number of foreign students and the increase in all kinds of relations and attitudes of friendship, as well as rejection, between Spaniards and foreigners. After the legalisation process of foreigners that took place in 2005 as a temporary measure, the importance of the change that is being brought about in Spanish society by immigration fully justifies the need for a social integration strategy that focuses on immigrants.

EDUCATION INDICATORS FOR THE EUROPEAN UNION

Education indicators for the European Union	% population from 25 to 64 years of age taking part in education and training, 2005			% population from 20 to 24 years of age with higher secondary level qualifications (a), 2005			% young people leaving school early (b), 2005			% people of 18 years of age that are at school at any level of education, 2003	Learning of foreign languages per student, 2003 Secondary education (average number of languages studied)		Students at higher secondary level registered in professional training, 2003		Science and technology graduates, 2003 (c)		
	Total	Men	Women	Total	Men	Women	Total	Men	Women		Stage 1	Stage 2	Men	Women	Total	Men	Women
Sources		1			1			1		2	2		2			1	
EU-25	10.8	10.0	11.7	77.3	74.6	80.0	14.9	17.1	12.7	76.3	–	–	57.4	53.8	12.3	16.8	7.8
EU-15	11.9	11.0	12.8	74.5	71.6	77.5	16.9	19.4	14.5	74.6	–	–	57.1	55.6	13.3	18.2	8.3
Belgium	10.0	10.3	9.7	80.3	76.0	84.6	13.0	15.3	10.6	88.0	1.2	1.8	72.2	68.5	11.0	16.4	5.6
Czech Republic	5.9	5.5	6.4	90.3	90.8	89.8	6.4	6.2	6.6	88.3	1.0	1.4	84.3	74.4	6.4	8.8	3.8
Denmark	27.6	24.2	31.0	76.0	74.5	77.5	8.5	9.4	7.5	80.9	1.9	1.5	59.0	47.8	12.5	17.3	7.6
Germany	7.4*	7.8*	7.0*	72.8*	71.5*	74.2*	12.1*	12.2*	11.9*	86.9	1.2	0.8	67.8	55.9	8.4	12.7	4.0
Estonia	5.9	4.2	7.5	80.9	74.9	87.0	14.0	17.4	10.7	79.3	2.0	2.2	40.1	19.2	8.8	10.0	7.6
Greece	1.8	1.9	1.7	84.0	79.4	88.7	13.3	17.5	9.2	73.6	1.9*	1.0*	41.6	30.2	–	–	–
Spain	**12.1****	**11.2****	**13.1****	**61.3**	**54.8**	**68.2**	**30.8**	**36.4**	**25.0**	**68.4**	**1.4**	**1.2**	**40.7**	**34.0**	**12.6**	**17.1**	**7.8**
France	7.6	7.4	7.9	82.8	81.2	84.3	12.6	14.6	10.7	80.1	1.5	1.7	62.1	50.7	22.2	30.7	13.6
Ireland	8.0	6.6	9.4	86.1	83.4	88.8	12.3	14.9	9.6	81.3	1.0	0.9	–	–	24.2	31.5	16.8
Italy	6.2	5.7	6.6	72.9	67.8	78.1	21.9	25.9	17.8	75.9	1.2	1.3	27.7	24.2	9.0	11.4	6.5
Cyprus	5.6	5.1	6.1	80.7	72.0	88.9	18.1	26.6	10.6	28.4	1.9	1.4	22.4	4.8	3.6	4.2	3.0
Latvia	7.6	4.9	10.0	81.8	77.0	1.9	15.5	8.2	7	8.9	1.5	–	45.4	30.1	8.6	10.5	6.6
Lithuania	6.3	4.9	7.6	85.2	80.5	90.1	9.2	12.2	6.2	87.4	1.7	1.4	31.7	20.5	16.3	20.8	11.8
Luxembourg	9.4	9.3	9.5	71.1	70.4	71.7	12.9	12.8	13.0	71.4	2.5	2.3	68.3	61.1	–	–	–
Hungary	4.2	3.5	4.8	83.3	81.3	85.4	12.3	13.5	11.1	75.9	1.0	1.2	15.6	9.9	4.8	6.9	2.6
Malta	5.8	6.7	4.84	5.0	41.7	48.4	44.5	46.2	42.8	42.8	2.2	0.5	32.5	13.6	3.1	4.4	1.7
Holland	16.6	16.6	16.7	74.7	70.6	78.9	13.6	15.8	11.2	76.2	–	2.6	71.1	67.1	7.3	11.7	2.7
Austria	13.9	13.2	14.6	85.9	84.1	87.6	9.1	9.5	8.7	69.4	1.1*	1.3*	76.1	66.9	8.2	12.8	3.5
Poland	5.0	4.3	5.6	90.0	88.4	91.7	5.5	6.9	4.0	85.4	1.3	1.5	63.4	44.2	9.0	11.8	6.1
Portugal	4.6	4.5	4.7	48.4	40.4	56.6	38.6	46.7	30.1	61.2	1.8	0.8	32.3	24.4	8.2	9.5	6.9
Slovenia	17.8	16.0	19.6	90.6	87.8	93.5	4.3	5.7	2.8	85.7	1.1	1.5	75.4	63.2	8.7	12.5	4.6
Slovakia	5.0	4.7	5.2	91.5	90.9	92.1	5.8	6.0	5.7	72.2	1.1	1.5	79.8	70.9	8.3	10.7	5.8
Finland	24.8	21.1	28.6	84.6	81.2	87.9	8.7	10.6	6.9	91.9	2.2	–	62.9	55.2	17.4	24.0	10.4
Sweden	34.7	29.9	39.7	87.8	86.6	89.0	8.6	9.3	7.9	94.5	1.7	1.6	56.1	50.3	13.9	17.9	9.7
United Kingdom	29.1	24.2	33.9	77.1	77.5	76.7	14.0	14.7	13.2	54.8	0.8	–	64.7	72.8	21.0	27.5	14.5

