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FROM LETTING EUROPE IN TO POLICY CONDITIONALITY. WELFARE REFORM IN SPAIN UNDER AUSTERITY

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From letting Europe in to policy conditionality. Welfare reform in Spain under Austerity.[1]

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Abstract

The European influence has served as an inspiration for developing the Spanish Welfare State since the early 1980s through a wide range of legal, cognitive, political, institutional and financial resources and mechanisms. However, convergence with the EU has gone through times of advance and frustration. The Spanish social protection system was in a very early phase of development when other European countries were starting to pursue cost-containment and recalibration strategies by the mid-1990s. The outbreak of the financial crisis in 2008 has frustrated the many political expectations that the Spanish Welfare State can converge with European countries. The efforts at recalibration, coverage of new social risks and tentative steps towards social investment made in the 2000s have been either abandoned or put on hold. Sweeping austerity measures have had detrimental effects over the protective capacity of the Spanish Welfare State. Abrupt structural reform and indiscriminate cuts on social protection do hardly appear as appropriate strategies to reduce inequality gaps and heightened social polarization caused by the economic and financial crisis, let alone to promote the broadening of protection for new social rights. The institutional framework of the Spanish Welfare State has to be reoriented towards more intense protection of new social risks, if its capacity for supporting sustainable and inclusive economic growth is to be strengthened in a post-crisis context. The re-design of the welfare state *after* the crisis should put an emphasis on reconciliation of work and private life, public care provision for children, the disabled and the elderly, effective minimum income schemes, protection for long-term unemployed and active labour market policies.

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1. Europe as a referential frame. The modernization of the Spanish welfare state

Europe has been a decisive guiding force behind the modernization of the Spanish Welfare State. The European influence has had a highly recognizable effect over the transformation of social policy in Spain even prior to accession to the European Economic Community (EEC) in 1986 (Rodríguez Cabrero, 2011: 18). The continued effort to catch up with European social standards has meant a lot to Spain. Social modernization has brought forth a symbolic value of intimacy and reckoning with a more advanced economic and social area. Overall, Spain have favored being part of the European Union (EU). Accessing and successfully converging into the EU have been an aspiration both for the Spanish political elites and the public opinion. Becoming an approvable European member has been regarded as an essential condition for social and economic development after decades of political isolation and institutional backwardness (Guillén, 2007: 118).

The development of the Spanish Welfare State in the last decades has to be considered in the light of Europeanization of social policy. In many respects, the trajectory of welfare reform in Spain has much to do with the paradox of the race between Achilles and the tortoise. Spain was very successful in improving substantial welfare developments during the 1980s and the 2000s. From the late 1970s, the creation of the fundamental pillars or the Spanish welfare state was underpinned by an impressive expansion of social spending, which in 1975 represented around 10 per cent of the GDP. The redesign of the Francoist social security system, the introduction of unemployment benefits and the universalization of healthcare and education access were possible due to a vast financial effort. In the mid-1990s, social expenditure reached around a quarter of GDP (Muñoz de Bustillo and Antón, 2015: 452).

Once accession was accomplished in 1986, public social spending continued to increase at a faster pace than in other large Western European countries and Spain came close to European medium figures in socioeconomic indicators. However, if compared to the previous period, social spending experienced a decline followed by stabilization after peaking in 1993. In the 2000s, the completion of the Spanish welfare system has gone through between expansion and contraction. The imperatives of financial equilibrium and fiscal consolidation have been the most prominent requirements of European and Monetary Union (EMU) membership. Consequently, welfare expansion into other areas such as gender equality, reconciliation of work and family life and long term care has been accomplished under tight cost containment constraints (Rodríguez Cabrero, 2011).

The catching up with the EU core countries has gone through times of advance and frustration. The reforms in the social policy area have sought to ensure the consolidation of a fully fledge European welfare state. Before the advent of the economic crisis, and more particularly in the mid-2000s, the goal was difficult however not perceived as politically unattainable. Prior to 2007, Spain had accomplished its abiding objective of becoming a central European economy and was also embarked on post-industrial welfare reform in all pillars of the welfare system: income transfers, education, healthcare, social services and labour market (Moreno, 2013: 230). Furthermore, Spain had been able to overcome decades of being a latecomer and a passive recipient of European influence. Arguably, at the halfway mark of the decade, Spain was not only in disposition to shorten and eventually close the social gap with the European core but also to become an innovator in welfare development (Guillén Rodriguez, 2007: 135).

The economic crisis has turned the picture upside down in many respects. The distance between Achilles and the tortoise has widened considerably over the last years. The advances made by the 2004-2007 and 2007-2011 socialist governments in welfare recalibration and piecemeal reform have been effectively dismantled by random cost adjustment and institutional retrenchment (Del Pino, 2013). Spain has been impacted hard by the economic crisis. The risk of financial gridlock has brought employee rights and social spending under intense strain. As in other southern European countries, reform has been triggered hastily in several welfare areas (Guillén, González Begega and Luque Balbona, 2016).

The crisis has had the effect of a rollercoaster. Urgent institutional changes in social protection have been paralleled by cuts and shifts in social services in order to attain fiscal consolidation. After 2010, the Spanish governments have struggled to tackle the quandary of targeting fiscal consolidation while seeking to maintain social protection thresholds within a context of increased social needs. The overall result of the comparative analysis of different social policy areas unveils a process of retrenchment of labour and social rights with very few evidence of recalibration (Pavolini, León, Guillén and Ascoli, 2015).

