

# **Defrosting the Spanish Welfare State: the Weight of Conservative Components**

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## Abstract

This paper analyses social policy reform in the past 30 years in Spain from a novel point of view, namely, that of the institutional capabilities of Bismarckian welfare states to reinvent themselves and to successfully adapt to an era of austerity and open economic competition. After a brief introduction aiming at signaling the main characteristics of Spain from the political and economic point of view, the paper is divided into three sections. The first section assesses the degree of “Bismarckianism” of the Spanish welfare state at the point of departure of the present study, that is, in the mid 70s, when Spain started its transition from an authoritarian regime to a full democracy. It also considers how the institutional set-up of the Spanish welfare state might be expected to have impacted on the nature and timing of welfare state reforms. The second section focuses on the sequences of the reform trajectory from the 1980s to present. For each sequence of reform, the problems posed, the policy-making process, and the outcomes are spelt out. The third section is devoted to the explanation of the Spanish pattern of change. It shows how the concurrence of political, economic and social challenges allowed for the upsurge of windows of reform and paradigmatic policy changes in Spain that were absent in other national cases. It also shows how both policy challenges and policy solutions were similar to those of other Bismarckian welfare states, especially in those areas of social policy that remained organized along corporatist lines, i.e., income maintenance. The concluding section characterizes the present welfare system. It argues that, indeed, more has occurred than is usually recognized in the realm of Bismarckian social policies. In Spain, such developments were largely due to internal specificities, the pressures posed by European integration and learning processes but they have also been facilitated by the initial institutional design of the Spanish welfare state.

## Author’s note

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## Introduction

The transformation of the Spanish political system but also of the Spanish economy and welfare state has been dramatic since the advent of democracy thirty years ago. Because of the process of democratization, changes in the political domain have been the most salient.

Spain has been a parliamentary monarchy for the last 30 years. This is the longest historical experience of consolidated democracy. Since 1982, the party system is dominated by two major parties: the social democratic PSOE (*Partido Socialista Obrero Español*) and the conservative PP (*Partido Popular*, called *Alianza Popular* before 1989). As Chulià (2006) notes, due to the key roles of the government and the Congress in the Spanish political system, during the periods in which a party enjoys an absolute majority, both institutions emerge as one and the same veto player; hence there is no veto to government proposals. Conversely, minority governments are very vulnerable to the veto power of the minor parties supporting them. It is to be noted that supporting parties to the central government have usually been 'nationalist' ones, that is, regional parties.

Since 1978, Spain has become a strongly decentralized country. The territory is split in 17 autonomous regions enjoying political and administrative powers. Therefore Spain has three levels of government, namely central, regional and local. The relations among the regions and the central state depend on the identities of the parties in power. They tend to be more problematic when the regions are governed by 'nationalist' (meaning regionalist) parties enjoying absolute majorities, which has often been the case in the Basque Country and Catalonia. Spanish autonomous regions enjoy responsibilities in many aspects of social policies including education, health care, social services and social assistance). Autonomous regions spend one third of total public expenditure nowadays and around 60% of their budget goes to health care and education. Contrarily, the income-maintenance system, with the exception of non-contributory transfers, remains in the hands of the central state.

The social partners enjoy high levels of representativeness in Spain. As regards unions, two big confederations, namely the socialist UGT (*Unión General de Trabajadores*), and the communist CCOO (*Comisiones Obreras*) have come to share the representation of the interests of all workers almost by fifty per cent. Although unions have not reached high levels of affiliation (15% of salaried workers), this dual repartition of representation was consolidated through the results of elections to workers' committees.<sup>1</sup> Employers have gathered around one single organization, CEOE (*Confederación Española de Organizaciones Empresariales*), integrating the firms of all territories and economic sectors. The CEOE incorporated later the association of medium size and small firms (CEPYME).

In sum, what this analysis of the Spanish political system tells us is that, contrarily to other Bismarckian welfare states, Spain is not a veto-heavy political system. Veto can and has been exercised by unions through striking and demonstrations and employers' associations are also very able of exercising pressure. Obviously, regions have become very salient political actors, especially as concerns the negotiation of financial fluxes

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<sup>1</sup> With the exception of two autonomous regions, namely the Basque Country and Galicia.

from the central state. Political pressure can be exercised much less intensely by consumers's associations, some professional associations (medical doctor's associations do not enjoy much power as compared to the situation of other countries), and by the Catholic Church, this latter as regards issues dealing with the teaching of religion in primary and secondary education, ethical issues (abortion, homosexual rights, genetic engineering).<sup>2</sup>

On its part, the Spanish economy has experienced a deep transformation in the last three decades, and it has done so in at least three aspects, namely the relative share of productive sectors, the degree of openness of the economy and the activity of the public sector.

Regarding the first aspect, the relative share of productive sectors has varied, as in many other advanced economies, towards a reduction of the primary and secondary sectors and an intense growth of the tertiary one. From 1980 to 2000, the primary sector was reduced to half of its size, while the secondary sector lost 5 percentage points and the tertiary sector gained ten points. In 2000, the split was of 3.63% for the primary sector, 30.52% for the secondary sector, and 65.85% for the services sector (see table 1). This split has remained stable until the present.

In the second place, the Spanish economy has undergone a deep process of opening. Trade fluxes, i.e. exports plus imports, hardly reaching 31% of GDP in 1985, went up to 43% in 2003. This constitutes an openness coefficient which is comparable, and even superior, to that of other European countries of similar size. If we take into account that the point of departure was of much more severe economic isolation, these dates reflect an intense effort of international projection (Alonso, 2005: 481).

The third salient transformation of the Spanish economy was experienced by the public sector. Fiscal reform was carried out starting in 1979 and has led to the modernization of the Spanish fiscal system on the one hand, and to a significant growth of fiscal pressure on the other. Fiscal pressure has increased from 25.7% in 1980 to 35.6% in 2005, with a maximum of 36.8% in 1992 (see table 2 and graph 1). The composition of state revenues has changed as well. While the percentage of social contributions over GDP at current prices has remained pretty stable, direct and indirect taxes have almost doubled their rates, but growth of indirect taxation has been more intense. As a result, in 2005, state revenues amounted to 13.1% of GDP collected through social contributions, 12.1% collected through indirect taxes and 10.4% through direct taxes (see again table 2 and graph 1).