*: Figures previous year. ** The figures for Spain include a break in the series that gives greater cover to the activities included.

(a) According to the CNED-2000-ISCED-97 correspondence, this level includes the second stage of secondary education (general-baccalaureate and medium-level professional education and special system) and education for professional training and employment that require a first-stage secondary-level qualification.

(b) % of early school leavers who do not continue with their education or training.

(c) New graduates for every 1000 young people between the ages of 20 and 29 years.

Sources: (1) Eurostat, *Structural Indicators*, (2) Eurostat, *Long-term indicators, Population and social conditions, Education and lifelong learning*.

PRICES OF RESIDENTIAL PROPERTY IN THE COUNTRIES IN THE EUROZONE (Year-on-year variation rates)

Countries	1997-2000	2001	2002	2003	2004	2005	2005		
						1H	1st quarter	2nd quarter	3rd quarter
Belgium (1)	5	5.3	7.7	7.8	6.8	..	..	..	..
Germany (2)	–0.5	0.1	–1.2	*0.9	-2.1	..	..	..	..
Greece (2)	10.5	14.5	13	5.7	2.6	..	7.3	..	..
Spain (2)	**6.2**	**9.9**	**15.7**	**17.6**	**17.4**	**14.8**	**15.7**	**13.9**	**13.4**
France (1)	4.5	7.9	8.3	11.7	15.3	14.6	15.1	14.2	..
Ireland (2)	21.1	8.1	10.1	15.2	11.4	10.8	11.1	10.5	..
Italy (2)	2.1	8	12.9	10.0	9.0	11.6	..	..	..
Luxembourg (3)	3.8	13.8	11.9	13.3	..	..	..	..	..
Netherlands (1)	14.6	11.2	8.4	4.7	3.9	4.2	4.3	4.1	3.8
Austria (2).(4)	-1.9	-3.6	-1	0.9	-0.6	..	..	..	..
Portugal (2)	5.8	3.6	1.1	1.6	0.4	1.9	0.5	3.2	..
Finland (2)	10.7	-0.5	7.4	6.3	7.3	4.1	3.8	4.5	..
Eurozone (2)	**3.8**	**5.5**	**6.8**	**7.1**	**7.0**	**7.5**	**..**	**..**	**..**

Notes: The estimate related to the Eurozone for the first half of 2005 is based on the available national figures and on estimates made by the BCE. The six-monthly estimate is partially obtained from the annual results; therefore, the half-yearly figures are not as exact as the annual figures.
(1) Houses built. (2) All houses. (3) Houses. (4) Up to 2000, Vienna only.

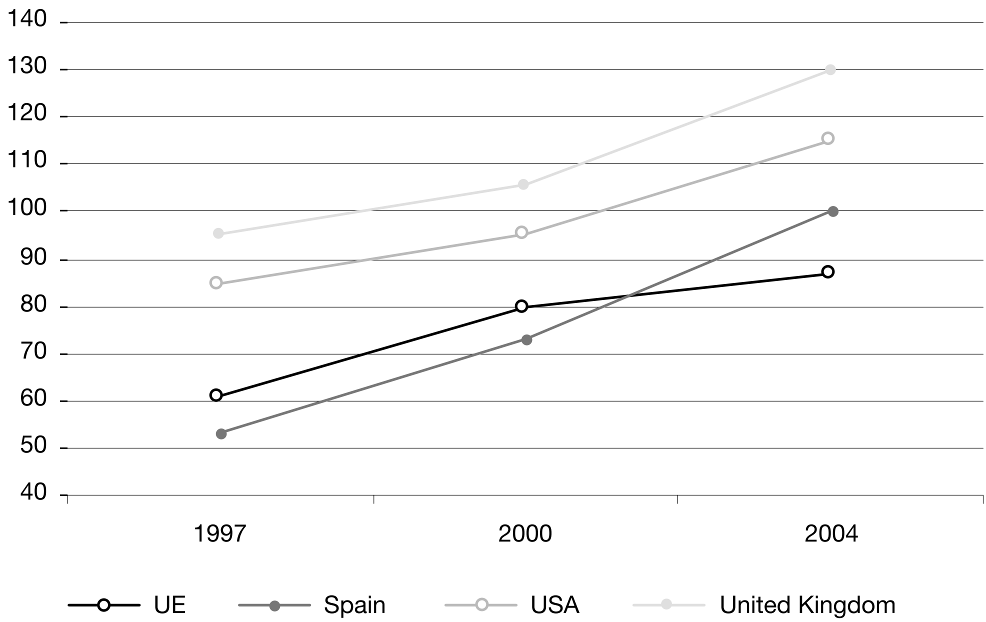
Sources: BCE, *Monthly Bulletin,* February 2006.

