

SOCIAL SECURITY IN SPAIN

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Pay-as-you-go

- Non contributory tranche. Public Budget (0,25% GDP, 452.730 beneficiaries)
- Contributory (financed by employees and employers) (10,83% GDP, 17,2 million contributors, 9,3 million pensioners)
 - General Workers
 - Self employed
- Low participation of complementary pension systems

Contributions

- Rate

	General Workers	Self Employed
Employee	4.70%	26.50%
Employer	23.60%	

- Base

	General Workers	Self Employed*
Min.	764.40 €/monthly 3,642.00 €/monthly	893.10 €/monthly **
Max.		3,642.00 €/monthly

* A choice for the worker, special rules for workers over 47 years

** More than 86% of self employed quoted by the minimum base

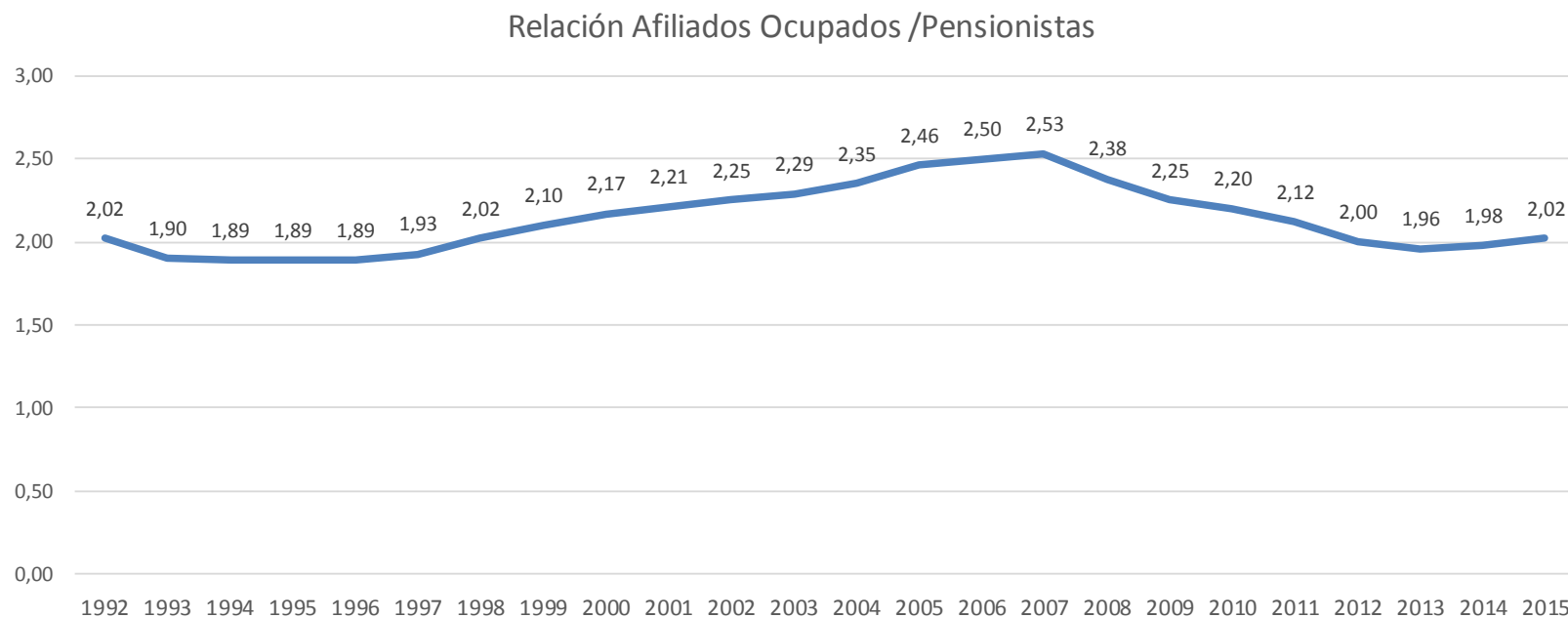
Benefits

- Retirement age is going to be 67 (within in a transitory period to complete up by 2027) with little exceptions to 65 and other early retirement
- Pension is calculated as an average of the last 25 years of contribution (within in a transitory period to complete up by 2022)
- To have a full pension is mandatory to reach 37 years of contribution (within in a transitory period to complete up by 2027)
- Retirement pension average is 1,189.81 € (august 2016)
- It means an 82% of last salary