The measures taken since 2010 have led to the weakening of the Spanish welfare state and to the discontinuation of the timid but existing effort on social policy recalibration in a social investment direction. The programme of changes in social and labour policies has caused an increase of inequality, vulnerability and poverty. It has lowered real wages in a context of high unemployment leading to a worsening of living and working conditions. The effective coverage of social protection has also been affected in quantity and quality because of austerity measures. Decrease in the coverage of public social services has been paralleled with the lowering of quality of several in-kind benefits such as health care, education and long term care. Although it has not yet been concluded to what extend the social footprint of the economic crisis has to do with the politics of fiscal consolidation and structural adjustment, it is likely that such reforms have exacerbated the condition of the least well-off (Muñoz del Bustillo and Antón, 2015: 494-496).

Last but not least, the political management of the crisis has changed the broad understanding of Europeanization in Spain. Europe has turned to be used as an authoritative recourse to support austerity policies and legitimate social re-escalation. The fiscal consolidation objective has been prevalent to any other political consideration under enhanced monitoring by European institutions through the European Semester. The crisis has brought about a new scenario in which Europe shows an unfamiliar and rather ugly face. In many respects, Europeanization has ceased to be perceived as an utterly positive driving force for social modernization in Spain. From 2010 and on, the name Europe has been increasingly associated with significant welfare losses and consistent devaluation of labour and social rights (Guillén and González Begega, 2015).

The working paper will be structured as follows. After the introduction (Section 1), in Section 2 we will present a conceptual approach on the national usages of Europe with regard to social policy. We will review the Europeanization literature and discuss the main instruments and procedures that have channeled the influence of the EU on national policy changes. The section will depict the interactions between the European and domestic levels of policy making. In this respect, it will describe the recent changes in socioeconomic governance due to the monitoring of national politics by European institutions. Section 3 will deal with the recent evolution of the Spanish welfare state. It will briefly outline the main traits of the Spanish welfare regime and portray the catching-up effort in social policy performed by Spain since the late 1970s. However, the focus will be made on the impact of austerity measures on social policy. Five policy areas will be analysed: health care; long term care and dependency; education; family, reconciliation of work and private life and gender policies; and pensions and income transfers. We will identify the distinctive footprint of the crisis in each social policy area. Finally, Section 4 will deal with the conclusions.

2. The national usages of Europe in social policy

Europeanization has been substantive for the evolution of different policy realms in Spain throughout the last decades, including social policy in a very prominent place. It has involved emulating and adapting targets, procedure indicators and other cognitive tools already defined by European institutions. Also, Europe has turned out to be a sort of thaumaturgical spell to legitimate or de-legitimate policies and political proposals (Moreno, 2013: 218). The systematic use of Europe by Spanish political and social actors has been used to validate or discredit positions and coalition alliances. Europe has become a strategic authoritative recourse to attain symbolic gains and to achieve hegemonic position in the political debates. European institutions have provided national actors with almost incontestable linguistic, information and argumentation authorities to pursue specific reform principles, agendas and paths (Moreno and Serrano Pascual, 2011: 41).

As in other European members, the Europeanization of social policy in Spain has meant the assemblage and reconstruction of political orientations, resources and other inputs as well as outputs delineated at European level. Traditional analysis of welfare changes tended to take the national level as the relevant one and did not acknowledge sufficiently the interactions between European and national policies. But the impact of Europeanization on national politics is beyond doubt. In the last 15 years, national and European levels have become increasingly interwoven in the field of social protection (Saari and Kvist, 2007: 2).

The process of national welfare reform needs to be thought of as being affected by Europeanization. EU initiatives in social policy affect national members both formally and functionally although they do not produce institutional harmonization and convergence. A broader understanding of Europeanization needs to take into account the diversity of tools and institutional mechanisms of European influence, the role of the EU as political instigator and the results in terms of political coordination, limited diversity and room for different national trajectories of welfare reform (Moreno and Palier, 2005: 11). Europeanization of social policy allows for the decentralization of welfare programmes and meets the demands for territorial subsidiarity through a wide range of legal, financial, cognitive, political resources and tools (Guillén and Álvarez, 2004: 298).

These are included in European Commission Directives and Communications, European Court of Justice Cases and Rulings and other primary and secondary legislation, budgetary funds and financial programmes as well as in institutional mechanisms, processes and structures of multi-level governance, such as the Open Method of Coordination (OMC) or the European Semester, more recently.

The early literature on Europeanization described the EU as a distinct coercive force which limited national governments sovereignty and led primarily to neutral or negative integration (Leibfried and Pierson, 1995). Furthermore, other initial analysis considered the role of the European level as trivial or superfluous, given the limitations of the EU constitutional mandate in the area of social policy and the remarkable continuity of European welfare regime variety. Even after the Treaties of Maastricht and Amsterdam, very little insight into the actual influence of the EU over national trajectories of welfare reform was made. Europeanization was not really taken into account as a self-determining and influential factor of political change in the realm of social protection (Castles, 2004).