BASIC HEALTH AND HEALTH SERVICES INDICATORS

General indicators	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Life expectancy at birth, in years, by gender (1)										
Both genders		78.0	78.3	78.6	78.7	78.6	78.7			
Males		74.4	74.7	75.1	75.2	75.3	75.4		75.7	76.9
Females		81.6	81.9	82.0	82.1	82.5	82.7		83.1	83.6
Evolution of mortality. Gross rate per 1000 inhabitants (1)										
Both genders	8.6	8.8	8.9	8.9	9.1	9.4	9.0			9.1
Males	9.4	9.6	9.7	9.6	9.9	10.0	9.7			9.7
Females	7.9	8.1	8.2	8.2	8.5	8.7	8.4			8.6
Evolution of chronic illnesses. Morbidity in population of 16 and older (2)										
High blood pressure		12.0		11.4				14.4		12.3
High cholesterol		9.5		8.2				10.9		8.9
Diabetes		4.7		5.0				5.6		5
Chronic bronchitis or asthma		4.9		5.0				4.8		5.3
Heart disease		4.8		4.9				5.2		5
Stomach ulcer		4.3		3.5				3.5		2.1
Allergy		8.1		8.0				8.0		9.8
Depression								6.5		4.6
I have not been told that I have any of these diseases		67.3		68.8				61.9		
Evolution of AIDS. Rate per million inhabitants (3)										
Both genders	188.2	181.1	166.5	120.9	89.5	74.3	68.4	59.0	52.7	47
Evolution of traffic accidents and victims (4)										
Accidents per 10,000 vehicles	43	44	44	42	46	44	44	41		
Deaths per 10,000 vehicles	3	3	3	3	3	3	2	2		
Deaths per 1000 accidents	72	69	64	65	61	59	58	55	54.3	54
Injuries per 1000 accidents		1,522	1,515	1,520	1,510	1,520	1,529	1,545	1,547	1,561
Deaths per 10,000 accidents	1.4	1.5	1.4	1.4	1.5	1.5	1.5	1.4	1.3	1.3
Evolution of smoking habits (2)										
Daily smoker (males)		43.5		42.1				39.2		34.1
Daily smoker (females)		24.5		24.8				24.6		22.4
Ex-smoker (males)		22.7		23.1				24.8		24.7
Ex-smoker (females)		7.0		7.8				9.4		10.4
Evolution of the consumption of alcohol (2)										
Excessive drinker (males)		4.9		4.5				3.9		4.3
Excessive drinker (females)		0.3		0.3				0.2		0.5
Evolution of obesity (2)										
Obesity (males)		10.7		12.4				12.8		13.3
Obesity (females)		11.9		13.6				14.5		13.9
Evolution of physical exercise (2)										
Inactivity free time (males)		40.7		39.2				41.2		
Inactivity free time (females)		52.9		52.1				52.2		
High-technology equipment depending on hospitals (5)										
CAT scan (Computed Axial Tomography)	305	354	352	359	402	456	483	505	531	
Resonance imaging	98	108	124	125	150	181	194	231	256	
GAM (Gamma camera, includes SPECT)	198	183	200	190	214	221	213	209	210	
HEM (haemodynamic rooms)	123	125	135	131	146	138	161	166	165	
DSA (Digital Substraction Angiography)	116	125	129	130	132	137	148	147	151	
LIT (extracorporeal shock wave lithotripsy)	65	62	70	71	74	69	73	74	73	
Cobalt bomb	77	77	79	72	74	62	60	58	54	
Particle accelerator	47	51	51	52	65	79	89	95	97	
Health staff (1)									420,000	
Registered doctors (total)	162,089	162,650	165,560	168,240	171,494	174,886	179,033			190,655.0
Registered doctors (% females)	33.5	33.8	34.6	36.4	36.4	37.0	37.9		40.7	40.7
Registered nurses (total)	167,957	172,132	177,034	181,877	203,412	197,340	204,485			220,769.0
Registered nurses (% females)	78.8	79.0	79.8	80.1	80.2	80.6	80.5		81.6	81.6
Registered pharmacists (total)	40,323	41,387	45,021	44,990	46,761	48,717	50,759			56,501.0
Registered pharmacists (% females)	63.5	63.8	65.8	65.0	65.7	66.2	66.8		68.0	68.0

Sources: (1) INE. (2) Ministry of Health and Consumerism, *National Health Survey*. (3) Ministry of Health and Consumerism, *Carlos III Health Institute. National AIDS Register*. (4) Ministry of the Interior, Department of Traffic. (5) Ministry of Health and Consumerism, *National Hospital Catalogue*.

