Chapter 9

THE SPANISH DEVELOPMENT OF SOUTHERN EUROPEAN WELFARE

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Introduction

The development of the welfare state in Spain has attracted little attention from academics and experts in the area of social policy. Such lack of interest is most probably related to the fact that Spain was under General Franco's rule over a period of nearly 40 years (1939-1975). In their sophisticated statistical exercises and typology formulations, none of the cross-national research into social policy of the 1980s included the case of Spain –or Southern-Welfare as whole– (Ferrera 1996). This lack of academic interest has been traditionally rooted in a cliché idea, which tends to disregard the South of Europe as a backward and underdeveloped area with respect to the core of the Old Continent (this being somewhere in Central and Northern Europe). In other words, 'everything is different in the South'.¹

In Spain, welfare has historically incorporated some of the most characteristic features of the continental 'conservative corporatist' model of social policy (Esping-Andersen 1990). In the last two decades, an incrementalist pattern has developed with regard to welfare services and income policies alongside some inherited corporatist practices --despotic and democratic-- from both late Francoism and the transitional period to democracy (1976-79), respectively.

Spain has reconstructed a medium-sized system of social protection as compared to the countries of the European Union. At present the Spanish welfare state represents a fundamental structure for both social reproduction and political legitimisation.² Since its integration in the European Community (1986), Spain has followed a pattern of welfare convergence of a three-fold nature. Firstly, an universalisation of social entitlements (education, health, pensions). Secondly, a confluence in the pattern of welfare expenditure to the median of its European partners.

Thirdly, a diversification in the provision of social services by private and subsidised organisations.

Thus, the Spanish welfare state can be labelled as a *via media* with respect to other existing welfare systems (Moreno and Sarasa 1992 1993). Indeed, the welfare system in Spain incorporates elements of both Bismarckian and Beveridgean traditions, or rather between breadwinner 'continental' and citizenship-centred 'liberal' models. It also represents a middle way in terms of de-commodification and gender considerations, and of universal and means-tested access to services and benefits.

In Spain, liberalisation in the provision of welfare services is observable in a certain extension of free-market practices and, thus, in the proliferation of 'non-profit' – but characteristically subsidised—NGOs, and the reinforcement of the process of welfare privatisation. However, a trend away from 'residualism' and a parallel growth of institutional 'stateness', or state penetration of the welfare sphere (Flora 1986/87; Kuhnle 1997), can be also detected. In fact, some reforms of universalisation (education, health pensions) have been put into effect in recent years encompassing some basic entitlements with traditional income-related programmes.

The Southern European model of welfare

In recent times, a distinct model of South European welfare (Greece, Italy, Portugal and Spain) has been contended (Ferrera 1996, 1997; Moreno 1996, 1997c; Rhodes 1996; MIRE 1997). The discussion revolves around the contention whether the Mediterranean type of welfare is constituted by a 'family of nations' (Castles 1993) lagging behind those of the 'continental' model of social insurance to which they belong (Katrougalos 1996). Or else, whether it is a mere 'Latin rim' characterised by a rudimentary level of social provision and institutional development (Leibfried 1992; Gough 1996).

Further comparative research is needed in order to substantiate those claims for a distinct Mediterranean welfare regime. Unlike the Scandinavian or Anglo-Saxon typologies, cross-national studies including Greece, Italy, Portugal and Spain are lacking. A good few issues deserve closer examination, which could help us to define the overall picture of a Latin type of welfare. However, there is an analytical common ground to be explored.

The four Southern European countries share analogies regarding historical backgrounds, value-systems, and institutional peculiarities. They all had past experiences of authoritarian and dictatorial rule (for longer periods in the case of Portugal and Spain), and have suffered from economic and industrial 'delays' in the processes of modernisation (except for early-industrialised areas in Italy and Spain) (Giner 1986). The religious factor has had a structuring role in all four countries, but the role of the church as the main organiser of social protection has diminished.³ This feature seems to correspond with a higher degree of secularisation in the social practices of Southern Europe. The impact of europeanisation and globalisation have brought about, respectively, increasing incentives to economic convergence with Northern and Central Europe (Economic and Monetary Union), and world-trade pressures to restrict social programmes (social dumping from less-developed countries). In broad terms, similar social-demographic trends and macro-economic constraints can be observed in all four Southern European countries.

As concerns the cultural-axiological dimension of welfare development, there is a self-perception of differentiated needs and lifestyles (intra-familial pooling of resources, home ownership, and heterogeneity of social reproduction). Also noticeable is a compelling household solidarity and a pre-eminence of values of family inclusion and life-cycle redistribution (gift mechanisms, processes of age emancipation, proliferation of family companies and jobs). Moreover, cultural choices and practices have structured their civil societies in a characteristic mode (social networking, patronage, clientelism, and group predation).