Main challenges

- Structural: demographic
- Conjunctural: labor markets within and after crisis

Ratio Working Population / Pensioners



Source: Compiled from data INE

SS Balance

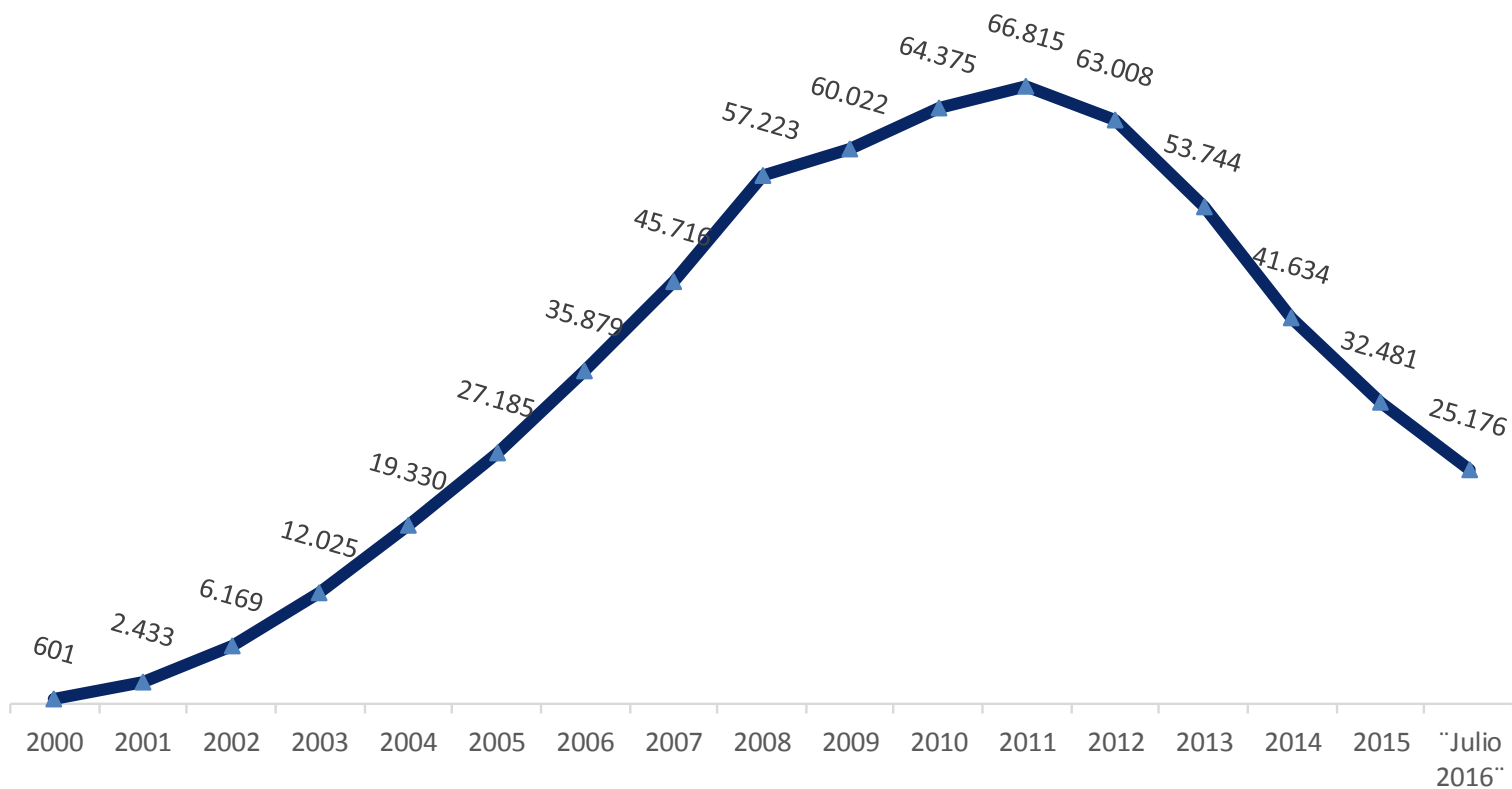
Social Security balance (in% GDP)

Año	Saldo
2007	1,34
2008	1,31
2009	0,80
2010	0,22
2011	-0,06
2012	-0,96
2013	-1,16
2014	-1,34
2015	-1,55