LEVEL OF DEBT OF HOMES IN COMPARISON WITH THEIR AVAILABLE GROSS INCOME



Source: Bank of Spain.

ICT INDICATORS EU-25, 2005

Countries	Spending (% GDP)			Internet Access (%)				e-Learning (%)		Broadband access (%)			e-Commerce		Teleworking, (4)	e-Administration (%)			Net security: virus (%)	
	IT	C	ICT	Users (1)	Homes	Enterprise	SMEs	Individuals (2)	Enterprise	Homes	Enterprise	Rate of penetration	% companies	% Individuals (3)	% companies	Individuals (5)	Enterprise	Availability services	Individuals	Enterprise
EU-15	3.0	3.4	6.4	58	53	92	91	11.5	20.0	25.0	65.0	12.0	26.0	20.0	20.0	25.0	56.0	49	20.4	27.0
EU-25	3.0	3.3	6.3	54	48	91	90	10.1	21.0	23.0	63.0	10.6	24.0	17.0	19.0	22.0	57.0	41	18.5	27.0
Belgium	2.9	3.5	6.4	60	50	95	94	13.0	22.0	41.0	78.0	17.4	18.0	11.0	33.0	18.0	61.0	35		23.0
Czech Republic	2.8	4.3	7.1	35	19	92	91	1.3		5.0	52.0	4.3	21.0	3.0	6.0	5.0	79.0	30	4.9	24.0
Denmark	3.5	3.2	6.7	83	75	97	97	13.7	12.0	51.0	82.0	22.0	32.0	26.0	50.0		87.0	58	29.0	26.0
Germany	3.1	3.1	6.2	69	62	94	93	12.2	20.0	23.0	62.0	10.2	41.0	32.0	24.0	31.3	44.0	47	22.9	20.0
Estonia	2.3	6.3	8.6	61	39	90	88	5.9	24.0	30.0	67.0	11.1	13.0	4.0	20.0	31.0	70.0	63	6.1	22.0
Grecia	1.3	3.8	5.1	24	22	92	90	3.4	37.0	1.0	44.0	0.8	14.0	2.0	17.0	7.0	81.0	32	4.4	25.0
Spain	**1.7**	**3.5**	**5.2**	**48**	**36**	**90**	**89**	**5.5**	**29.0**	**21.0**	**76.0**	**10.0**	**4.0**	**8.0**	**8.0**	**22.5**	**55.0**	**55**	**22.9**	**24.0**
France	3.3	2.7	6.0		34	83	82				49.0	13.9						50		
Ireland	2.1	3.3	5.4	27	40	92	90	6.9	26.0	7.0	48.0	4.4	41.0		27.0	18.0	76.0	50	9.2	37.0
Italy	1.9	3.4	5.3	35	39	92	91	6.2	12.0	13.0	57.0	9.5	4.0	4.0	9.0	14.0	73.0	53	14.6	47.0
Cyprus				33	32	85	82	9.0	42.0	4.0	40.0	2.7	15.0	4.0	18.0	11.0	40.0	25	8.0	30.0
Latvia	1.9	5.7	7.6	46	42	75	71	8.8	29.0	14.0	48.0	3.7	1.0	3.0	8.0	13.0	35.0	5	7.9	16.0
Lithuania	1.4	4.4	5.8	36	16	86	83	13.9	47.0	12.0	57.0	5.0	7.0	1.0	14.0	12.0	72.0	40	14.3	32.0
Luxembourg				70	77	92	91	14.5	12.0	33.0	64.0	11.7	22.0	31.0	17.0	46.0		20	32.4	21.0
Hungary	2.4	4.7	7.1	39	22	78	74	11.0	14.0	11.0	48.0	4.5	5.0	5.0	20.0	18.0	67.0	15	11.5	51.0
Malta											62.0	10.4						40		
Netherlands	3.8	3.7	7.5	81	78	91	89		13.0	54.0	71.0	22.4	20.0		29.0	46.0	57.0	32		20.0
Austria	3.0	3.4	6.4	58	47	95	94	8.8	22.0	23.0	61.0	11.6	22.0	19.0	20.0	29.0	75.0	72	15.5	34.0
Poland	2.0	5.2	7.2	39	30	87	84	4.6	23.0	16.0	43.0	1.9	9.0	5.0	4.0	13.0	64.0	10	11.8	21.0
Portugal	2.0	5.1	7.1	35	31	81	78	6.0	15.0	20.0	63.0	10.1	12.0	4.0	15.0	14.0	58.0	40	8.2	11.0
Slovenia	2.1	3.1	5.2	40	48	96	95	16.0	40.0	19.0	74.0	7.8	15.0	8.0	22.0	19.0	72.0	45	19.9	31.0
Slovakia	2.2	3.8	6.0	55	23	92	91	5.5	39.0	7.0	48.0	1.5	7.0	6.0	35.0	27.0	57.0	15	14.3	19.0
Finland	3.7	3.4	7.1	74	54	98	98	22.0	32.0	36.0	81.0	18.7	19.0	25.0	33.0	47.0	91.0	67	23.1	55.0
Sweden	4.4	4.3	8.7	85	73	96	95	5.3	24.0	40.0	83.0	17.1	41.0	36.0	40.0	52.0	80.0	74	20.7	24.0
United Kingdom	4.2	3.7	7.9	70	60	90	88	16.3	18.0	32.0	65.0	13.5	51.0	36.0	26.0	24.0	39.0	59	26.0	20.0