On analysing politico-institutional development the pivotal role of the family in social protection cannot be over-emphasised. In Southern Europe the welfare state is to a large extent the Mediterranean welfare family. Intra-familial transfers are both material and immaterial. Concerning the latter, the involvement of women in both care of the elderly and children is crucial. However, the increasing participation of female workers in the labour force, coupled with new burdens for family formation and expansion, raise big questions, as to whether Mediterranean welfare can survive, as we know it at present.

Also characteristic of Southern European labour markets is an apparent cleavage between 'insiders' (hyper-protected core workforce), 'peripheral' (in-between gainfully employed) and 'outsiders' (precarious, 'left-outs', and 'junk' labourers). There are fragmented systems of income guarantees and wide inter-

generation disparities in cash benefits (e.g. overprotection of the elderly in Greece and Italy). The informal 'tax-free' economies in Southern Europe are large (estimates of the 'hidden' sector range from 15 to 25 per cent of GDP). This translates into an uneven distribution of financial burdens across the various occupational groups.

Both Mediterranean welfare mix and the gender/family/work nexus are adaptable and complementary. These practices often translate into institutional particularism and low efficiency in service provision. Publicly subsidised organisations rather than subsidiary private and/or voluntary associations carry out a greater number of the production/provision of social services. In all four Southern European countries there are limitations to comprehensive reforms (e.g. implementation of a central scheme of minimum income guarantees). Nevertheless, new functional and territorial approaches to welfare re-construction are gradually replacing traditional voluntaristic and paternalistic attitudes deployed mainly by both main political formations of the Left (Social democrats) and the Right (Christian democrats).

In the case of Spain, the most relevant factor conditioning its welfare development is the current process of decentralisation both at the level of planning and policy implementation. The institutional outcome of the interplay between central, regional, and local governments will respond to the very nature of a contractually open process of power accommodation. Institutional uncertainty goes hand in hand with a gradual federalisation of politics in Spain (Moreno 1997a).

Social expenditure trends

Throughout the 1970s and 1980s, the growth of public expenditure in Spain was similar to that of the OECD countries during the 1960s and 1970s. Furthermore, in none of the OECD countries has public spending increased as much as in Spain since 1975. Public spending grew from 26 per cent of the GDP in 1975 to over 47 per cent in 1995. In this period, all Southern European countries more than doubled the percentage growth for the EU-12. Increases in Greece, Italy, Portugal and Spain reached 15.1 per cent points, 11.3, 10.2, and 13.1, respectively. These rates compare to the mean 5.3 per cent points for all EU countries. Already in the second half of the 1980s, the Spanish public expenditure per capita, measured in relative purchasing units, was similar to equivalent mean figures in Germany, Italy, France, and the United Kingdom.

During the period of the Socialist governments (1982-1996), Spain confronted a period of constant increases in public expenditure at a higher level --in relative terms-- than most European countries. This was the result of providing the means to cover new and costly social programmes (universalisation of education, public health and pensions). But, above all, it was aimed at accomplishing the objective of bringing economic rationalisation in line with the rest of the EEC/EU countries. Public finances were greatly conditioned by the substantial governmental intervention in the economy through subsidies for purposes of industrial re-structuring and for the development of a comprehensive programme of public works and infrastructure (highways, railway, and telecommunications).

In broad terms, the policies of modernisation implemented by the *PSOE* governments reflected the desire for europeanisation expressed by the Spanish population at large. Since the accession of Spain to the EEC (1986) the general feeling in the country has invariably been one of convergence with the rest of its European partners. This social consensus⁴ has remained a factor of paramount importance in Spanish politics and greatly explains the legitimacy of the often-harsh economic measures carried out by the government in recent years.

The annual rate of growth of the GDP between 1970-75 was 5.2 per cent while the social expenditure increased 9.7 per cent. In the period 1975-80 social expenses grew annually at 8.9 per cent whereas the GDP did so at a rate of 1.8 per cent. During 1980-92, all Southern European countries increased their social expenditure at a higher rate than the mean figure of 2.7 per cent for EU-12: 7.1 per cent, Greece; 6.2 per cent, Italy; 2.9; Portugal; and 4.4 per cent, Spain (Eurostat 1995).

According to Eurostat, in 1992 social spending had already reached 22.5 per cent of the Spanish GDP. However, and due to a different structure of expenditure allocation, the coverage of those expenses related to social policy programmes (education, housing, and pensions) was smaller than in the countries referred to above. Both bureaucracy and financial transfers granted mainly to mining and agricultural sectors were higher compared to equivalent figures in core European countries.

As has happened in other advanced industrial countries, bureaucratic 'muddling through' in Spain has been responsible to a considerable degree for the incrementalist nature of public expenditure growth. Nevertheless, the various political inputs carried out by successive democratic governments since the demise of Francoism have greatly

determined the changing allocation of funds within the budgetary structure of Spanish public expenditure.