Finally, the entrance of Spain into the CE (1986) and then the EMU have also significantly conditioned the activities of the public administration in a twofold way. In the first place, social expenditure growth in the 1980s was also possible thanks to the arrival of structural and cohesion funds, which served the purpose of financing productive investments, especially in 'objective one' regions. In the second place, the requirements to join the EMU have deeply conditioned budgetary policies from 1996 by obliging to contain public expenditure in order to maintain deficits at the levels required by the Maastricht Treaty and the Stability Pact.

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<sup>2</sup> The Spanish Constitution defines the state as a-confessional. The Catholic Church is the only one mentioned explicitly in the Constitution but its pressure power has decreased steadily. Abortion, gay marriages and adoption by gay couples are allowed in Spain.

## I. The point of departure: the Spanish welfare state in the late seventies

When Franco died in 1975 and Spain began to pave the way of a transition to democracy, a social protection system was already in place. Many Spanish scholars refuse to refer to social policy under the dictatorship as the building of a ‘welfare state’, provided the non-democratic context in which it was constructed and also its underdevelopment in comparative terms with other European countries.<sup>3</sup> However, whatever social policy existed (and it can hardly be labeled as either ‘residual’ à la Titmuss or ‘rudimentary’ à la Leibfried) it was clearly organized mirroring the Bismarckian tradition. Franco’s admiration for Nazi Germany and fascist Italy explains the emulation of the Bismarckian model when the social protection system started to be built in the 1940s.

The principles in which the authoritarian welfare system was based are not easy to spell out, for Franco and his ministers did not have a clear cut ideology. However, one can easily deduct from the declaration of motives preceding legal texts (especially the Basic Law of Social Security of 1963), and also from outcomes, that the Spanish welfare system did not share all the main normative/ideational elements common to all Bismarckian welfare systems. The Spanish *Seguridad Social* did share the emphasis on security, i.e. job and income security for male workers. The social protection system was in charge of income maintenance and one of the most rigid labour markets in West Europe was responsible for job security. It also shared the importance of professional identities: curiously enough Spaniards paid social contributions according to their professional sector and the amount of social contributions was quite detached from the amount of their salary. Furthermore, the orientation towards the support of traditional family roles was crystal clear even in the public discourse. The Spanish welfare system also favoured subsidiarity. But it is here where shared principles come to an end. Collectively negotiated rights were impossible in the absence of free unions. Proportionality does not apply when social contributions (and, derived from it, benefits) are not proportional to salaries. By 1980, these two latter principles had been included in the system, the first thanks to democratization and legalization of the unions and the second thanks to the legal reform of Social Security in 1975 and the outstanding fiscal reform of 1979.

Institutional arrangements meant that social protection policies were aimed at workers and their dependants. The rest of the population was either referred to Poor Relief (*Beneficencia*) if their income was very low or to the private market when the income was high. The Basic Law establishing social security had been passed in 1963 and implemented from 1967 onwards. In 1975, the *Seguridad Social* comprised a general scheme for salaried workers and a good number of special regimes for other categories of workers (Velarde, 1990). The so-called *mutualidades laborales* (social protection associations rooted in big firms or industrial/services branches) remained in place with the 1963 reform, but withered away in subsequent years.

Benefits came to be earnings related by 1980. The system was financed entirely by social contributions paid by workers and employers; the proportion of state revenues was negligible. Franco’s dislike for taxes was notorious, despite the insistence of his finance ministers on the need to introduce a broader and progressive tax on income. The

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<sup>3</sup> See, for example, Rodríguez Cabrero (1989), Moreno and Sarasa (1993).

mid seventies were still a time of large surpluses in social accounts but they were not to last, as soon as the economic crises stroke the Spanish economy.

Management and administration were centralized, both from a political and economic point of view. As a consequence the Spanish system was not split in social funds (*Kassen, caisses, casse, etc*) right from its establishment. It should be recalled also that the role played by unions and employers' associations in the management and administration of the system was non-existent under an authoritarian regime.

In 1975, the Spanish social protection system was comparatively less developed than other Bismarckian systems. Nonetheless, it comprised several public programmes: income maintenance (retirement, unemployment and sickness allowances), health care, social care services, family policies, housing policies and education, bearing different levels of development. Especially family and care policies for children, the disabled and the elderly were underdeveloped provided the authoritarian regime deeply believed in the different social roles of men and women, the latter having to stay at home and provide care. The Francoist regime always made intense propaganda about its pronatalist family policies, but by the mid 1970s the amounts of family transfers had become really modest.

Retirement pensions were organized along professional lines. As already noted, a general regime for salaried workers existed and many several others, but financing, management and administration were centralized in a single institution. Since the advent of democracy, though, the vocation expressed in the legal texts was to reduce the number of professional regimes gradually and equalize the conditions of access and benefits. All the retired workers could count on a pension. A small programme for those people having failed to gather contributory pension rights was also in place, namely that of *pensiones asistenciales*. Even at this early stage some internal redistribution within the social security system could be ascertained for the agrarian regime suffered always from deficits, so that transfers from the general regime were done in order to be able to pay for agrarian pensions.

Health care services were grouped under the *Asistencia Sanitaria de la Seguridad Social* (ASSS) also created by the Basic Law of 1963. Despite access being based on professional grounds, the management and administration of health services was carried out by a single institution. The ASSS was in charge of providing health services for all the insured workers and their dependants. The proportion of the population covered by the ASSS in 1975 was of 80.9% (Fundación FOESSA, 1983: 809). The ASSS owned its own net of public health institutions, consisting mainly of primary and specialized care providers (*ambulatorios*) and hospitals (*residencias sanitarias de la Seguridad Social*). However, other public nets of health institutions existed, as for example, health care services for the military or the net established before social insurance began, which was administered and managed by the Home Office and owned the so-called 'provincial hospitals' (one in each capital of province). Doctors were salaried employees right from the establishment of health care insurance in 1943, a condition that was maintained by the Basic Law of Social Security in 1963. Furthermore, the system was organized so that primary doctors acted as the door-keepers, referring patients to higher levels of care.