(1) Percentage of individuals between 16 and 74 years of age that used the Internet in the last year.
(2) Percentage of individuals between 16 and 74 years of age that used the Internet for formal educational activities (school, university).
(3) Percentage of individuals between 16 and 74 years of age that ordered goods or services over the Internet for private use in the last three months.
(4) Percentage of companies with employees that work partially outside the company and access remote computer systems.
(5) Percentage of individuals between 16 and 74 years of age that have used the Internet in the last three months to obtain information from the public administrations.

Source: Eurostat, *Science and Technology Indicators*.

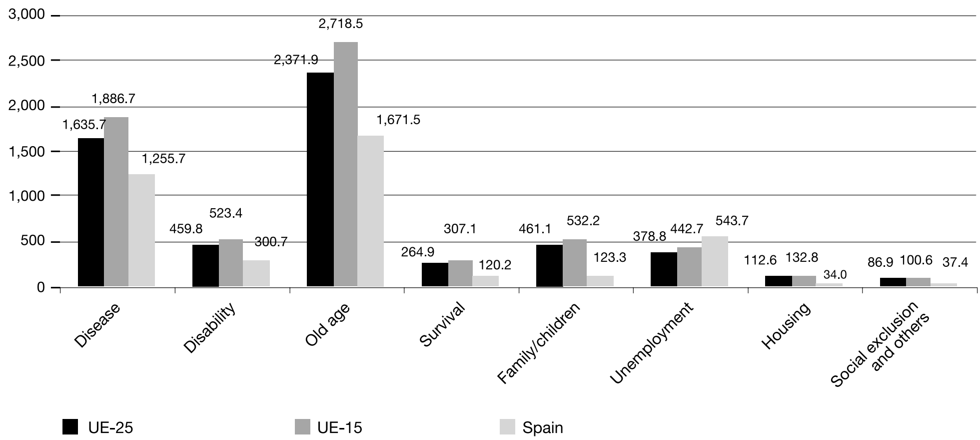
ENVIRONMENTAL INDICATORS FOR THE EU-25 ACCORDING TO THE LISBON STRATEGY, 2003

Countries	Total emission GEI (equiv. CO_2) 1990 (million t)	2003	Objective 2010	Distance 2003-2010	Intensity energy economy[1]	Road haulage Index[2]	Rate[3]	Passenger transport by road Index[4]	Rate[5]	RSU generated[6]	RSU eliminated Dumped[6]	Incinerated[6]	Renewable energies[7]
EU-25	5,211.8	92.0	—	—	209.5	99.7	76.4	—	—	534	261	92	12.8
EU-15	4,237.9	98.3	92.0	–6.3	190.8	100.6	79.4	—	—	577	259	108	13.7
Belgium	145.7	100.6	92.5	–8.1	223.9	95.2	76.5	95.2	83.3	446	56	159	1.8
Czech Republic	192.1	75.7	92.0	16.3	889.6	99.0	74.5	98.5	81.2	280	201	39	2.8
Denmark	69.3	106.3	79.0	–27.3	128.2	87.2	92.1	96.2	80.4	675	34	363	23.2
Germany	1,243.6	81.5	79.0	–2.5	159.5	104.5	67.8	92.6	85.3	638	127	146	7.9
Estonia	43.5	49.2	92.0	42.8	1,208.4	190.0	39.9	—	—	418	274	–	0.5
Greece	109.4	123.2	125.0	1.8	250.1	122.7	98.2	111.3	72.7	428	393	–	9.6
Spain	**283.9**	**140.6**	**115.0**	**–25.6**	**226.6**	**139.2**	**94.3**	**102.6**	**83.5**	**609**	**361**	**40**	**22.3**
France	568.0	98.1	100.0	1.9	187.64	93.7	78.8	96.4	86.6	561	214	189	13.0
Ireland	53.9	125.2	113.0	–12.2	161.7	141.7	97.5	78.4	74.8	732	505	–	4.3
Italy	511.2	111.6	93.5	–18.1	192.61	93.4	89.5	101.7	83.3	523	323	49	12.8
Cyprus	6.0	152.8	—	—	278.6	99.6	100.0	—	—	724	653	–	0.0
Latvia	25.4	41.5	92.0	50.5	728.8	133.1	27.5	—	—	362	248	10	35.4
Lithuania	50.9	33.8	92.0	58.2	1,204.8	120.9	50.0	98.1	84.6	263	263	–	2.8
Luxembourg	12.7	88.5	72.0	–16.5	201.51	109.0	92.0	81.6	82.3	658	149	274	2.3