In the period 1980-92, social spending increased its share in the Spanish GDP by 4.37 per cent. Table 9.1 reproduces data regarding the functional breakdown of social expenditure composition in percentages of the GDP. The increases corresponding to 'Old age' and 'Unemployment' add up to more than half of the growth of social spending as percentage of the GDP for the period 1980-92. These two categories plus that of 'Sickness' comprised almost three-quarters of the total social expenditure. Maternity and family expenses decreased notably. This pattern seems to reinforce the interpretation of households as fundamental pillars of Spanish welfare.

(INSERT TABLE 9.1 HERE)

As in most of Continental Europe, social welfare in Spain has been traditionally designed to secure 'income maintenance' to those citizens who have made contributions to the social security system during their working life. Employers' (53 per cent) and employees' (17 per cent) contributions meet the greater part of the financing of social protection spending (Eurostat 1993). However, a significant shift has been taken place in recent years with a gradual transferring of public moneys from the national budget to the social security accounts.⁵ This is particularly relevant as regards reforms on pensions (non-contributory) and health care, which will be outlined below.

Reforms and future scenarios

The impact that education reforms have had in the aggregate of social welfare should be emphasised. Fifteen years after the first changes in educational public system were introduced their re-distributive effects are evident. To a degree still to be assessed, such an impact has considerably affected the mechanisms of social reproduction ingrained in a liberal-meritocratic ideology. The extension of means-tested schemes of educational grants has also reinforced social re-distribution.

The universalisation of the educational system has meant that 100 per cent of the population in the 4-15-year age group has access to nursery, primary, and secondary schooling.⁶ In 1992, relatively and absolutely, more women than mere were under education among groups ranging from 16 to 29 years. It is particularly worth

noting that among the 16-19 year olds 63 per cent of women were receiving formal education as compared to 53 per cent of men. Furthermore, there was a difference of over 8 percentage points concerning the 20-24 year-olds (EPA 1993).

The four areas of our subsequent analyses carry the main bulk of social expenditure: 'Pensions', 'Health care', 'Unemployment and employment promotion', and 'Social assistance'. In Table 9.2 a selection of five categories related to social protection spending in the Southern European countries are presented, plus the EU-average. A look at these data reveals two main deviations: Social expenses under 'Old-age and survivors' in Italy (15.4 per cent) and under 'Unemployment benefits' in Spain (4.8 per cent) are disproportionately higher than the EU-12 mean figures. In fact those percentages are the highest of all the EU-12 countries considered. These findings tell us a great deal about the most pressing challenges facing both Italy and Spain with relation to welfare financing.

(INSERT TABLE 9.2 HERE)

Pensions

With the implementation of the 'Non-contributory Pensions Act', in 1990, coverage for both old age (over 65 years) and disability pensions (over 65 per cent for citizens between 18 and 65 years) became universal.⁷ Note that in the period 1980-92, the number of pensioners rose by 2,5 million (2,1, contributory, and 0,4, non-contributory), from 4.7 to 7,2 million. The total expenditure increased from 5.9 per cent (5.8 per cent, contributory, and 0.1 per cent, non-contributory) to 8.6 per cent (8.1 per cent, contributory, and 0.5, non-contributory) as a percentage of the GDP. Average social security pension benefits increased from 66.5 per cent of the minimum salary in 1980 to 93.3 per cent in 1992. Non-contributory (social assistance) pensions were 53.3 per cent of the minimum salary in 1992 (Cruz Roche 1994).⁸

Spain has gone through significant demographic changes in recent times. Its population is nearly 40 million with a mere annual growth rate of 0.2 per cent since the beginning of the 1980s. The main reason for such a sluggish increase in population is the decline in fertility rates since the 1970s. It decreased from 3.0 per cent in 1965 to 2.8 per cent in 1970, and from 2.1 per cent in 1980 (a percentage lower than that required to ensure generation replacement) to 1.16 in 1997 (the lowest in Europe). In parallel the proportion of the population aged 65 or over grew

from 10.9 per cent of the total in 1980 to 12.7 per cent by 1990 (Council of Europe 1989). Projections for the year 2020 estimate that around 19 per cent of the total population of Spain will be over 65 years of age (European Commission 1998).

Italy and Greece are well above the EU mean percentage of 62.0 per cent for the *per capita* average old-age pension (77.6 per cent and 78.8 per cent in 1993, respectively). As seen from Table 9.3, this is not the case of Spain and Portugal (47.3 per cent and 42.1 per cent, respectively) with a more balanced inter-generation distribution of resources.⁹ However, a general concern about the 'uncontrolled' increase of pensions with relation to the GDP growth was behind the modification in 1985) of the criteria in the annual re-valuing of benefits (forecast rate instead of past inflation rate)¹⁰, and a tightening of requirements for contributory pensions.

(INSERT TABLE 9.3 HERE)

More restrictive criteria in the definition of disability, together with a closer overall administrative control, considerably reduced the acute increase in this type of pension up until 1985. The process in Spain has been somewhat different from that of the Italian case. In the latter both *clientelismo* and the connivance to defraud between employers and prospective claimants are among the causes for the highest public spending in the European Union for the categories of 'Disability' and 'Old-age and survivors' put together (Ferrera, 1995).