Unemployment protection was of very small range in the mid seventies. A programme existed since 1963. However, full employment was the norm at that point in time and only a few workers benefited from it before the impact of the crises of the seventies was felt in the economy. Two peculiarities of Spain should be noted in this respect. First, full employment was attained under the dictatorship not only by insertion in the Spanish labour market but also by emigration to other more developed European countries. Second, the Spanish labour market under Franco's regime was one of the most rigid and overprotected in Europe with very costly firings and stringent legislation on permanent contracts.

It is important to note once more that the Spanish social protection system was deeply predicated on the principles of the breadwinner model. Provided women, on the one hand, were to stay home and look after children, the disabled and the elderly and, on the other hand, feminine access to education and the labour market lagged well behind other European countries, social care services remained very underdeveloped in the mid 1970s.

In sum, the Spanish welfare state of the mid to late seventies was an underdeveloped version of the Bismarckian model. In 1980, roughly half of the financing was done out of social contributions (12.6% of GDP), and the other half was split on similar proportions between direct taxes (6.7%) and indirect taxes (6.4%) (see table 2). Public expenditure on social protection amounted to 17.1% of GDP, while the average for the EU15 was of 21.9% (Databook of Bismarckian Social Protection Systems). As already noted, management was centralized in a single institution (not split in social funds) and in the hands of public authorities. Finally, population coverage was broad (around 80-85% for pensions and health) but not universal. Family and care policies were severely underdeveloped, while voluntary associations played a prominent role regarding the protection of the poor and socially excluded.

But there is another way of assessing the character of a Bismarckian system. According to the re-examination of welfare regimes carried out by Esping-Andersen (1999: 81), "the essence of a conservative regime lies in its blend of status segmentation and familialism". The Spanish system of the mid seventies was Bismarckian but not quite. It was markedly based on "conservative familialist" principles, that is, a biased male breadwinner model where the family becomes central as a care giver and responsible for the welfare of its members. Still, some of the corporatist institutional arrangements were missing, especially those related to the existence of independent professional funds and those concerned with the management and administration of the system and the role played by the social partners. As a working hypothesis, it is my contention that it is precisely this lack of intense corporatist traits that eased the way for the paradigmatic reforms of the 1980s and the recalibration of the 1990s. Conversely, the "conservative familialist" character of the Spanish welfare state has proved more difficult to overcome.

In the mid seventies, it was difficult to foresee what would become of the Spanish social protection system, and what would be the nature and timing of welfare reforms. The coincidence of the oil shocks with the process of transition to democracy left too many unknown factors. However, on the one hand, the lack of maturity of the system and the absence of deeply entrenched interests meant the existence of room for reform. But reform would be highly dependent on the evolution of the economy and the degree of

success of democratization. On the other hand, legitimization of the new democratic regime was dependent on its ability to meet population demands and needs, a fact that announced that change at some point would be needed. Let us turn to the analysis of the reform trajectory.

## **II. Reforming social protection in the last three decades**

### *II.a. Transition to democracy: expansion without institutional change(1975-1982)*

As I have argued elsewhere (Guillén, 1996), expansion in terms of coverage and expenditure rather than institutional reform took place from the beginning of the transition of democracy in 1975 to the victory of the Socialist Party (PSOE) in 1982. In fact, expenditure on social protection was one and a half times higher in 1982 than in 1975, due especially to an increasing participation of taxation in the financing of social protection. The reasons for expansion without organizational change in the social protection system previous to 1982 were related to the need to stabilize the new political regime, the concurrence of the economic shocks of the seventies and the pressures to alleviate social needs caused by massive unemployment and inflation. In a few words, two goals had to be reached in parallel. The first goal consisted of meeting population needs and aspirations. The second goal was to achieve broad consensus for political reform. In this context, the reform of social protection institutions was postponed provided the stabilization of the new democratic political institutions was much more pressing. This is in sharp contrast with the Portuguese transition to democracy, which bore a “rupture” character, and more similar to the Greek one, which also chose a “reformist” and consensual path to transition to democracy (Maravall, 1995).

But deep and agile reform after 1982 was also possible thanks to certain developments taking place in the first few years of the transition to democracy. Such developments were not conducive to big changes in the institutional design of the social protection system but eased the way for paradigmatic changes thereafter. Among them are:

- a) The separation of health services from the Ministry of Labour and Social Security and the creation of an independent Ministry of Health.
- b) The approval of a democratic constitution, allowing for devolution of powers to the regions.
- c) The general trend towards increased democratization and participation of the social partners in the decision-making process, in particular within the social security governing bodies.
- d) Full development of public preferences in favour of both enlarging social protection and of basing entitlements to welfare services (not to income maintenance transfers) on citizenship rights.

### *II.b. Paradigmatic shifts (1982-1992)*

The problem to be dealt with in this sequence of reforms was bringing the Spanish social protection system closer to that of its European counterparts. Upgrading of protection and closing protection gaps was the landmark in both the public discourse and public preferences, which shared an acute conscience of backwardness. The absolute majority of the Socialist Party in the 1982 elections rose big hopes among the

population. However, the poor state of the economy and the need to restructure industry delayed reforms. Things began to change rapidly and deeply in the second half of the 1980s, thanks to the positive economic cycle on the one side and to pressures exercised by the unions on the other.

Growth in expenditure and coverage was spectacular from 1982 to 1992 (Rodríguez Cabrero, 1994; Fundación FOESSA, 1994). Social contributions became insufficient to finance the system and the state had to start using more resources from general taxation. Unemployment protection was expanded in 1983/4 and health care provision in 1984/1986 and 1999. Contrarily, public retirement pensions were reformed in 1985 in a restrictive way.