Hungary	103.3	68.1	94.0	25.9	582.0	87.2	65.4	78	61.6	463	390	24	0.9
Malta	2.2	129.1	—	—	269.0	—	100.0	—	—	549	549	–	0.0
Netherlands	211.7	100.8	94.0	–6.8	208.7	89.3	67.2	90.2	87.3	599	16	197	4.7
Austria	78.6	116.6	87.0	–29.6	150.5	118.5	67.4	91.7	77.9	610	183	65	55.9
Poland	459.8	67.9	94.0	26.1	663.1	78.4	60.8	94.9	77.6	260	251	1	1.6
Portugal	59.4	136.7	127.0	–9.7	251.3	118.3	93.1	116.1	87.3	452	338	98	36.4
Slovenia	18.6	98.1	92.0	–6.1	338.1	93.3	59.0	89.8	83.5	451	344	3	23.1
Slovakia	72.1	71.8	92.0	20.2	937.33	48.6	61.2	77.9	71.4	319	222	29	12.0
Finland	70.4	121.5	100.0	–21.5	280.7	91.5	75.3	86.9	84.4	450	285	41	21.8
Sweden	72.2	97.6	104.0	6.4	218.6	90.8	64.5	92.7	82.9	471	64	212	40.0
United Kingdom	748.0	86.7	87.5	0.8	213.1	85.4	89.8	—	—	610	460	45	2.8

(1) Gross energy consumption (ktep)/GDP (thousands €).
(2) Volume of road haulage (t-km)/GDP (constant euros 1995).
(3) Percentage t-km by road of total transported.
(4) Volume of passenger transport (No.-km)/GDP (constant euros 1995).
(5) Percentage passengers-km by road of total transported.
(6) kg/person/year.
(7) Rate of electricity generated from renewable energy in comparison with gross electricity consumption.

Source: Eurostat, *Structural Indicators.*

SPENDING ON SOCIAL PROTECTION BY FUNCTIONS IN SPAIN AND IN THE EU, 2003 (Spending per inhabitant in each function group, PPP)



Source: Eurostat, *European social statistics: Social protection. Expenditure and receipts*, figures 1994-2003.

EVOLUTION OF THE NUMBER OF PENSIONS IN FORCE BY CLASSES

(By number and year-on-year increase in %, figures at 31 December)

Classes	2000	Increase 2000	2001	Increase 2001	2002	Increm. 2002	2003	Increase 2003	2004	Increase 2004	2005	Increase 2005
Permanent disability	792,620	–0.7	788,620	–0.5	787,390	–0.2	796,720	1.2	815,100	2.3	832,790	2.2
Retirement	4,493,400	1.0	4,545,620	1.2	4,575,290	0.7	4,603,380	0.6	4,619,620	0.4	4,678,270	1.3
Widowhood	2,009,570	1.8	2,042,440	1.6	2,073,300	1.5	2,106,220	1.6	2,136,350	1.4	2,165,880	1.4
Destitution	258,990	6.7	257,810	–0.5	267,270	3.7	271,300	1.5	266,560	–1.7	262,700	–1.4
Family death	44,310	–1.7	43,440	–2.0	42,530	–2.1	41,840	–1.6	41,010	–2.0	40,070	–2.3
Total	**7,598,890**	**1.2**	**7,677,920**	**1.0**	**7,745,780**	**0.9**	**7,819,460**	**1.0**	**7,878,640**	**0.8**	**7,979,710**	**1.3**