Health care

The 1986 General Health Act was committed to the development of a National Health Service, which guaranteed the right to health care for all Spaniards and all foreign citizens resident in Spain. Coverage, which was already very high in 1980 (83.1 per cent of all citizens and residents), was almost total by 1991 (99.8 per cent). (Almeda and Sarasa 1996).

Three quarters of the financing of Spanish health is public. Of the remaining one-quarter, 85 per cent are direct payments by individuals (mostly for private care and medicines). These figures have remained stable during the 1980-93 period. But the most significant variation of this period is reflected in the shift of the financing of public expenditure from contributions to taxation. In 1980, as much as 82 per cent of the

spending on health was met by social contributions, whereas in 1993 the corresponding figure was 20 per cent. This dramatic change is in line with the assumption that universalisation of the public health service should be related to a system of general financing by taxation on the basis of a more equitable philosophy.

Regarding the provision of health services, the public system has continued to purchase many of its hospital services from both private and charitable sectors. The expansion of the public coverage has not been matched with equivalent increases in resources. Let us not forget that the increase of per cent public expenditure on health during the period 1980-93 was merely 0.5 per cent. This figure seems to confirm the view that an universalisation of coverage has not been matched with an equivalent intensity in standards of care. Note that around 8 per cent of the population is covered by private health insurance (Freire 1993). Some occupational schemes remain for groups of the hyper-protected core of the workforce.

Complaints about the public health systems mostly relate to the bureaucratic-administrative impediments that hinder the functioning of hospitals rather than the quality of the services being provided by them.¹¹ Furthermore, levels of efficiency vary according to the powers on health provision, which have been decentralised to the 17 Autonomous Communities.¹² Some of these have implemented policies for the provision of services of a 'quasi-market' nature (Catalonia, Valencia), and have faced since then problems for the financing of their respective public health systems.¹³ A rationalisation of health consumption –primarily, medicines—has come to the fore on the discussion of adapting levels of expenditure to socio-demographic changes (particularly in reference to citizens of 65 years and over). Longer time-series are needed in order to evaluate with a degree of plausibility the effects of these reforms of hospital management, financial restraining and improvement of both efficiency and equality on health care.

Unemployment and employment promotion

The unemployment rate in Spain is the highest in the European Union. According to the macro-survey on active population carried out every term in Spanish households (*Encuesta de Población Activa*), at the end of 1997 the number of unemployed amounted to 20.5 per cent. Despite the fact that the EPA survey is methodologically sophisticated and technically accurate in its mechanisms of data

collection and processing, a long-standing controversy has developed on whether its results are representative of the actual situation of the labour market in Spain. The persistence of a large 'hidden' tax-free economy in Spain largely distorts the reliability of the *EPA* data. Unquestionably, there is a sizeable portion of survey respondents who either hide their labour status or 'disguise' it (e.g. working within the informal sector). Some authors are of the opinion that the registered unemployed at the governmental job agencies of *INEM*¹⁴ reflects more approximately the 'real' number of unemployed in Spain (12.8% per cent of the total active working population at the end of 1997). Nevertheless, on comparing the diverging *EPA* and *INEM* figures, the number of those citizens who simply do not bother to file a job application at the *INEM* agencies is also to be taken into account.

Given the high rate of unemployment in Spain, some observers are puzzled by the relatively stable social situation in the country, particularly concerning sections like the young, among whom unemployment rates reach percentages of around 40 per cent and 45 per cent, respectively, for males and females aged 20-24 years). Explanations for this less-traumatic phenomena associated with unemployment in Spain rest upon two considerations: (a) the considerable public expenditure related to unemployment benefits: 4.8 per cent of the GDP was allocated to this social expense, the highest percentage in all EU-12 countries in 1993; and (b) support to the unemployed by family and household networks of micro-solidarity.

A widespread perception of the need to establish a new legal framework aimed at job creation, especially for the young, and limiting the burden of labour costs to improve competitiveness had been perceived by the social partners. However, it is to be noted that the impact of deregulation on the growth of employment in Spain has been very limited. In fact, the legal framework did not seem to constitute in itself a compelling variable for the creation or destruction of employment in Spain. With the same labour legislation, half a million jobs were created in Spain in 1987 and 400.000 were destroyed in 1993 (Missé 1997).

Flexibility and deregulation were the main themes behind active labour market measures in the first half of the 1990s. But the immediate effect brought about by deregulatory policies was an exponential rise in the number of temporary and part-time occupations (nearly 40 per cent of the total labour force). In 1996 only 4 per cent of all new jobs were established on a permanent basis. New contracts benefited from fiscal

subventions and some consolidated the spurious practice of formalising *de jure* temporary contracts replacing *de facto* permanent working positions.