The pension reform of 1985 initiated a series of rationalizing measures that were to be continued during the 1990s. In 1985, the minimum contributory period was enlarged from 10 to 15 years, while the formula to calculate the benefits came to include the salaries of the last 8 years instead of the 2 previously required. It is important to highlight that cost-control reforms were not introduced in other Bismarckian welfare states until much later. Still, retirement pensions remained in the hands of the central state and organized along professional lines. Hence the 1985 reform could be classified as a first order change in Hall's terminology.

The 1985 reform was imposed by the Socialist government, even at the cost of breaking their historical brotherhood with the Socialist union (UGT), because of clear domestic reasons. At that point Spain was undergoing severe economic difficulties and previous reform enacted under the late authoritarian regime had rendered the cost of pensions unbearable. Conversely, after the successful 1988 general strike, unions were able to press the Socialist government into expansionary measures, such as the creation of a non-contributory pension scheme and the indexation of pensions to past inflation. The introduction of non-contributory pensions can be considered a major shift in the path.

The creation of flat-rate non-contributory pensions for the elderly and the disabled in 1991 meant that citizens and not only workers were entitled to pensions and it resulted in a universal coverage in terms of income maintenance for all people over 65. Another salient departure from the path also took place in 1989, when supplementary (no opting-out) private pension plans were allowed for the first time. The creation of private plans was fostered by the introduction of fiscal exemptions. Both reforms were in line with EC recommendations to lower poverty among the elderly and to complement public pension systems. Furthermore, both reforms can be considered as paradigmatic changes, according to Hall.

Furthermore, the restrictive reform of 1985 did not impede the internal redistributory measures initiated in the early 80s, namely the continuity of the so-called minimum pension supplements (*complementos a mínimos*). The Spanish system counts on a minimum and a maximum retirement pension. The minimum pension is granted to all beneficiaries (having contributed for a minimum period) irrespective of whether their contributory career allows them to reach the minimum pension or not. This measure has become more and more costly along the 80s and 90s. Furthermore, a strategy was also initiated in order to narrow the gap between the average retirement pension and the minimum salary. This was done by raising the minimum pension, by indexing pensions to the cost of living, and also by ameliorating the lowest pensions, mainly those of

survivors. The objective of equalizing the average pension to the minimum salary was attained in 1995 (Guillén, 1999).

Early retirement and disability pensions were used broadly in the early 1980s with the aim of covering situations of need among the unemployed. The situation began to be reversed towards the end of the decade through the fight against fraud and abuses.

Passive unemployment protection was reduced in 1980 because of the poor condition of the economy and expanded in 1984. Coverage rates grew from 43.4% in 1986 to a peak of 80.3% in 1992, when they reached the maximum of the democratic period (Cruz Roche, 1994). However, the number of contributory beneficiaries lost ground and that of non-contributory ones kept increasing, a measure clearly in favour of the long-term unemployed but meaning also an assistentialization of the system. Investment in active measures began to take off in the second half of the 1980s (Toharia, 1997; Gutiérrez and Guillén, 2000).

Also in 1984, the first wave of labour market liberalization took place. It introduced fixed-term contracts while leaving the ordinary framework of contracting untouched. This move had a decisive influence on the configuration of the Spanish labour market. Temporary contracts facilitated the adaptation of staffing to cyclical conditions and stimulated the creation of employment. Still, fixed-term contracts quickly reached 30% of all salaried workers (the highest rate in the UE up to the present), produced a dualization of the labour market structure and were not able to drastically reduce unemployment (15% at the end of the 1980s).

Health care suffered the most dramatic change: a paradigmatic change. The very important reform of primary care in 1984 and the General Health Law of 1986 constituted a major departure point from the Bismarckian path. A public National Health System (*Sistema Nacional de Salud*) was created comprising all pre-existing public networks of providers. At the same time the new legislation allowed for the devolution of powers on health care to the autonomous regions, as already sanctioned by the 1978 democratic constitution. The reform was carried out gradually. Devolution took place in several stages, each autonomous region negotiating individually with the central state. The process of decentralization began in 1982 in Spain with the devolution of health care powers to Catalonia and was only completed in December 2002, twenty years later. In Spain, there were no health funds, so that they did not have to be suppressed. Coverage of the population was already almost universal (over 90%), a circumstance that was possible, on the one hand, by the previous inclusion of more and more categories of workers into the system of social security and, on the other, by the flexibilization of the rules on access for dependants (Guillén, 2002).<sup>4</sup> Thus, the economic effort to turn a social insurance health system into a national health service covering one hundred per cent of the population was not too demanding. It was not until 1989 that a royal decree allowed for the incorporation of previous beneficiaries of poor relief into the Spanish NHS. However, access to the system was not turned into a citizenship right and the professional principle (with several corrections to allow for

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<sup>4</sup> For example, kinship of a worker was first covered until they became of age (18), then until they reached their twenty-first birthday and finally for their whole lives provided, of course, they were not working themselves.

universal coverage) has remained in place.<sup>5</sup> Hence universalization in Spain could be said to have happened *de facto* rather than *de iure*. The composition of financing was gradually modified to become increasingly dependant on general revenues. In 1998, it was decided that the whole health care system should become financed out of taxes.

The shift from health care insurance to a national health service was possible thanks to the formation of a broad coalition in support of such change. The coalition included the central government, leftist parties, regional governments and the unions. Public preferences were also very clear in favour of it. The conservative party in the opposition, employers associations and medical associations were not able to impede it.

The reform of disability policies was initiated in 1981 with the passing of the LISMI (*Ley de Integración del Minusválido*) including payments in cash, subsidies for transport, preventive and curative measures, full inclusion into the health care system irrespective of occupational status or dependency on a worker and suppression of physical barriers. However, payments in cash were not very generous and it took years to implement many aspects of the law (Casado, 1992). This early decision was taken already during the period of transition to democracy because of the desperate situation of the disabled.