Source: MTAS, General State Budget for 2006. *Economic-financial report.*

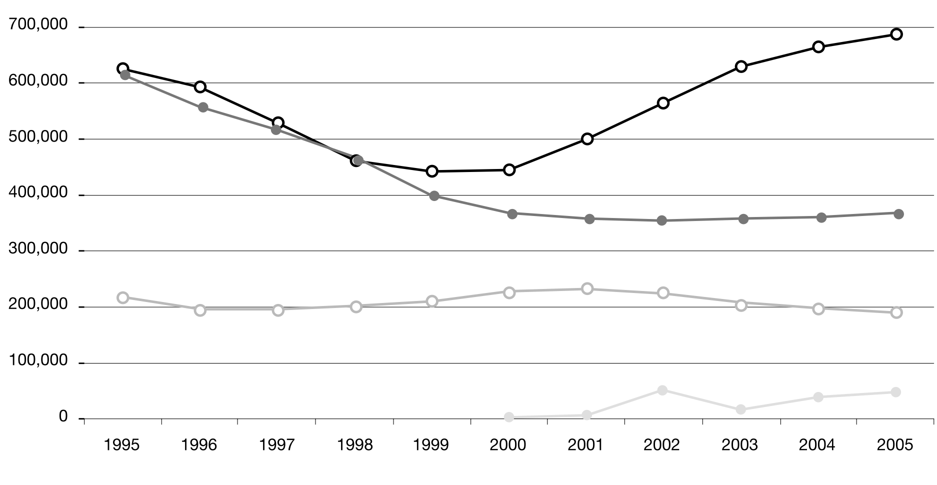
EVOLUTION OF PHARMACEUTICAL SPENDING BY REGION

Regions	2001		2002		2003		2004		2005	
	Thousands €	% var.	Thousands €	% var.	Thousands €	% var.	Thousands €	% var.	Thousands €	% var.
Aragon	230.7		256.2	11.1	283.7	10.75	302.4	6.6	321.2	6.2
Asturias	208.0	–	228.9	10.0	288.9	26.24	272.0	–5.9	285.4	4.9
Balearic Islands	121.3	–	135.6	11.7	153.4	13.15	165.8	8.1	177.7	7.2
Cantabria	90.6	–	99.4	9.7	110.8	11.53	119.7	8.0	126.5	5.7
Castilla-La Mancha	333.3	–	369.9	11.0	425.8	15.13	446.0	4.7	474.6	6.4
Castilla y León	424.5	–	468.4	10.3	527.7	12.66	565.2	7.1	596.2	5.5
Extremadura	202.0	–	223.4	10.6	249.7	11.77	265.1	6.2	278.9	5.2
Madrid	714.3	–	801.2	12.2	907.4	13.26	971.5	7.1	1,034.5	6.5
Murcia	214.3	–	240.0	12.0	275.2	14.67	304.3	10.6	330.6	8.7
La Rioja	47.9	–	52.7	10.0	59.2	12.3	63.7	7.6	68.4	7.4
Ceuta	8.0	–	8.9	11.9	10.1	12.8	11.1	10.0	12.0	8.1
Melilla	5.8	–	6.6	14.5	7.7	15.4	8.4	9.0	9.1	8.9
INSALUD	2,602.0	9.2	–	–	–	–	–	–	–	–
Andalusia	1,274.4	6.9	1,381.7	8.4	1,523.6	10.27	1,616.9	6.1	1,663.2	2.9
Canary Islands	286.8	10.3	318.2	10.9	368.7	15.88	399.7	8.4	433.2	8.4
Catalonia	1,206.4	5.6	1,321.1	9.5	1,483.2	12.27	1,551.4	4.6	1,617.9	4.3
Galicia	546.3	9.1	595.4	9.0	656.6	10.28	689.6	5.0	734.9	6.6
Navarra	94.5	7.8	106.6	12.8	119.7	12.25	127.1	6.2	135.6	6.7
C. Valenciana	886.7	8.5	974.5	9.9	1,103.1	13.19	1,186.6	7.6	1,269.6	7.0
Basque Country	360.2	5.8	383.8	6.6	420.1	9.458	447.0	6.4	481.9	7.8
National Total	**7,256.5**	**7.9**	**7,972.3**	**9.9**	**8,941.4**	**12.16**	**9,513.3**	**6.4**	**10,051.4**	**5.7**

Source: MSC, General Pharmacy Department.

BENEFICIARIES OF UNEMPLOYMENT BENEFIT, 1995-2005

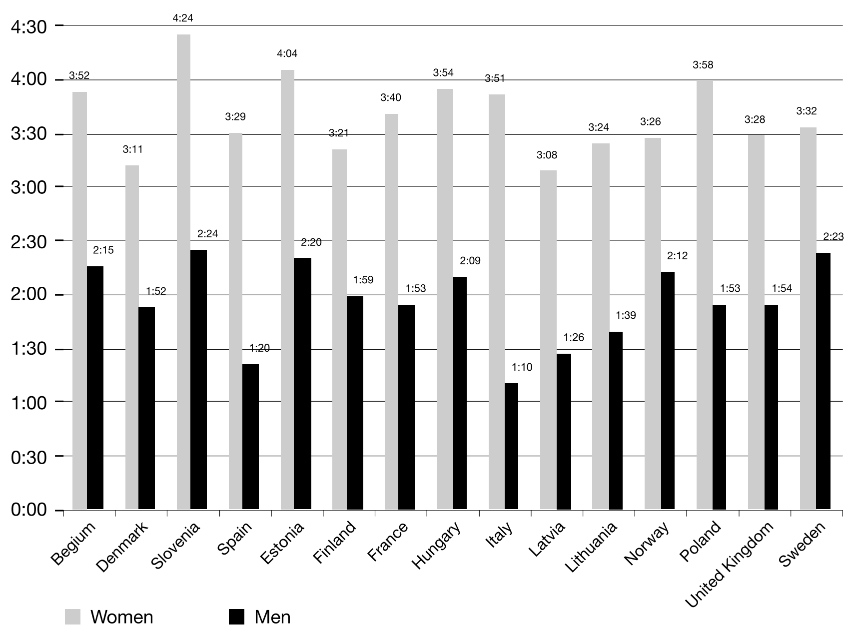
(According to benefit type)