In the period between the end of 1994 and 1996 the number of companies hiring employees increased significantly from 564.000 to 642.000 as did the number of part-time jobs (175.000). In order to alleviate a social perception of labour precariousness and to avoid the perverse effects of the so-called 'junk' jobs, both employers' confederation (*CEOE*) and trade unions (*CCOO* and *UGT*) engaged in negotiations and agreements, which later became laws on the initiative of the *PP* government in May-June 1997. To be underlined are the labour regulations for new contracts on permanent bases. *CCOO* and *UGT* have given consent to legislation allowing a substantial reduction to be paid to newly hired employees by the employers if they are made redundant in the future.¹⁵

Corporate welfare measures and fiscal incentives are to be met by Spanish public expenses favouring those companies hiring employees on a full-time and permanent basis. All these provisions are aimed at counteracting the effects of what seemed an unstoppable process of job precariousness since 1994. These policies are expected to have a greater impact on family-type companies and micro-enterprises. Rebate for employers' contributions to the social security system range from between 40 per cent to 60 per cent. For those small businesses under the system of income tax modules –instead of the corporation tax regime– welfare credits will affect new employment with no payments in the first two years.¹⁶

The single most significant feature in the composition of the Spanish labour force is the increasing participation of women. This trend seems to correlate with the growing incorporation of women in formal education. In the last two periods of general growth of employment in Spain (1964-74 and 1985-1990), women's participation in the labour market increased *vis-à-vis* male workers. In 1969 there were 32 female workers for every 100 male employees. This ratio increased to 39/100 in 1974, to 41/100 in 1985, and to 46/100 in 1990 (Garrido 1994). In relative terms, women's participation is larger in the public sector than the private. Note that in 1964 there were 17 women for every 100 male public employees.¹⁷ The ratio jumped to 70/100 in 1991. Even more representative of this changing pattern is the fact that, within the 25-29 age group, the proportion of female public employees was 105 for every 100 male workers in 1990. Job security and stability appear to be paramount for women in this age group. In contrast with the situation in Germany and the United Kingdom, employment

interruptions in Spain --and Southern Europe, as a whole—are motivated more by professional reasons and less by maternity concerns. This pattern translates into high continuity rates and fewer part-time jobs (Jurado and Naldini 1996).

A change in the priorities of greater numbers of women with respect to their traditional subordinate position within the labour market and their commitment to raising children has taken place during the last two decades. This changing role of women within both the labour market and households will have important repercussions for the future of the Spanish welfare state. The generation born between 1950 and 1970 is characterised in the main by well-educated women committed to professional activities. This pattern is coupled with a postponement in giving birth to their first child. Furthermore, marriage rates have diminished as a result of unemployment, problems of matching expectations of 'good' jobs according to higher levels of qualifications, and rising costs of living, particularly in urban areas. Transformations in family patterns are similar in other Southern European countries, which are reflected in attitudes of ambivalent familialism by women (Flaquer 1995; Saraceno 1995).

Social assistance

The process of political and administrative decentralisation, according to the 1978 Constitution, is the most compelling force behind the shaping of welfare development in Spain. De-concentration of social services has had a much larger impact than privatisation (Almeda and Sarasa 1996).

Spain has gone through a substantial social, economic, and political transformation since the inception of the 1978 Constitution. The *Estado de las Autonomías* ('state of autonomies') has transcended to a large extent the traditional cultural patterns of ethnoterritorial confrontation in Spain (Moreno 1997a). In budgetary terms, variations were substantial in the period 1978-1997: central government expenditure decreased from 90 to 61 per cent; regional government rose from zero to 26 per cent; and local government, from 10 to 13 per cent.¹⁸

According to the 1978 Spanish Constitution, social assistance is a power of the 'exclusive competence' of the 17 Autonomous Communities. These have made use of these powers extensively for purposes mainly of institutional legitimisation. Of great relevance for our analysis have been the programmes of *rentas mínimas* (minimum income benefits) or, in other words, *salario social* (social salary).

In order to combat poverty and situations of social exclusion, the 'Minimum Family Income' was introduced in the Basque Country in March 1989. This constituted a precedent and provoked a 'demonstration effect' in the subsequent programmes of minimum income benefits implemented in all 17 *Comunidades Autónomas*. Although showing a degree of diversity in policy design and coverage, programmes of 'minimum income' developed by the Spanish meso-governments aim at combining cash benefits with activation policies and programmes of social insertion (employment promotion and vocational training courses, primarily).

The impact of these *ab novo* programmes of 'minimum income' has had a dramatic effect in the debate about the completion of a 'safety net' in Spain. There are quasi-universalistic entitlements sharing some common features which can be identified as follows: (a) families are the units of reference even though individuals can be beneficiaries; (b) means-tested criteria are related to a threshold of household income under which cash benefits are awarded (around two thirds of minimum wage); (c) residence status of applicants is required (ranging from 1 to 10 years); (d) periods of extension are available provided that beneficiaries have complied with programmes of social insertion activities, and their needs remain the same (Aguilar, Gaviria and Laparra 1995) Table 9.4 offers basic data on minimum income programmes.