Early in the 2000s, the picture changed. The European Council of Lisbon agreed to set social objectives at the same level as economic objectives in the Lisbon Strategy and extended the use of the OMC to the area of social protection. The European and national levels became blended in the field of social policy. The process of national welfare reform started to be thought of as being straightforwardly influenced by Europeanization. The absence of clear positive integration in the sense of convergence towards similarity of welfare regimes in Europe did not imply the absence of European leverage (Saari y Kvist, 2007).

The spreading of the OMC from the area of employment to the area of social protection raised new issues for the analysis of the interplay between the EU and the domestic level in regards to social policy. The new institutional mechanism of multi-level governance at work showed that the influence of the EU was both certain and apprehensible. EU leverage on welfare remodeling began to be perceived in a different manner. During the 2000s, the EU tested and developed the OMC to promote welfare reform in several social policy areas, such as social inclusion, pensions, healthcare and long-term care. Accordingly, welfare reform was pursued through multi-level political exchange among a variety of European, national and sub-national actors. This socially-oriented OMC was regarded as an auspicious alternative to encourage positive integration in those areas were European competences were still constitutionally weak (De la Porte and Pochet, 2012: 336).

The literature on the OMC has shown that domestic actors have been crucial in implementing welfare reform promoted by European institutions. These actors have thoroughly mobilized the resources offered by the EU during the national reform process, while striving to seize the opportunities and constraints provided by Europe. They have acted as drainers and users of a complex European set of norms, rules, values and guidelines – whether they are institutional, ideological, political and organizational. The role played by the EU has been that of a political facilitator for the design and content of social policies, either directly or indirectly. Also, domestic actors have been rather creative in their relation to Europe. They have re-shaped European resources to pursue their own political agenda, to support their political preferences, to demarcate public problems, to achieve power in national bargaining and coalition building situations or to fabricate blame-avoidance and credit-claiming strategies (Graziano, Jacquot and Palier, 2011: 9).

The literature has categorized the different schemes of conveyance, adaptation and reinterpretation of European resources by domestic actors into three main types (Jacquot and Woll, 2010). Domestic actors have made discretionary usage of European resources with: (1) cognitive; (2) strategic; and (3) legitimating purposes (see Table 1). The notion of cognitive usage of Europe in the area of social policy refers to the setting of the political agenda and to the understanding of the specific issues within it. Cognitive resources, such as ideas, data, expertise and lexicon, are mobilized during the initial phase of reform. They deliver description and definition of the political issue to be tackled and help to provide overall diagnosis for it. Strategic usage of Europe draws with the subsequent decision making phase in which all stakes have been placed and political actors strive to hold their position and, eventually, to achieve mutually beneficial exchanges through interest aggregation, coalition building and persuasion tactics. Last but not least, legitimating usage of Europe takes place when political reform has to be publicized and justified downstream of the policy process. Domestic actors have consistently called upon Europe to legitimate or de-legitimate political choices and to gain hegemonic position in national debates (Graziano, Jacquot and Palier, 2011: 12).

As in other European members, Spain did make spirited use of the OMC for upgrading social protection policies during the Lisbon Era (2000-2010). The elaboration of National

Action Plans and the dissemination of best practice played an active role in the design of national welfare reform. Despite some criticism, Spain considered the OMC as an asset, which allowed for enhanced participation and engagement of domestic actors in the coordination of social protection policies at European level (Guillén, 2007: 128).

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Table 1. Types and usages of EU resources in social policy

Type of resource	Approach	Instruments & mechanisms	Usages of Europe
Legal	*Hard*. Binding	Primary, secondary and supplementary law. European legislation and Cort ruling.	Strategic
Cognitive	*Soft*. Non binding.	Ideas, data, expertise and lexicon stemming from European Commission Communications, Recommendations and Guidelines, Reports by EU Observatories and Institutions, Eurostat indicators, etc.	Cognitive
Political	*Soft*. Non binding.	Legitimacy assets, discourses and arguments for *ad hoc* justification, multi-lateral interest coalitions, peer reviewing, credit-claiming and blame-avoidance mechanisms, etc.	Legitimating
Institutional	*Soft*. Non binding.	Committees, Working Groups, Agencies, Networks and other multi-level governmental infrastructures.	Strategic
Financial	*Mixed*. Conditional and purpose-oriented aids.	Funding opportunities and budgetary constraints. European Social Fund and other funding packages.	Strategic

Source: adapted from Woll and Jacquot (2010).

With the onset of the Euro crisis, however, the coordination of social policy at European level has been brought into a new scenario. From 2010, the EU has introduced a number of far-ranging changes in its mechanisms for economic and social governance. At the heart of this change is the European Semester of policy coordination, which has brought together within a single annual policy coordination mechanism a wide range of governance instruments, including the coordination of European social policy through the

OMC. The European Semester gives European institutions a more intrusive role in scrutinizing and guiding national economic, fiscal and social policies. Arguably, the new governance architecture of the EU results into the subordination of social policy to the mandatory objectives of budgetary discipline and fiscal consolidation imposed by the economic institutions of the EU, namely DG ECFIN, ECOFIN and the European Central Bank (Zeitlin and Vanhercke, 2015: 65).

The Euro crisis has profoundly altered the institutional architecture for economic and social governance of the EU. The changes in European governance procedures after 2010 have eroded the multi-level and flexible governance model based on the OMC. The new structure and procedures of European governance has diminished the role played in policy making by national and subnational parliaments, social partners and other civil society stakeholders such as NGOs and other private interest groups. Domestic actors have been forced to accept a new mandatory and corrective set of European usages, particularly in bail-out countries (De la Porte and Heins, 2015: 9).