Family policies remained untouched until 1990 when a universal means-tested scheme substituted the almost negligible economic transfers inherited from the previous regime. Transfers were ameliorated for those families with disabled kinship, but the amount of the economic support remained low (Fundación FOESSA, 1994). The postponement of the reform of family policies can be explained, among other reasons, by the reluctance of the socialist governments (1982-1994) to be identified with the natalist orientation of the Francoist dictatorship (see Valiente, 1995 for a detailed analysis). Care policies were expanded and ameliorated, especially for children between 3 and 5 years of age, for whom places at pre-schooling were provided. Expansion of care policies for the disabled and the elderly was also notorious and the creation of a Ministry of Social Services in 1988 helped in this direction (Ministerio de Asuntos Sociales, 1993). Nonetheless, these policies departed from extremely low levels of provision and the intense ageing of the population did not help. Thus, at the beginning of the 1990s, care was still massively in the hands of families.

Social care services were devolved to the autonomous regions in the late 1980s and early 1990s. Given the small development of this policy and its low economic weight, it was easy for the central government to please the regions by devolving responsibility to them. This move enhanced the introduction of innovative solutions, but provision started to show geographical heterogeneity not only among regions but even among different localities.

Social assistance made an important move ahead as well in the late 1980s. Faced with a refusal on the part of the central state, the unions began bargaining with regional governments in order to introduce minimum income schemes. By the early 1990s, all Spanish autonomous regions counted on either social salaries or social insertion salaries. In this way, Spain was the first Southern European country to introduce

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<sup>5</sup> This has been due to the opposition of the unions to change the eligibility principle, although, as noted it has not impeded to reach universal coverage.

minimum income policies. Their generosity also varies with the region and, in general, the intensity of protection is modest (Aguilar et al., 1994; Arriba, 2001).

In sum, the 1980s witnessed major changes in Spain. As a consequence of those changes a new mixed way of understanding welfare provision was born: corporatist in income maintenance and social-democratic as regards health (and education), overcoming the Bismarckian path clearly in the latter case. Furthermore, what is peculiar of the Spanish case is the early rationalizing reform (1985) of the pension system in comparative terms with other Bismarckian welfare states. Besides, some moves can be ascertained in the direction of narrowing protection gaps in the realms of family and care policies, protection of the disabled and non-contributory income maintenance policies. The introduction of minimum income policies at the regional level also meant a substantial departure from the path. The expansionary and path deviant trend lasted until 1992-1993, when a significantly different sequence of reforms starts.

### *II.c. In search for efficiency (1992-2004)*

The early 1990s, and especially the 1992 Maastricht Treaty initiates a totally different context from that of the 1980s for all EU member states. The problem becomes now how to rationalize expenditure and gain efficiency. In Spain, austerity challenges become even more acute because of the economic recession and the public economic effort undertaken to finance the Universal Exhibition of Seville and the Olympic Games in Barcelona. As already noted, public expenditure peaked in 1993 (see graph 2). It is hardly news that Spain did homework properly and was able to put in place a smooth and well organized process of convergence to access the EMU, especially after 1996. However, cost-control and austerity measures left a clear mark on social policy developments.

Unemployment protection policies were the first to be reformed in 1992, this time in a drastic restrictive way. The minimum period of contribution required for access was expanded from six to twelve months. The payment period was reduced from one-half of the period contributed to one-third. Replacement rates of previous salaries also decreased. Coverage rates fell dramatically from 80.3% in 1992 to 50.7% in 1995 (Ministerio de Trabajo, 1996: 803). The reasons for this move were due as much to the need to reach the convergence criteria imposed externally as to internal politics. As noted above, the introduction of fixed term contracts by the 1983/84 labour reform resulted in a share of over one third of all contracts being temporary in the Spanish labour market. Such a situation meant continuous entries to and exits from the labour market and peaking costs in terms of passive unemployment protection. As a consequence, the National Institute for Unemployment (INEM) went almost bankrupt and retrenchment was necessary. Expenditure growth on activation policies also slowed down for the rest of the decade (Gutiérrez and Guillén, 2000). In 2000, an active integration subsidy was created for aged long-term unemployed. Two years later, a softened version of a most controversial reform aiming at enhancing geographical mobility of workers and avoiding rejection of jobs was passed (CES, 2001 and 2003).

The 1990s also witnessed two further waves of labour market flexibilization. The first took place in 1993-1994. Among other measures, these reforms entailed the promotion

of job creation through new tax and social contribution exemptions for employers contracting young people, the long-term unemployed, people aged 45 and over, and the disabled. The measures also included the fostering of work-experience and job-training contracts, and the reduction of barriers for certain kinds of redundancies. On this occasion, and in contrast to the 1984 reform, part-time contracts were more vigorously promoted by providing them with more public subsidies (CES, 1994). The 1993 reform also included the legalization of non-profit private employment agencies, so that the National Institute of Employment lost its monopoly as a job placement agency. The unions agreed on this reform because they were weakened by corruption scandals and because they were compensated mainly in terms of union electoral regulations and as regards the devolution of the historical patrimony lost during the dictatorship.

The second reform of the labour market of the 1990s took place in 1996, under the recently elected government of the Partido Popular (PP, of conservative orientation). It was the first consensual reform, achieved through a social pact, provided that the previous ones had had to be imposed on the social partners. The 1996 reform promoted the creation of open-ended contracts, modified part-time contracts and reduced the cost of redundancies. In this case, the social agreement was reached because the unions feared the possibility of the Popular Party reforming by decree without consulting them. All in all, after three flexibilizing reforms, the rigid labour market of Francoist times had become only a vague memory at the end of the 1990s.

Retirement pensions also underwent cost-control reforms. In 1994, pensions were indexed to the estimated inflation rate for the next year, instead of remaining tied to past inflation as had been the norm from 1989. By the mid 1990s, worries about future sustainability of the public pension system in a context of austerity and rapid population ageing had grown so much that a parliamentary commission was appointed. After a year of activity, the commission decided that the existing system, based on intergenerational solidarity, should be kept but forwarded 15 recommendations for reform in order to secure future viability. This commission came to be known as the 1995 Toledo Pact, to which both the unions and employers' associations quickly adhered. The Toledo Pact has guided the reform of pensions until present, provided it was renewed and readapted to the socio-economic context in 2003.