Source: MTAS, *Bulletin on Labour Statistics*, February 2006.

TIME DEDICATED TO DOMESTIC WORK BY EMPLOYED PERSONS

(Time per day measured in hours and minutes calculated on one full year, including annual holidays and public holiday periods)



Note: Domestic work includes: housework, looking after children and adults, gardening and looking after pets, DIY, shopping, services and Administration.

Source: Eurostat, *Statistics in focus. Population and social conditions. 4/2006*. “How is the time of women and men distributed in Europe?”.

INDICATORS OF IMMIGRANT INTEGRATION

Years	(1) Population from abroad		(2) Nationalisations	(3) Mixed marriages	(4) Children born to a foreign father or mother	(5) Foreign students (non-university education)
	Authorised residents	Registered foreigners				
1996	538,984	542,314	8,433	9,198	16,449	57,406
1997	609,813	–	10,310	9,115	19,126	62,707
1998	719,647	637,085	13,177	10,411	20,706	72,363
1999	801,329	748,954	16,384	11,259	24,486	80,687
2000	895,720	923,879	11,999	11,794	31,319	107,301
2001	1,109,060	1,370,657	16,743	14,094	40,985	141,868
2002	1,324,001	1,977,946	21,810	18,460	52,740	207,252
2003	1,647,011	2,664,168	26,556	26,082	63,591	309,058
2004	1,977,291	3,034,326	38,335	30,930	73,457	401,381
2005	2,738,932	3,730,610	–	–	–	457,245

Sources:

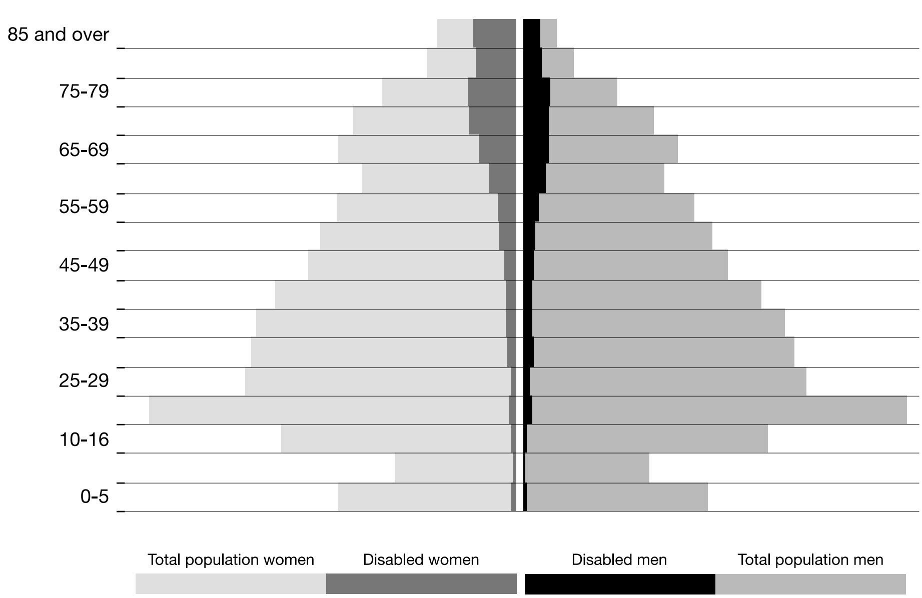
(1) Foreigners with authorised residence at 31 December: MTAS, Secretary of State for Immigration and Emigration, *Statistical Reports*. Registered foreigners: INE, *Municipal Census.*

(2) Nationalisations: MTAS, Secretary of State for Immigration and Emigration, *Statistical Annual Reports*.

(3) Mixed marriages and (4) births: INE, *Natural Movement of the Population*.

(5) Foreign students: MEC, *Statistics on Education in Spain 2004-2005*.

TOTAL POPULATION AND PERSONS WITH DISABILITIES BY GENDER AND AGE



Source: In-house using the Population and Housing Census, 2001 and EDDES, 1999.