The political management of the Euro crisis has also introduced some paramount changes in the domestic usages of Europe. From 2010 and on, the understanding of Europeanization has veered in a very different direction. Europe has been called upon systematically by certain domestic actors as an authoritative recourse. The name Europe has been invoked as a rather nominalistic and neutral term to support the inexorability of austerity policies (Moreno and Serrano Pascual, 2011: 41). Europe has become the main source for legitimation and pedagogical explanation of the regressive measures taken in labour market policies and social policy. Unilateral imposition by the government has replaced parliamentary negotiation and participation of the social partners in economic and social policy making since the onset of the Euro crisis. The fiscal responsibility imperative has been prevalent to any other consideration under enhanced monitoring and surveillance by European institutions through the European Semester (González Begega and Luque Balbona, 2014: 98).

European policy making has been rescaled upwards. Arguably, economic and social reform has become a top-down process with two main central actors: European technocratic authorities and national governments, who have prioritized the legitimating usage of Europe. All other players have been expelled from public decision making, such as trade unions in southern European countries, or have lost most of their leverage over national politics. As a result of this, partisan politics, parliamentary debate and interaction with organized interests at the national and subnational level have come to a deadlock, particularly in bailed-out countries and member states in need of financial aid such as Spain.

The shift in European governance has been fueled by an agenda in which is difficult to disentangle preference for *ordoliberal* policies based on fiscal consolidation from the prevention of a spreading of the financial crisis to the entire Euro-zone (Degryse, Jepsen and Pochet, 2013). Nevertheless, the erosion of economic sovereignty in southern Europe has strengthened the position of national executives among other political actors. One of the alleged direct consequences of the European Semester is the concentration of power at the peak of the government. As in other southern European countries, the Spanish Prime Minister's Office has gained increased responsibility for coordinating reforms across different policy areas, taking decisions hastily and reporting to European institutions.

The second consequence is the complete subordination of welfare reform to economic imperatives, even from an organizational perspective. The monitoring of social policy by the Finance Ministry has heightened steadily in order to ensure fiscal sustainability and debt consolidation. The centralization of power at the peak of the government has allowed national financial authorities to vindicate cuts in social spending and retrenchment policies within a new context of economic structural strain (Pavolini, León, Guillén and Ascoli, 2015).

The socialization and timid decentralization of the governance procedures of the European Semester after 2013 has given an enhanced role to other social and employment policy actors. The socialization of the European Semester is a response by the European institutions to the rising social and political discontent with the consequences of grim austerity policies. It can also be interpreted to mean that the European social and employment actors have been able to learn and adapt to the new institutional conditions of European political governance. The socialization of the European Semester has also brought about significant changes with regard to policy orientation. In 2011, the first European Semester was plainly dominated by the targets of fiscal consolidation and growth stimulation. However, the mutation of the sovereign debt crisis into a broader economic and employment crisis has led to a rebalancing between economic and social objectives (Vanhercke, Zeitlin, and Zwinkels, 2015).

From spring 2012 and on, country-specific recommendations have incorporated a more socially balanced set of priorities which includes tackling with unemployment, rising inequality and poverty, pension reform and welfare recalibration and new social risks (NSR). The European Commission has also launched a set of socially oriented pacts and packages within the European Semester: the Employment Package (April 2012), the Compact for Growth and Jobs (June 2012), the Youth Employment Package (December 2012) and the Social Investment Package (February 2013). The social reorientation of the European anti-crisis governance has had an impact on social and employment policies in Spain. The relaxation of austerity conditions and the return to GDP growth after 2013 have been accompanied with a set of measures in the areas of labour activation, youth employment and long-term unemployed protection (Zeitlin and Vanhercke, 2015: 68-69).

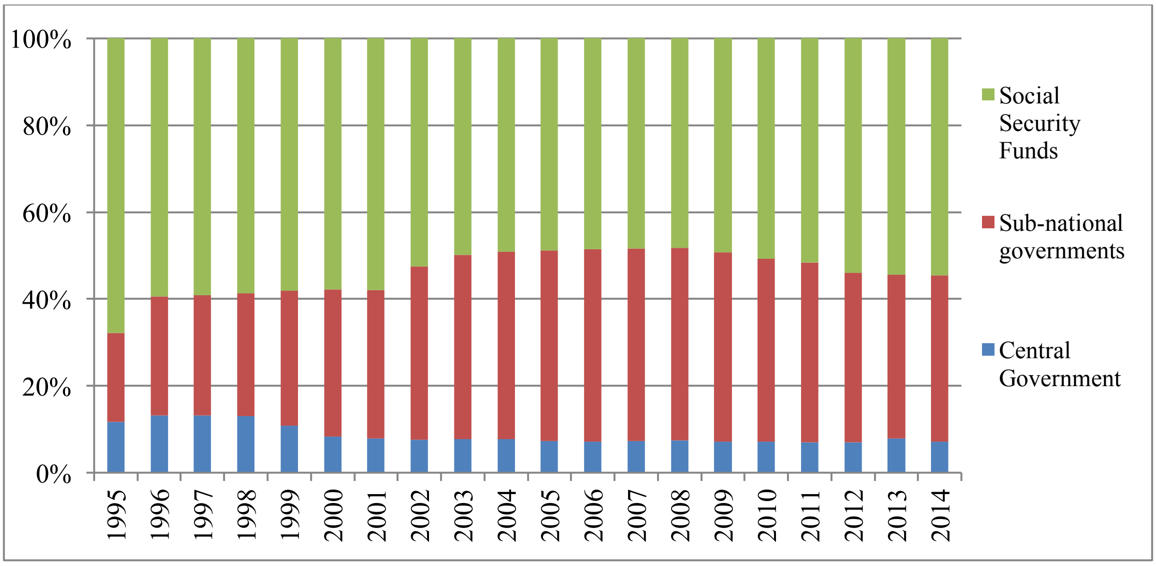
3. Welfare reform under austerity. Budgetary cuts, structural adjustments and European surveillance.

