

Crisis and Welfare Society in Spain

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ABSTRACT: Some arguments are briefly presented about the negative consequences of the deep global economic and financial crisis of 2008 on the economic activity and the social situation in Spain. Reformulation, sustainability and financial viability of social welfare in Spain require a new management through resource efficiency, increasing market presence and initiative of stakeholders as a whole. In this sense, the main credible argument of the welfare social in Spain depends on a new perspective on socialization and generosity of social protection system. Specifically, the solution to the crisis must come through economic growth, increased productivity, employment and competitiveness and not by the way of increasing levels of social protection.

Keywords: Crisis, welfare society, rents work, income guarantee, minimum wage, maintenance expenses, pensions, financial sustainability, employment.

I. INTRODUCTION

The overall framework of global economic crisis originated as of 2008, mainly by the phenomenon of subprime mortgages, has impacted on economic activity in Spain, particularly until 2012. The levels of social welfare of the country have been affected considerably with an unstable evolution of labour market functioning, as an active engine backbone structure of welfare. Throughout the reference period (2008-2012), there was an increase pensions compared to wages of the young active workers, and a gradual growth in investment spending to maintain families who are dependents of pensioners.

II. RENTS WORK AND INCOME GUARANTEE

Coming next in the following table, you can compare the evolution between income of the active young workers and income pensions for retired through the following data.

Table 1. Evolution for years monthly average amount of rents work and income guarantee in Euros (2008-2012)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Rents work	1.563,10	1.607,96	1.627,87	1.635,66	1.639
Rents youth work	720	950,93	980,85	888,02	---
Minim profess.wag	600	624	633,30	641,40	641,40
Total pension	725,23	759,86	785,83	810,85	822,82
Retirement pensions	821,55	861,49	892,38	923,06	936,43

*Source: Prepared on the Annual Wage Structure Survey of the National Statistics Institute, Social Security and Youth Institute.

As seen in the table 1 since 2008 both labour incomes in aggregate as the minimum wage increased although to a lesser extent with respect to contributory pensions and income security as a whole. However, Spain has less amount in relation to the countries of the European Union. The minimum wage in Spain is regulated by government and RD 1414 remains at 645 Euros/month, 21.51 Euros/day, with a limited increase of 0.6% since 2012. Even though less significantly. In the case of the increase in rents labour and pensions, the amount of income from work young people (up to 29 years) decreasing respect to the ends of contributory pensions in 2011. Though youth income is a trend increased for 2012 to 2008 except where the amount of the retirement income turns out to be superior. For example, the data include global pension expense in the period 2000-2013 increased by 108% from an average pension of 500 Euros in 2004 to 969,89 Euros in 2013. So that has been an increase in the average pension of 3-3.5% in the last 5 years (discounted approved revaluations)

(See Social Security Statistics). Some of the main reasons for the generally unstable and declining trend in labour markets since 2008 has to do not only directly with the lack of economic growth and lack of job creation but indirectly with a decisive result unemployed generated in the work factor (Herrador and Rivera, 2010), which is the famous disincentive effect. It concerns about disincentives that young people can lead a permanent global precarious working conditions (wage) and a prospect of uncertain future in the labour market may choose to exercise the role of consumer choice benefits a system of generous social protection in the short term to guarantee their incomes are higher than labour income and a security level of perceived significantly higher income. In this case, the Spanish welfare system shows that pensioners have more guarantees that assets in maintaining their income and the latter do not have incentives to continue working. This is so because the maintenance of high replacement rates increase the problem to solve that is none other than the immediate need to contribute to greater tax efforts along more of the workforce (relationship between first and final salary pension). In fact, in the medium term, a significant increase in the number of workers who can earn more as pensioners than active workers, the latter providing 6,25% of average emoluments respect of pensioners occurs further unlisted to social security (see Household Budget Survey). Obviously, in this framework the incentive to continue contributing to a longer Spanish pension system which in practice is highly generous, generating therefore major problems of financial sustainability disappears. These measures have consistently contributed to achieving the unwanted effect of increasing depth in the traditional duality of the Spanish labour market and the predominance of secondary and external markets or unstable employment segments (Herrador,2008). The Spanish model of pension system is updated and revalued on the benchmark consumer price index.

III. MAINTENANCE EXPENSES OF FAMILIES

The increase in pension expenditure during the reference period is significant because it means that families have been depending on the income guarantee insured income as compared to the volatility of labour income of young people (16-29 years) with precarious jobs, high unemployment, spending cuts and tax increase prices. A turnaround that reverses the traditional role of maintaining mean is observed. There has been a change in the traditional maintenance of households since the income of their occupationally active members have lost their dominance in favour of the income of liabilities inactive or retired members of these families. This turnaround in household income during the last five years in Spain is related to a structural change in the distribution of income in which gain more liabilities than assets. It can be said that older youth in forward level of household expenditure in the last 5 years due to the economic crises and deep recession. Subsequently observed the evolution of the level of spending since 2006 in which the main breadwinners of the household are people between 16-29 and 65 years or older

Table 2. Evolution of maintenance expenditure level of average annual household per person

	<u>2006</u>	<u>2011</u>
Active 16-29 years (Head of household)	11.814 Euros Exceeds average	10.345 Euros
Inactive 65 or older (Head of household)	10.157 Euros Below average	12.093 Euros

*Source: Own elaboration based on Budget Survey of Families (Spanish National Institute of Statistic) (NIS) and the business section of the newspaper El País, October 30, 2012.

For example, the following data relating to the households remain a retired head of family have increased their spending power since 2006 and also in 2011, standing at 26.014 Euros. However, households with a householder employed or unemployed as the main source of generating revenues decreased their spending year after year. In addition, the average consumption per household in 2011 has decreased by 1% compared to 2010 to stand at 29.482 Euros, 3.5% less than in 2009, although the average per person changed just in less than 30 Euros, remaining at 11.137 Euros (NIS, 2012). The transformation of social welfare in Spain would mean a substantial increase in the developing personal and universal social services through the free exercise of the professionals who care for older. This care is intended to be helping themselves and prevent social exclusion or varied situations of dependency through a minimum public aid and all this is because of the income approach is affecting to from inactive to active families and the progressive aging of the population.

IV. REFLECTION

Previous to the economic and financial crisis of 2008, wages in Europe were higher than in Spain. This was the reason wherefore the Spaniard workers had to emigrate to Germany and United Kingdom, and also to the Americas and Chile. The proposal to leave of this deep and lasting crises would be to revise the concept of

social welfare through reformulating the model plural welfare. It is evolving from a traditional conception of welfare state to a conception of society welfare. This is necessary to reduce the regulatory role of the state and increase the initiative of welfare society and the Anglo-Saxon neoliberal model. How can do it in Spain?. Why increases the number of people who get more money as pensioners in Spain?. This is a situation that directly affects the relationship between wages and pensions.

It needed to identify the respective status and roles of people who produce and consume. This is essential in order to achieve balance and efficiency in the management and assignment of public resources. Thus, the wages of workers would keep the whole family expenditure and social welfare and not, pensions of retirees. So it would break with the traditional dependence of the individual in relation to the state. It is essential to get a welfare society adapted to the culture of effort and productivity and not of the economic benefit of the state. In Spain, a welfare society of the future would depend mainly on a stable macroeconomic environment for wealth creation and employment generation. In addition is necessary compliance with the principle of financial stability and the contributions of wages, and not and over-reliance on state pensions.

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