The second major reform of the pension system was agreed on in 1996 via social pact and turned into law in 1997. Once again, the rule of the Conservative Party raised fears of privatization and unions "swallowed" another restrictive reform in order to ensure future viability of the public pension system. The main reforms of this law followed part of the Toledo Pact recommendations. Among many other measures, the rules to calculate contributory pensions were tightened again so the last 15 salaried years were to be included incrementally in the formula to calculate the initial pension (first order change). As a counterpart, widows' and orphan's pensions were ameliorated (Chulià, 2006). Furthermore, short and/or discontinued contributory careers were allowed to have a non-proportional positive impact in the calculation of the initial pension, a measure favouring workers with a high record of temporary contracts. What we can see here is a reduction of core workers rights and a (modest) amelioration of the conditions for non-core ones, constituting a second order change.

Recent reform in the realm of pensions has followed the same strategy. In 1999, the 'Agreement on the Amelioration of Pensions' dealt with contributory pension increases.

In 2001, the 'Agreement for the Amelioration and Development of the Social Security System' insisted again on an increase of widow's pensions, longer protection periods for orphans, and the convergence among the different social security professional schemes in terms of access and the calculation of benefits (in this latter case, attention was focused on autonomous workers) (CES, 2000 and 2002).

Other social pacts have resulted in increased protection of non-core labour workers in the late nineties. First, the 'Agreement on Employment and Social Protection of Agrarian Workers' of 1996 meant a step forward in the conditions of protection of peasants of southern Spanish regions, by including previous unemployment subsidies into the general scheme of social security (enacted in 2000). The 'Interconfederal Agreement for Stability in Employment' of 1997 also fostered improvements in the protection of non-core workers, namely part-time and temporary workers. A specific agreement on part-time workers was reached in 1998, resulting in the passing of two royal decrees in the same year. In particular, conditions for access to social security were made more homogeneous to those of core-workers in terms of the relation between time worked and benefits, and in terms of sickness allowances and maternity benefits. As regards fixed-term workers, employers' social contributions for unemployment were raised by a royal decree in 1998 both for full-time and part-time temporary workers, with the aim of increasing their unemployment subsidies. A law project on the amelioration of social protection of autonomous workers is currently under discussion.

Health care services were also affected by rationalisation. Worries about increasing expenditure were also present already from the late 1980s (we should note that expenditure on health care in Spain grew most in the second half of the 80s among EU members). Such worries were conducive to the establishment of a parliamentary commission (Abril Committee AC) in charge of producing recommendations for rationalization of health care expenditure and the introduction of cost control measures. The AC did produce a whole set of reform proposals but it was frontally rejected by the population because of only one of them. In particular, the AC proposed to expand the only co-payment existing in the Spanish NHS, namely, 40% of the price of drugs outside inpatient institutions, to the retired population, who are traditionally exempt from it. Thus rationalization had to be put in place in a low-visibility way. The Spanish NHS was reformed in subsequent years by introducing, for example, programme-agreements and prospective funding in hospitals, broader choice of primary doctors and specialists, and some managed competition measures (Cabiedes and Guillén, 2001). Reform can be summarized by saying that rationalizing measures affected the supply side rather than the demand one, thus not affecting the existing level of equity so much as if the contrary had occurred. In fact, it has not been possible to introduce any co-payments up to present, which is a very peculiar trait in comparative terms with other EU health care systems.<sup>6</sup> Moreover, in 1995, a list of health care services financed publicly was published. The list was more ample than in the past.

The process of health care decentralization came to an end in late 2001, so that all 17 Spanish autonomous regions enjoy their own health care system today. This was coupled with a new agreement on regional financing and a new statute for health professionals. In 2003, a law on Cohesion and Quality was passed aiming at securing territorial equity and quality levels in the provision of health care.

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<sup>6</sup> In Spain, there exists only a co-payment on drugs established in the early 1970s. The retired, people suffering accidents at work and users in in-patient institutions are exempted from it.

Family and care policies did not undergo major change during the 1990s, but rather modest expansion. Two exceptions should be mentioned, though, that of the amelioration of income maintenance for maternal leave in 1995 and the approval of a law on reconciliation of work and family life in 1999. The law on reconciliation allows parents having/adopting children or people with dependants in the family to ask for a leave of one year and recover the same work position. It also allows a leave of a maximum of three years with the same purpose of caring, but in this case the worker can only claim an 'equivalent' position when going back to the labour market. This means staying away from work for longer than a year is equivalent to a clear loss of labour status. Moreover, even if social security contributions are paid by the state while on leave, the absence of remuneration makes the programme little attractive, especially for men, whose salaries tend to be higher than those of their spouses (Flaquer, 2000). Lastly, the number of offspring necessary to gain access to large families discounts was first reduced to four kids and later to three kids. Monoparental, separated or divorced families may enjoy large families protection since 2005 (the law was passed in 2003).

To sum up, the 1990s were a period revolving around contention, rationalisation and cost-control needed in order to join the EMU. The Popular Party government even passed a law on zero public deficit in 2000. Still, some redistributive or even expansionary measures may be signalled in almost all policy areas.

#### *II.d. Recent developments: enhancing equity and protecting dependency (2004-)*

As soon as the socialist party (PSOE) gained office in 2004, expansionary social protection reforms have intensified. Two laws have been recently passed in the realm of family policies. The first allows marriages and adoption of children by gay people with the same rights as any other marriage. The second deals with enhanced protection for battered women (passed in 2005). Furthermore, since January 2006, daddy leaves have been introduced for workers of the central public administration and some regions have done the same for their employees. The government has announced an increase in public care facilities for children aged 0 to 3 years. Actual coverage amounts to 21% and the objective is to reach 30% by 2010.

A new major reform of the labour market has been agreed on with the social partners in May 2006 and turned into law in June 2006. The main aim of the reform is to reduce temporality in the labour market and to gain in flexicurity. The reform has already rendered positive results in the reduction of fixed-term contracts. Also in 2006, another significant social pact has been reached on the reform of social security, focused at an amelioration of both contributory and non-contributory benefits. The reform includes an expansion from 13 to 15 years of the actual minimum period of contribution to gain access to the public system. Also, it introduces incentives to continue work after the legal retirement age and measures oriented at further equalization of special (professional) schemes.