The Spanish welfare state suffered a spectacular transformation since the restoration of Democracy in mid-1970s and mid-1990s. In few years, Spain implemented a comprehensive public pension system including a contributory scheme that offer a pay-as-you-go financed and earnings-related retirement, permanent disability and survivors benefits; and a non-contributory scheme, established in 1991 and financed by general tax revenues, that pays a means-tested flat rate benefit for elderly and disabled people who do not fulfill the eligibility conditions for a contributory public pension. The unemployment allowance was regulated in 1980 and reformed considerably in 1984 and 1989 when the duration and the coverage of the allowance were increased significantly. Since 1985, the education system guarantees the universal right to compulsory basic education for children aged six to 16 years and since 1986 there is a universal and good quality National Health Service (NHS), both managed by all the regions (ACs) since 2002 (see Figure 1). Also, generally modest minimum income schemes were implemented in the regions since 1989. Social welfare services were devolved between 1987 and early 1990 to the regions. The development of all of these policies coincided with the incorporation of Spain to the EU, the demands of modernization of the country and the adaptation of the political system to the European parameters.

However, the path towards the EMU in the 1990s, with its convergence criteria, forced countries to contain their public expenditure in a context in which the Spanish Welfare

State still exhibited significant deficits. In this context, reaching the 2000s, there were idiosyncratic and structural problems but also new challenges similar to those faced by other European welfare regimes referred to as the new social risks. The main challenge for policy-makers has been to face the high rate of unemployment and precarious employment comparing to other developed countries. Criticism of the model has mainly focused on its high levels of inequality and poverty. High unemployment and job insecurity especially affect to some groups of the population and bring about a limited protection and late emancipation of young people, alongside delayed motherhood in women.

FIGURE 1. SOCIAL SPENDING BY LEVEL AND SECTOR OF GOVERNMENT (1995-2014)



Source: Own elaboration, OCDE. Stat, Government expenditure by function (COFOG)

There was also a still limited level of institutionalization in some policy areas, such as long-term care. In part because of the stigma of the pro-natality policies of the Franco dictatorship, family policies had not received attention until recently. In fact, gaps in the Spanish social protection system have been covered by the important role played by the family and, especially, women, who have taken care of the children and the elderly, and nowadays also of their grandchildren. Some of the challenges of the Spanish social protection system is derived from the massive and accelerated incorporation of women into the workforce, the emergence of new types of families, such as single-parent families, and the arrival, in just ten years, of an important number of immigrants in Spain, reaching 12 per cent of the population, greater than in other European countries with a long history as receptor countries. Finally, although the level of social spending increased during the decades before the crisis, it continued to stand far below those in other European regimes. The same is the case with respect to the tax burden.

In this situation and with some delay as compared to the reforms carried out in other European countries, in a context of economic prosperity, Spain undertook in the early 2000s a process of modernization of its social protection system through the implementation of active employment policies and support programs for families. Moreover, in order to respond to new social risks, from 2004 onwards a process that could be called recalibration or modernization began. This updating included initiatives such as an ambitious long term care programme that was launched only in 2006, the promotion of residential emancipation of young people (aid of 210 euros to rent) or the female labor participation and reconciling work and family life (Equality Act), financial support to families for the birth of a child (providing 2,500 euros by birth and adoption) and the Plan to Enhance Early Childhood Education 0-3 (Educa3) with the aim of reaching the target of 30 per cent enrollment rate among children under three years. In this context of modernization, the decentralization of healthcare and education management to the seventeen regions was culminated in 2002. While pension policies and passive unemployment programmes remain almost entirely in the hands of central government, regional governments also have powers in active employment policy, minimum income, and other social welfare services. Over 70 per cent of regional annual budgets are devoted to regional social policies (healthcare, education and social welfare).

All these measures carried out before the crisis regarding fields traditionally unattended in the Spanish welfare state, implied a fairly modest expansion in the social spending. In 2007, while social spending in Spain was 21.6 per cent, in Italy, Germany and France it reached 24.9, 25.2 and 28.4 per cent, respectively (Eurostat). Other problems such as the dualization of the labour market or the increasing risk of poverty and inequality were not duly included in the governmental agenda before the arrival of the crisis in 2007. In fact, the poverty rate increased between 1991 and 2008, and in this date, there was more poverty in Spain (over 20 per cent of the population) than in most European countries (EU-25 average of about 15 per cent). Moreover, Spain is one of the countries with the oldest population in the world, which represents a serious challenge for providing pensions, long-term care and health for a large number of elderly dependents, who will become the majority of the population when the large baby-boom generation retires after 2030. The results in terms of educational performance are not good and, as suggested by EU reports, the main problem consists of the proportion of 15-year-olds who do not attain a minimum level of basic learning skills and the high failure and dropout rates.