(INSERT TABLE 9.4 HERE)

These meso-governmental initiatives have certainly instigated welfare development in Spain. However, and due to their increasing financial difficulties, it remains to be seen whether these programmes will continue to be a priority for the regions. They may face a situation of either requesting co-funding from the central government or containing the scope of their coverage benefits.

In all future scenarios, the action by the regional and local government will be of decisive importance for welfare development in Spain. Indeed, the centre-periphery institutional interplay is a structuring variable, which pre-determines to a great extent the diverse nature of welfare outcomes in contemporary Spain.

Since 1988 the concerted action of the three levels of government to establish a comprehensive network of community centres has been instrumental in the extension of social services to the population at large.¹⁹ The *Plan Concertado de Prestaciones Básicas de Servicios Sociales* (Concerted Plan for Basic Provision of Social

Services) in municipalities was established in 1988.²⁰ It aims at providing services at the municipal level for the following purposes: (a) information and counselling; (b) social and day care services²¹ for the disabled and elderly; (c) refuge for abused women, single mothers, orphans or mistreated minors, and the homeless; and (d) prevention and social insertion.

This network of community centres has taken over much of the social system developed by the Catholic church during the 1960s. In the period 1989-96, the *PSOE* governments have not been opposed to lending support to private assistance and charities of a religious nature. Nevertheless, they have often tended to favour NGOs of a secular nature, as well as the Red Cross and the powerful National Organisation for the Blind (*ONCE*). Since 1996 the *PP* government has encouraged private assistance and concerted action with RC church institutions.

Targeting and selectivity

As in other Southern European countries the 'problem' with targeting is that social services and benefits do not always reach the needy or the citizens entitled to them. The mixed and fragmented nature of Southern welfare --both income-related and universalistic-- makes the evaluation of welfare provision a complex task.

Debates on universality and selectivity have traditionally related to issues of equity and redistribution of welfare services and transfers. During the last decades a controversy has developed on the question whether targeting is not only more redistributive and egalitarian, but also more effective in dealing with poverty and social exclusion. One view sustains that, in general terms, public expenditure on health care, education, housing and transport systematically favours the better off to the detriment of those citizens 'targeted' to have access to those services on an equal opportunities basis (Le Grand 1982). Consequently a criteria on selectivity should be established in dealing with the least favoured groups in society. Another view acknowledges that middle classes are favoured by policies targeted to the worse off in universal welfare states. However, in the long run this 'unwanted' effect stimulates the virtuous circle of encouraging coalition formation between the working class and the middle class in support for continued welfare state policies: 'The poor need not stand alone' (Korpi 1980: 305).²² In the case of a universal welfare state like Sweden, there is evidence that the middle classes are favoured by state institutions.

However, and once fiscal transfers have been taken into account, 60 per cent of the households pay more and receive much less from the social insurance system.²³ In recent times the idea of 'encompassing' welfare arrangements, whereby universal coverage and basic security form the base upon which income related benefits are erected have been put forward with relation to Scandinavian countries. This approach is partially in line with the 'Bismarckian' principle of social insurance and aims at providing income related benefits to all economically active individuals (Korpi and Palme 1994).

The situation in Southern Europe runs opposite to the direction taken by some Scandinavian reforms. In fact, from a contributory social security system, where selectivity has been the guiding principle of welfare development, a recent trend towards universalisation of benefits and services has been consolidating. As in the case of Britain, the last reforms are putting an emphasis in workfare and trying to avoid universal 'dependent' welfare. There seems to be a clear direction where most of the reforms implemented in the various systems of social protection in Europe are aiming at. As it has never happened before, convergence is a noticeable development in the EU welfare states at the turn of the millennium.

At the heart of the above discussion lies the controversy related to the so-called 'Matthew effect'²⁴, which has far-reaching consequences in the case of South European welfare. This 'effect' is perceived as providing disproportionate advantages for those with information resources over those who are entitled to benefits but lack know-how and/or patronage network. However, and in contrast with the situation in other European systems, policies carried out according to targeting criteria in Southern Europe have had a 'ripple effect' upon worse-off categories expanding the 'grey zones' between both social insurance and social assistance realms. The main reasons for such phenomena can be explained by the following hypotheses:

(a) The role played by the informal economy. There are widespread practices involving fiscal transfers between those citizens fulfilling their fiscal obligations (mostly 'insiders' with gainfully jobs and clientelist networks of social predation), and those evading taxes (in many cases 'peripheral' or 'outsider' workers with no information resources and/or excluded from contributory entitlements provided by the social security system). The strategies of the tax-free 'informal' labourers aim at maximising mainly from non-contributory selectivity programmes based on means

testing. Some of them, however, refrain from doing so because of stigmatisation, a cultural behaviour widely extended in Southern Europe.