Last but not least, other legal reforms are of importance. The law on gender equality follows EU legislation and aims at establishing public and private equality measures for women in the employment and social security spheres, and in access to goods and services. Nonetheless, perhaps the most salient achievement of the recent phase of

social dialogue has been the tripartite Agreement on Protection of Dependent People of late 2005, turned into law in December 2006. The aim of the law on Dependency is the creation of a National System of Dependency of public character and of universal coverage for all people in need of care, financed out of public funds and user's out of pocket payments (these latter dependent on income). It will affect 1.1 million people, the majority being elders. The reform started to be implemented in the spring of 2007 and should be fully developed by 2014. It is of the utmost importance for the evolution of the Spanish welfare state from the point of view of establishing the fourth pillar of any well developed social protection system at the national level. If passed and properly implemented, it may mean the overcoming of the resilient familialism of the Spanish welfare state.

### *II.e. Main traits of the reform trajectory in Spain*

All in all, the Spanish welfare state has undergone major expansion and change. Such change is clear in the realm of health care provided its departure from the health insurance model and its conversion into a national health service. It can be added that the process of devolution of health care has been completed. It is also clear in the introduction of new social programmes, such as minimum income schemes, non-contributory pensions for the elderly and the disabled, private pension plans, and reconciliation of family and working life (even if modest). The recent creation of a National System of Dependency means another significant turning point in the realm of social care. The Spanish labour market has also become much more flexible and active labour market policies have been introduced.

The change may not be so apparent in the field of pensions. Most international organizations reports issued by the OECD, the IMF or even the EU on the evolution of pensions in Spain talk about mere path dependency with cost-control adjustments. I could not disagree more. The present Spanish pension system can hardly be compared to the one existing in the late seventies. As shown above, first order changes aimed at lowering the amount of the initial pension have indeed taken place in two occasions; paradigmatic changes have also occurred by the introduction of non-contributory pensions and private pension plans. The lowering of the replacement rate has not impeded an amelioration of the amounts of pensions compared to the minimum salary. In 1995 the average retirement pension had surpassed the level of the minimum salary; nowadays, it is the minimum pension which has reached the level of the minimum salary. Furthermore, reforms initiated in the eighties and continued to the present clearly show a vocation of internal redistribution within the system. An amelioration of widows' and orphans' pensions and those of workers with short-contributory careers has taken place. In 2004, 28.34% of all pensioners enjoyed supplements in order to reach the minimum pension (CES, 1995). Almost half million pensioners received a non-contributory pension. Also, the Reserve Fund of the pension system amounts today to 40,334 million euros, which is equivalent to the cost of pensions during eight months.<sup>7</sup> Moreover, another trend was initiated in the mid 1990s towards enhancing the protection of non-core workers. This trend, even if incipient, should not be overlooked. Last but not least, the private pillar has reached significant expansion so that 40% of all

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<sup>7</sup> *El Mundo*, 1 March 2007, p. 45.

workers count on a private pension plan at present and 10% count on an occupational pension (CES, 2006: 611). Big reforms may be attained through piecemeal partial ones.

### Summary of reform trajectory

Types of change	Context	Diagnosis	Content of the policy	Politics of the reforms	Consequences
Expansion without departure from the path	- Economic downturn (mid 1970's onwards) - raise in unemployment, inflation	Social benefits should help the victims of the crisis, provided democracy is superior to dictatorship	* raise in taxes * increase in the generosity of the benefits, with the exception of unemployment * Welfare without work	*Broad consensus	* No big changes of the welfare state institutions, but expansion of existing policies
Paradigmatic changes 1982-1992	-positive economic cycle (mid 1980s onwards) -peaking unemployment still present, black economy expands	Spanish welfare state is underdeveloped Gaps in social protection have to be closed Universal access to health care	*change of model in welfare services, towards social democracy * rationalising pensions and expanding unemployment protection	*Broad coalitions *Strikes by unions *Regional governments take the lead	* Huge expansion in expenditure and coverage *Creation of an NHS *Minimum income schemes introduced at regional level * Non contributory policies initiated (financed through taxes and means tested)
In search for efficiency	-Economic recession (early 1990's), then quick and intense recovery - Single market - Preparation of the single currency	The system has to be consolidated, but efficiency is a must in order to join the EMU	* rationalising, fight against fraud and abuses * tax financing of all non-contributory policies (Toledo Pact)	* Negotiated on the bases of social pacts aimed at ensuring future viability	*Greater efficiency in expenditure and management * Slow down of social protection expenditure growth
Recent developments 2004-	- employment grows steadily - immigration comes to the rescue	Search for enhanced gender equity and better protection of dependent people	*Enhancing gender equity and paying attention to dependants outside the family	* Social pacts still base of reform	*Developing care policies at last? But the family remains severely underprotected

### III. Explaining the Spanish trajectory of reform

The previous analysis has shown that Spain hardly looks like a frozen landscape in social protection reform during the last 30 years. In the Spanish case looking for explanations of the trajectory followed by social policy may prove more complicated than in other national cases. This is so because of the coincidence in time with a process of transition to democracy, deep political decentralization, and joining the European Community. One could easily argue that windows for reform were opened precisely due to such overarching political and social transformations, which tend to foster the diffusion of ideas and learning processes. Indeed, Spain has tried to behave as a deserving (and always really enthusiastic) member of the EU and to comply with whichever recommendations or policy orientations of the European Social Model.<sup>8</sup> Decentralization has brought about an intense process of innovation in social protection. Novelties introduced in one region have quickly expanded to other regions in a sort of domino mechanism, so that, very frequently the central state has had to deal with situations in which innovations had become a fact for the whole territory and act accordingly to it.

Comparative immaturity of the social protection system at the point of departure of the present analysis may have also helped defrosting for the legitimization of the system was not as entrenched as in other national cases. There is little doubt also that other aspect of domestic politics, such as the permanence in office of the Socialist Party for 14 years, has helped reform in a social-democratic direction (health care and education, expansion of social care and social assistance). Nonetheless, in my view, and without denying the salience of such stirring factors, the peculiar inherited Bismarckian institutional design of the Spanish social protection system can provide part of the explanation for the present mixture of principles in social provision, that is, why income maintenance has remained corporatist, health care (and education) has become social democratic, and social services and social assistance have become liberal/means-tested.