When in 2008 in the wake of the international economic crisis and the credit crash Spain’s economic outlook deteriorated, the socialist government, in a desperate attempt to maintain employment, applied some Keynesian stimulus policies between 2008 and 2009, recommended by the EU. These initiatives were not able to contain the crisis. Within a few years, the Spanish economy went from showing a public surplus of around 2 per cent in 2007 to a deficit of 11.4 per cent in 2009. From 2007, the unemployment rate increased in 19 percentage points reaching up to almost the 27 per cent, with more than six millions of people that wished to work and could not do it.

In 2009, the EU approved the commencement of an excessive deficit procedure against Spain. After returning from the European Summit on May, under International Monetary Fund (IMF) pressure, and after having received personal calls from several international leaders, the government radically reversed its expansionist policies, espousing the austerity path advocated by the German government and the European Commission. It presented a comprehensive plan for deficit reduction that included a 5 per cent cut in public employees’ wages and, as we shall see below, severe cuts in social spending, affecting regional powers.

Despite these cuts, the Spanish sovereign debt problems continued. In the summer of 2011, the European Central Bank (ECB) sent letters to the Prime Minister suggesting eight new reform items. As a result of the letter, the Prime Minister Rodríguez Zapatero, without most of his ministers being aware, announced the proposal to amend the constitution in parliament on 23 August to strictly limit the structural budget deficits and borrowing at all levels of administration in Spain. A few months later, socialist Prime Minister Rodríguez Zapatero lost the election to conservative Mariano Rajoy.

After the return of the conservative to office in December 2011 all areas of social policies have suffered structural reforms and cuts. In 2012, with the new conservative government, the Act on Fiscal Stability and Financial Sustainability implemented the Constitutional amendment and established a strict monitoring system over regional budgets. As a result, the ACs were forced to reform their social policies implementing all sorts of cutbacks. Along this extensive catalogue of initiatives self-designed by the regions to accomplish the deficit targets set by the central government, the latter itself introduced numerous adjustment measures that significantly affected both national and sub-national social policies. In 2011, one of the three more important priorities for the UE was rigorous fiscal consolidation for enhancing macroeconomic stability.

In the next years, this objective has been balanced with a more socially oriented set of priorities, and the European Commission itself launched some social packages (mainly related with employment), and even a social investment package in 2013. There were also some European recommendations related to a number of social policies including child poverty, minimum income schemes and active inclusion, among others. Moreover, the role of social and employment policy actors in the system governance was reinforced (Zeitlin and Vanhercke, 2015).

In June 2013, the EU revised upwards the deficit ceiling for Spain. However, in 2014, a Stability Programme and the National Reform Plan were passed, including a new path of regional and national fiscal consolidation. At the time of this writing (June 2016), Spain has once again surpassed the deficit targets set by the EU and the country have to carry out new adjustment processes.

The Spanish welfare system has gone through a period of intense strain from 2009 and onwards. With the escalation of financial pressures after 2011, structural adjustments and budgetary cuts have spread to a number of social protection areas, namely: (1) health care; (2) long-term care; (3) education; (4) family and gender policies; and (5) pensions and social transfers. The final part of the section briefly summarizes the distinctive footprint of Austerity in each of these social policy domains.

Heath care:

Although the socialist government tried to contain health expenditures with various measures such as the obligation to issue medical prescriptions by active ingredient and the imposition of price cuts on pharmaceuticals, the most ambitious measures in this field was approved by the conservative government in 2012 with the aim to save 7,000 million euros. The most important measure was the exclusion of some groups (mainly irregular immigrant population over 18 years) from publicly provided healthcare, allowing access only in emergencies due to serious illness or accident, and care during pregnancy, childbirth and postpartum. As a result, everyone who resides legally in Spain has access to public healthcare except those who have not contributed before and have incomes above 100,000 euros.

This reform altered the principle of universality, representing a paradigm shift, and several regions announced their intention to guarantee the coverage of all people residing within their borders, including illegal immigrants. In fact, in 2015, the central government has reconsidered and taken back its measure to withdraw the health card to irregular immigrants "for reasons of public health" and to "prevent the collapse of emergency rooms", in the words of the Health Minister.

Regarding pharmaceutical spending, the government increased the drug co-payment for all employed workers (between 40 and 60 per cent depending on their income), introduced a co-payment for pensioners (between eight and 60 euros per month depending on income), stopped funding 456 medicines and other pharmaceuticals such as prostheses, dietary products and even ambulance transport for non-urgent cases.

The Ministry itself explained in 2015 that health spending was cut by an amount equal to 0.8 per cent of GDP between 2008 and 2013, while the real spending per capita in 2013 has been reduced to levels of 2004.

Long term care and dependency:

The Dependency Act was passed in 2006, which led to the universal right to public benefits for all dependent adults, regardless of their ability to pay. This policy was based on a broad public support, but found some resistance within several regional governments, who were responsible for its funding and implementation. Its implementation was thus problematic and the situation has worsened steadily with the crisis and the new budget cuts.