Source: Compiled from data the Government of Spain

Reserve Fund

General evolution of the Reserve Fund
Situation July 2016



Source: Ministry of Labour and Social Security

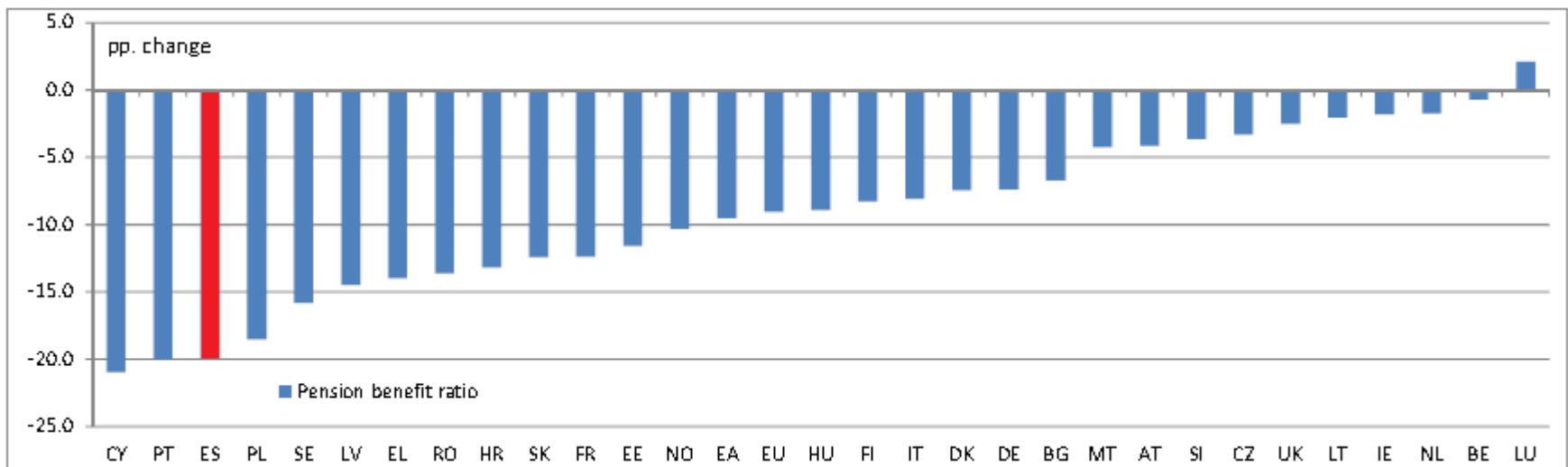
Latest reforms

- Retirement age: Up to 67 (2011)
- Pension formula: Up to 25 years (2011)
- Sustainability factor (2013)
 - Pension increasing index (from 2014)
 - No link with inflation but income, expenses and demographic projections
 - Min 0,25%, Max IPC + 0,50%
 - Sustainability factor (from 2019)
 - $E_{x(2019)} / E_{x(2014)}$

Reforms assesment

- Instead all of them, problems remain, in a different way
 - Short term: deficit is growing
 - Long term: benefits dramatically drop

Public pension benefit ratio, change 2013-2060, pp. change



- Under discussion
 - Use taxes to finance pensions

Replacement rates EU

Replacement rate in 2013 and 2060 (in %)

	Gross Average Replacement Rate (%)								
	Public pensions - earnings related			Public pensions			All pensions		
	2013	2060	p.p. change	2013	2060	p.p. change	2013	2060	p.p. change
BE	39.5	38.8	-0.7						
BG	35.8	36.7	0.9	29.5	31.9	2.4			
CZ	43.3	49.3	6.1	32.2	33.7	1.5			
DK	53.7	60.6	7.0	39.7	32.8	-6.9	57.4	59.4	1.9
DE	38.9	33.9	-5.0	42.5	35.5	-7.0			
EE	40.1	25.2	-14.9	40.1	25.2	-14.9	40.4	44.1	3.7
IE	33.9	30.4	-3.5	31.2	28.7	-2.4			
EL	45.0	26.7	-18.3	38.7	22.3	-16.4	40.7	27.5	-13.2
ES	81.9	49.7	-32.2	79.0	48.6	-30.4			
FR	58.3	48.9	-9.4	50.6	39.2	-11.4			
HR	35.3	18.7	-16.7	27.9	16.5	-11.4	27.9	20.7	-7.1
IT	59.9	51.8	-8.0						
CY	44.2	49.2	5.0						
LV	38.1	19.1	-18.9	33.4	18.1	-15.3			
LT	34.9	34.8	-0.1				35.0	48.6	13.6
LU	77.7	64.6	-13.1						
HU	45.5	45.2	-0.3	33.0	29.1	-3.9			
MT	53.6	47.4	-6.1	49.4	45.6	-3.9			
NL	28.3	27.4	-0.9	29.8	28.3	-1.4	52.4	52.0	-0.3
AT	42.9	41.0	-1.9	51.0	44.7	-6.3			
PL				53.0	28.7	-24.4			
PT	57.5	30.7	-26.7				55.8	36.6	-19.2
RO	35.6	33.7	-1.9						
SI	36.1	34.1	-2.1						
SK	51.7	49.4	-2.4	51.7	49.4	-2.4	51.7	53.1	1.3
FI	42.6	42.0	-0.6				46.0	44.1	-1.9
SE	35.0	23.7	-11.3	35.6	29.0	-6.7	40.9	35.2	-5.7
UK									
NO				43.7	36.2	-7.5			
EU*	43.8	36.0	-7.8	47.5	35.3	-12.3			
EA*	53.0	44.2	-8.9	47.9	35.3	-12.6			
EU**	45.7	39.0	-6.8	68.0	53.4	-9.0			
EA**	47.6	39.2	-8.4	72.0	56.7	-9.4			

(1) Public pension earnings-related refers to old age earnings related pension. Public pensions aggregate includes disability, survivor and nonearnings-related benefits. All pension aggregate includes private occupational and private individual benefit and it is only reported when private pensions have been provided.

The 'Gross Average Replacement Rate' is calculated as the average first pension as a share of the average wage at retirement, as reported by the Member States in the pension questionnaire.

FR: disability schemes and non-earning-related schemes are not taken into account in the "public pensions" replacement rate calculation.

LV: 2015 values taken as starting point for the gross average replacement rates.

UK: new pensions (and therefore replacement ratios) have not been provided.

* Weighted average.

** Simple average.

Fuente: Commission Services, EPC.