(b) The role played by the Mediterranean family. The increasing participation of female workers in the labour force, coupled with new burdens for family formation and expansion, raise big questions, as to whether Southern welfare can maintain its internal *modus operandi* as has been the case up until now. A trend departing from the traditional functionality of the family as an indispensable complement to the action of the welfare state towards a more 'universal' system of social services and entitlements is observable, although it cannot be generalised. Further changes, thus, remain to be contrasted.

These factors, among others, are responsible for an apparent paradox: South European countries show a 'visible' precariousness but severe poverty and social exclusion are limited and well below EU mean indicators.²⁵ In Spain, among the unemployed both poor and excluded take a sizeable share. However, in 1988 Spain was among the five EU countries with the lowest proportion of households where the head was unemployed and were living below poverty line.²⁶ All South European countries were below EU average of 38 per cent, except Portugal, which, together with the United Kingdom, had the highest proportion of those households living below the poverty line (Goul Andersen 1997). This illustration seems to confirm the aforementioned paradox. In Spain, the means-tested sector of social protection, together with effect of the 'informal' sector of the economy and in the context of family solidarity, has significantly limited the effects of unemployment.

Future scenarios for Europe

Spanish welfare, as well as that of the Latin countries, is closely tied to the process of European integration. Reforms of social protection in Southern Europe are to take into account the economic challenges of the increasing competition within the Single Market, and with respect to the emerging industrialised in other regions of the world. These challenges have led authors to label the general situation in the Old Continent as a 'frozen welfare landscape' (Esping-Andersen 1994). 'Eurosclerosis' is also regarded as a major obstacle to economic progress as global competition intensifies (Taylor-Gooby 1996). Implicit in these remarks is the quest for the

achievement of a new model of development and growth within the international economic order.

There is also an alternative prescription, which proclaims the idea of a 'fortress Europe'. According to this view, the secession from the international world arena would preserve the maintenance of the European welfare regimes. An economic 'wall' around EU member states would guarantee social rights achieved by generations of Europeans. It would also stimulate a balanced growth, which, in turn, would create new employment coupled with job-sharing and the reduction of working time. Immigration would be tightly regulated. Undoubtedly this option would mean a U-turn in the cosmopolitan approach of the European culture and a dramatic change in its value-system (Moreno 1997b).

The lingering 'demise' of the nation-state as the main source of economic planning seems more than plausible. Financial globalisation maximises speculation by a handful of monetary strategists in banks, investment funds, financial trusts, and the like. A concerted effort within the European Union is required if goals for the preservation of social solidarity institutions are to be accomplished. The possibility of consolidating a new 'social contract' is at stake (Rodríguez-Cabrero 1997). This very much depends on the internalisation of values of compassion and solidarity by citizens at large and, in particular, by the bulk of the middle classes. Opting for the principles of social justice would be dependent on each citizen being able to place him or herself in the social position of any other person, and particularly the marginalised (Rawls 1971). The realisation of this point is essential if welfare systems of solidarity characteristic of the European societies are to be revitalised.

Notes

¹ This is Law 2 according to Esping-Andersen's ironic reference to the 'Four Laws of Sociology' (1993: 123-136). The other three are: (1) Some do, some don't, (3) Nothing ever works in India, and (4) There are no laws in Sociology.

² According to a 1996 national survey, 46.3 per cent of Spaniards agreed that 'The state is responsible for each and every one of its citizens, and has the duty to help them to solve their problems'; 35.7 also agreed that 'The state is only responsible for the well-being of least-favoured citizens', and 13.0 per cent were of the opinion that 'Citizens are responsible themselves for their own well-being and have the duty to sort out their own problems' (Don't knows: 5.1 per cent) (CIS 1996)

³ In Greece the ubiquitous Orthodox church of Greece continues to be the most important form of private action for the family and the poor (Symeonidou 1996). The same applies to the Roman Catholic church --and its organisation Caritas-- in Italy, Portugal and Spain. However, state welfare has widely increased in the last decades relegating the charitable action of the church to a complementary role. In Spain, for example, Caritas programmed 8,353 million pesetas to its 1988 social

programme, an amount which was just above 9 per cent of the newly created Ministry of Social Affairs' budget (Rodríguez-Cabrero 1990).

⁴ With an increasing critical voice from the Spanish Communist party integrated in the electoral coalition United Left (*Izquierda Unida*).

⁵ The 'Pact of Toledo' was supported by the most representative social partners and political parties in Spain, and was ratified by the Spanish Parliament on April 6th, 1996. Among its provisions a clear division for the financing of social protection in Spain was agreed. By the year 2000 expenses incurred by the contributory Social Security system should be met by both employers' and employees' contributions. General taxation should be responsible for the cost of the universal non-contributory benefits and services.

⁶ Note that around 12 per cent of the public expenditure on education is paid to concerted private schools. Together with non-concerted private education, they both covered 31 per cent of the total student population in 1990 (38.6, pre-school; 34.5 per cent, elementary; 28.7 per cent, middle; and 8.1 per cent, university).