Long term care suffered the first important cuts during the socialist government. In 2010, under the anti-deficit plan, the arrears on the long-term care benefits of those with recognized rights were eliminated. After winning the election in 2011, the conservative government extended the waiting period between the filing of a claim and the provision of the benefit and reduced the money that dependents receive for in-home care by a minimum of 15 per cent. In addition, family caregivers, mostly women, are now obliged to pay their own contributions to social security, which were previously paid by the government. The inclusion into the system of those in the moderately dependent category was delayed until 2015, a year later than planned. In 2013, the central government reduced its contribution to the system in a 20 per cent, which has been covered by the regions (although not all regional governments have the same level of generosity) and through co-payment paid by the beneficiaries of the services.

Education:

The effects of cuts on the volume of spending in this policy is clearer than in the health policy. In Spanish education public spending was lower than in 2007 and is below the average of the UE and OECD even though the number of students, especially those in public schools, increased.

TABLE 2. CUTBACKS IN THREE REGIONAL SOCIAL POLICIES DURING THE CRISIS IN SEVERAL REGIONS

	Health Care Spending pc **Difference between 2013 and 2007 (constant euros)** %	Education Spending pc **Difference between 2013 and 2007 (constant euros)** %	Long-term care **Difference between 2013 and the year of maximum spending in each region (constant euros)** %
Andalucía	-12,9	-9,2	-22,1
Asturias	-5,3	-21,2	-1,5
Cataluña	-15,1	-21,0	-22,6
Castilla-La Mancha	-13,7	-26,8	-45,7
Madrid	-4,6	-21,3	-16,4

Source: Own elaboration from non-financial expenditure by the Ministry of Finance and Public Administrations and Spanish National Statistical Institute (INE).

Education policy is extremely controversial in Spain, where party alternation in government usually produces a change of the basic features of educational policies. In the wave of the crisis a new controversial reform of the educational systems was under way. Moreover, in 2012, the conservative government approved a series of emergency measures to rationalize education spending, in turn affecting the regions, including a 20 per cent increase in the number of students per classroom, an increase in teaching hours per teacher, and other measures that postponed or canceled commitments contained in different organic laws. Most regions made cuts in 2012 ranging from teacher layoffs and pay cuts, suspending the construction of new infrastructure and improvement of the existing infrastructure, to the reduction of schools' daily operating budgets. Some grant programs for the purchase of books, aid for school meals and scholarships for certain groups of students disappeared. Many of the above measures also apply to university.

Some measures have been challenged before the Constitutional Court for violating the educational powers of regional governments.

Table 2 shows the cuts in Education, Health and Long-term care in some regions. The intensity of them is mainly explained by both the economic situation in which the Spanish regions faced the second part of the crisis since 2009 and the ideology of the regional governments (Del Pino and Ramos 2016).

Family, reconciliation of work and private life and gender policies:

In the early 2011, the socialist government suspended some of the main controversial initiatives it had begun to implement. The conservative government also cancelled the important program Educa3. On the other hand, before the crisis some regulations extended paternity leave from two to 13 days, which is now an individual and non-transferable leave right for fathers and introduced leaves both during a high risk pregnancy and for the lactation period. However, no progress was made beyond the framework of the European directives (16 weeks of maternity leave), nor has the goal of extending paternity leave to four weeks by 2011 been achieved. According to recent data, family and children spending was reduced from 1.3 per cent of GDP in 2013 to 0.6 in 2014.

Pensions and income transfers:

In part to meet the international pressure calling for structural reforms and partly to adapt the system to the significant demographic changes that the country is experiencing, in 2010 the socialist government announced a substantial pension reform consisting of a progressive increase of the retirement age from 65 to 67, the extension of the period used to calculate the pension amount from 15 to 25 years, and the reform also tightened the conditions to access early retirement. These measures will contribute to the financial sustainability of the Spanish pension system because they will reduce pension spending by the equivalent of 3.5 per cent of GDP in the long term.

Also in 2011, a freezing of pensions, excluding non-contributory ones, was implemented. In 2013, the conservative government implemented the so-called *sustainability factor* with the aim of adapting the amount of each pension to the life expectancy from 2019. Moreover, the reform included a revaluation index, a complex mechanism that determines this revaluation to the situation of the Social Security accounts, which can lead to a significant loss of purchasing power.

In regard to unemployment protection, the dramatic rise in unemployment and its persistence encouraged the socialist government to introduce in 2009 a new benefit of 426 euros for the unemployed who have exhausted their contributory or non-contributory unemployment benefits and the conservative government approved a second extension. But access to the Active Insertion Income and other extraordinary benefits for people with great difficulty finding a job were tightened. From the reform introduced in 2012, although the unemployed starts receiving 70 per cent of their previous salary and after six months it decreases up to 50 per cent (this reduction used to be up to the 60 per cent before the reform). Other measures impeded access to benefits for specific groups, such as middle-aged and elderly unemployed.

However, the most worrying trend is the decline in the rate of benefit coverage, which will increase social vulnerability, and the intensification of the process of what has been called the *assistentialization* of unemployment protection, that is, the tendency to rely on non-contributory and means-tested benefits, as a result of long-term unemployment and the tightening of the conditions to receive contributory, and therefore much more generous, benefits. Some of them received a regional minimum income, which are very different among them regarding eligibility, coverage and generosity. Moreover, since 2009, this income remained frozen or has even been reduced in some regions (Rodríguez Cabrero *et al.*, 2015).