⁷ General requirements are (a) residence in Spain during five years, with the last two prior to the entitlement to the pension; and (b) lack of resources (means tested).

⁸ However the minimum salary decreased from 77.5 per cent of the per capita GDP in 1980 to 52.4 per cent in 1992.

⁹ In Italy it may be improper to speak of a 'selfish' old-age generation but, according to F. Castles and M. Ferrera, '...clearly there is a set of life-cycle distributions which strongly favour the interests of the old' (1996: 175).

¹⁰ This was established by *Ley 26/1985* ('Act of Urgent Measures for the Rationalisation of the Structure and Protecting Action of the Social Security'). On March 1989, an additional Decree-Law regulated that compensation sums were to be added to pension payments only if the cost of living was to be higher at the end of each fiscal year.

¹¹ There has been a traditional emphasis on hospital rather than primary care. This hospital-centred pattern of health care is ingrained in some public perception, which tends to disregard services at the primary level. Such a popular feeling has 'perverse' bureaucratic effects as regards the overcrowding of public hospitals.

¹² By 1991 over half of health expenditure was managed at the meso-governmental level by both 'historical nationalities' (Basque Country, Catalonia, and Galicia) and regions (Andalusia, Aragon, Asturias, Balearic Islands, Canary Islands, Cantabria, Castille and Leon, Castille-La Mancha, Extremadura, La Rioja, Madrid, Murcia, Navarre, and Valencia).

¹³ This issue became a priority for the nationalist Catalan coalition, *Convergència i Unió*, in order to lend legislative support to the minority *PP* government after 1996.

¹⁴ The Spanish *INEM* (National Institute for Employment) classifies as registered unemployed all those citizens who have filed a job application in any of its agencies and who legally qualify as unemployed. Thus, those who have a 'visible' job, the disabled or students under the age of 25 are excluded. In order to be eligible for unemployment and social assistance benefits citizens must comply with the requisite of being registered at the *INEM* agencies.

¹⁵ Redundancies should be based on objective criteria. In such an event, employers are to pay redundancy compensation to the employee up to the amount equivalent to 33 days of the worker's salary for each of the years employed by the company. The maximum sum is not to be higher than 24 monthly payments in total. These figures compare with the previous one of 45 days per year, and a maximum compensation of up to 42 monthly payments in total.

¹⁶ In implementing this new legislation, the political input of the Catalan nationalists (*CiU*), who have supported the minority *PP* government in the Spanish Parliament since the 1996 General Election, is to be underlined. Shopkeepers and owners of small businesses in Catalonia have traditionally been strong and faithful supporters of the Catalan electoral coalition.

¹⁷ In 1975 there were nearly 1 million public employees in Spain. At the beginning of 1996 the corresponding figure was nearly 1,800,000.

¹⁸ Governmental estimates for the allocation of public expenditure in the near future are 54 per cent (central), 33 per cent (regional), and 13 per cent (local): 'This hypothesis would place Spain among the most decentralised countries in the world' (MAP 1997: 4).

¹⁹ The same year the *PSOE* government first created the Ministry of Social Affairs. In 1996 the PP government integrated it within the Ministry of Labour and Social Affairs.

²⁰ Central, regional and local authorities have contributed respectively 42 per cent, 33 per cent and 25 per cent to the Plan. It has covered all the Autonomous Communities except the Basque Country and Navarre. The latter maintains a regime of fiscal quasi-independence with respect to the central Treasury (by means of collecting all taxes and handing over to the central administration an agreed amount as *cupo*, or quota, in payment for the general services of the state). This arrangement has enabled the Basque Country and Navarre to enjoy a higher level of social spending.

²¹ These can be defined as a domain within which organised services are provided to strengthen the personal autonomy of both carers and often care receivers. Note that residential provision of the elderly reached around 2 per cent of citizens over 65 years of age. However, residences privately run for the elderly have greatly expanded in recent years.

²² According to Pzeworski (1985), the social democratic parties need to be supported by cross-class coalitions due the shrinking numbers of the industrial working classes.

²³ When judging the net impact of all economic transactions, Rothstein (1996) underlines the fact that both incomes and expenditures must be counted: the Italian bookkeeping establishes that where there is a credit entry there must also be a debit entry. Accordingly, different income groups part with different absolute terms, even if their tax rate is the same in percentage terms.

²⁴ This 'halo effect' refers to the assertion in the Gospel according to Matthew: 'For whomsoever hath, to him shall be given, and he shall have more abundance; but whomsoever hath not, from him shall be taken away even that he hath' (13:12).

²⁵ With the partial exception of Portugal. Although poverty has been reduced in the country as a whole, its severity has increased for rural households (Pereirinha 1996).

²⁶ The European Commission defines (relative) poverty as having less than one half of the consumption possibilities of the median household (corrected for household size and composition).