The expenditure on passive policies is higher than the average of the UE due to the high rate of unemployment in Spain. In 2011, the expenditure on passive policies was 1.38 per cent in the UE-25 and in Spain reached the 2.88 of the GDP. Regarding active labour market policies, Spain spent 0.71 per cent of the GDP *vis-à-vis* the average of 0.57 in the UE-25. However, if this expenditure is analysed in relation to the unemployment rate, Spain spent in 2011 in active and passive policies less than the European average, and the expenditure in active policies has decreased significantly. The expenditure in unemployment protection was 78 per cent whereas the expenditure in active policies was only 22 per cent of total expenditure in unemployment protection. If we analyse the percentage of expenditure in active policies, Spain is in a lower rank than the European average that is 33 per cent. This has been the tendency not only in this period of economic crisis during which the unemployment problem is more relevant. Between 2011 and 2015, the budget for passive and active policies has decreased almost 25 per cent.

In spite of this, the Ministry of Employment and Social Security has continued to argue that there is not a problem of the quantity of the resources but of efficiency of those resources. The budget for 2016 reduces this effort of protection further, not increasing the money devoted to active policies.

Finally, the Basic Income for Emancipation launched in 2007 for young people between 22 and 30 years old and living in rented accommodation was eliminated by the conservative government of Mariano Rajoy. The socialist government had already abolished a traditional subsidy for home purchases in 2010, and had reduced the amount of some of the remaining assistance for home buying.

4. What beyond austerity? Alternative futures for social policy in Spain.

Economic and social convergence with Europe has been one of the aspirations of the Spaniards even prior to accession to the EEC in 1986. The European influence has been a decisive guiding force behind the economic, political and social transformation of Spain in the last three decades. Europe has served as an inspiration for developing the Spanish welfare state since the early 1980s through a wide range of legal, cognitive, political, institutional and financial resources and mechanisms. The effort to catch up with European social standards has meant a lot to the Spanish political elites and the public opinion. Europeanization has brought forth a symbolic value of social modernization. However, as in the paradox of Achilles and the tortoise, convergence with the EU has gone through times of advance and frustration.

Spain incorporated belatedly to the EU and had to face an unfavorable financial environment to ensure the consolidation of a fully fledge European welfare state. The Spanish social protection system was in a very early phase of development when other European countries were starting to pursue cost-containment and recalibration strategies by the mid-1990s. The outbreak of the financial crisis in 2008 has frustrated the many political expectations that the Spanish welfare state can converge with those of Central and Northern European countries.

The implementation of austerity measures has caused the dismantlement of many of the recalibration initiatives taken by the socialist government in the late 2000s. The political decisions pushed by the governments in office since 2010 have led to the weakening of the Spanish welfare state. Under the risk of financial gridlock, random cost adjustment and institutional retrenchment have taken the place of piecemeal reform.

Austerity has also affected the image that Spaniards have traditionally had of the EU. The positive influence of Europe on the development of the Spanish welfare state is now under contestation. The EU has borne the brunt of the accusations over Austerity and its effects. Both the socialist and the conservative governments have deployed an ample catalogue of blame avoidance strategies for structural adjustment and budgetary cuts in social protection. According to the prevalent political logic, Spain has had to assume such an abrupt reform path to prevent imposition of even harder austerity measures *from outside* (i.e. intervention by the *Troika*). The Euro crisis has altered economic and social governance at the national level. Domestic actors have been forced to accept a new corrective set of European usages.

Europe has been systematically invoked by governments and public officeholders to support the inexorability of Austerity. The monitoring of social policy has been a key aspect to ensure fiscal consolidation. The prevalence of the fiscal responsibility imperative to any other political objective has allowed Spanish political authorities to legitimate structural adjustments and cuts in social spending within a context of intense financial strain and strict surveillance by the European institutions.

The one-size-fits all *ordoliberal* recipe recommended by Europe and dutifully adopted by the Spanish governments since 2010 has exerted a powerful downwards pressure on labour and social rights. The efforts at recalibration, coverage of new social risks and tentative steps towards social investment made in the 2000s have been either abandoned or put on hold. Sweeping austerity measures have had detrimental effects over the protective capacity of the Spanish welfare state. Abrupt structural reform and indiscriminate cuts on social protection do hardly appear as appropriate strategies to reduce inequality gaps and heightened social polarization caused by the economic and financial crisis, let alone to promote the broadening of protection for new social rights.

The initiatives taken in the mid-2000s on preventive, rather than repairing social policies, have to be restored and re-introduced. The institutional framework of the Spanish welfare state has to be reoriented towards more intense protection of new social risks, if its capacity for supporting sustainable and inclusive economic growth is to be strengthened in a post-crisis context. The re-design of the Spanish welfare state *after* the economic and financial crisis should put an emphasis on reconciliation of work and private life, public care provision for children, the disabled and the elderly, effective minimum income schemes, protection for long-term unemployed and active labour market policies. For this purpose, fiscal pressure levels should be at least maintained. Also, attention has to go not only to enhancing social spending efficiency but also to strengthening the overall state capacity to collect tax revenue.

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