The reform of the pension system shows a good number of parallelisms with other Bismarckian systems, such as reductions of the replacement rate through changes in the formula to calculate the initial pension and the fostering of second and third pillar pensions. In general, one could claim that the Spanish pension system has been changed due to internal politics and, in some stances, due to external influences. Regional governments were not a relevant actor in this domain for pensions remained centralized. The reason for this has been that devolution would make crystal clear which regions contribute more than they spend or vice versa, which would surely become very conflictive, given deep regionalist feelings. However, unions were very relevant actors. The attainment of the Toledo Pact and a great number of social pacts since the mid 1990s had both guided and eased reform. EU recommendations in the late 1980s in the direction of reducing poverty rates among the elderly had a positive impact on the introduction of non-contributory pensions in 1990. Also, the blame-avoidance opportunities provided by the Maastricht criteria and the need to comply with the conditions to enter the EMU eased restrictive reforms. However, there are also potential explanations related to the institutional design of the Spanish pension system and the role played by the unions within it. In short, one could say that Spanish unions, as it is

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<sup>8</sup> On Europeanization of the Spanish welfare state, see Guillén and Álvarez (2003). On the influence of the OECD on Spanish social and economic policy, see Álvarez and Guillén (2004).

well known, are weak in representation terms (15% of affiliation at present) but strong in representativeness terms (the main unions, UGT and CCOO represent all workers in tripartite and collective agreements). Thus, they follow an inclusive (in favour of all workers and the unemployed) rather than exclusive (in favour of special categories of workers) strategy. If we add that to the fact that there have never been social funds run by the social partners and the state, it becomes clear that their opportunities to fight for the interests of particular productive sectors or categories of workers are diminished. Under such conditions, it is easier for the central state to negotiate encompassing reforms, even if it remains true that the affiliation bases of the unions lie still mainly in large and public enterprises.

A similar argument could be forwarded in the case of unemployment protection, which has followed a pendulum trajectory in the Spanish case. The 1983-84 reform was expansionary and led to significant increases in unemployment coverage. In this case, the unions were successful in their claims but only in exchange of agreeing on the first wave of labour market flexibilization, introducing fixed-term contracts. The 1992 restrictive reform was triggered precisely by the costs impinged on the unemployment system by the growth of fixed-term contracts and the continuous entries to and exits from the labour market. Obviously Maastricht, on one side, and the new emphasis on activation policies on the other, also eased reform. In this latter case, the unions were undergoing a period of weakness due to corruption scandals and other factors, but their inclusive strategy did not allow them to fight for the main clients of unemployment passive protection: the industrial and services hard core. Instead, the compensation for their agreement was the amelioration of non-contributory unemployment schemes and the creation of job-experience and job-training contracts.

In the domain of health care services, changes in the Spanish case have comprised a jump from health insurance to the establishment of a (decentralized) national health service in the 1980s and the introduction of rationalizing and cost-control policies in the 1990s. Explanations of such policy changes in terms of internal politics and processes of learning and diffusion among regions have been analyzed in depth (Guillén 1997; Rico, 1999). However, what we are looking for in this research project are institutional constraints, challenges and opportunities. From this latter point of view, the creation of a national health service was eased in Spain because of the existence of several institutional features, namely the fact that the health care system was not split in funds right from its creation and was managed and administered by a centralized institution. It also helped greatly that doctors were salaried employees from the beginning and door-keepers of the system. When doctors are paid on a fee-for-service basis and users can access higher levels of care at wish, doctors have a much more powerful position vis à vis public decision-makers and administrators. Thus, it becomes much more complicated to negotiate with them the change of role needed to create a national health service. The administrative separation of income maintenance from health care in two different ministerial bodies was also important, for it allowed to detach health care from the occupational principle of access to the system. Centralized financing also helped in making the shift from a financing system based on social contributions to one based on taxes. This is not to deny the centrality of other explanations related to internal politics, such as the formation of a broad and strong coalition reform, the salience of the devolution process and the diffusion of new policies it entailed, or the formation of clear public preferences in favour of the change towards universalism. However, it can also

be argued that the peculiar Bismarckian institutional design of the Spanish health care system also had something to do with policy developments.

In the 1990s, the Spanish health care service reacted as most other national health services by introducing cost-control measures based on the managed competition paradigm (see Guillén and Cabiedes, 2001). The Spanish state was more able to rationalize the system because a central budget was in place. However, most cost-control measures were applied to the supply side rather than the demand one. For example, no out-of-pocket payments were introduced in Spain. This was due to a clear reluctance of the population to admit new measures challenging or reducing the only so shortly acquired high level of equity of the system.

The explanation for the less intense development of family, social care, social assistance and inclusion policies and their liberal/means-tested design lies first in the fact of their major comparative underdevelopment at the point of departure of this analysis (mid-late 1970s). But it is most interesting that while the Spanish population showed clear preferences regarding the reform of health care, education and pensions, such preferences, and let alone political pressure, were somewhat absent until very recently (and are neither much intense at present) in relation to family, care, housing or inclusion policies. Spain had to wait until rapid and intense incorporation of women to the labour market took place and until dramatically low fertility rates conduced to a most adverse demographic situation to start changing wide socially shared values about the excellence of the family as the preferred carer. It is no news that social values are hard to change, even when a society becomes as laic as the Spanish one. Here, the familist component of the conservative design of the Spanish system has proved very resilient. As for housing policies, the problem for the population in general was muffled for a long time given the very high levels of home ownership in Spain, despite the rocketing costs of housing in the last two decades. Young people were silent and resolved the situation by staying at home longer and longer. But only very recently, they have started to protest publicly about the severe scarcity of rented housing and the peaking costs of flats.

In sum, all this shows us some interesting hints about how institutional designs may foster or hinder reform. I would further argue that the terms “conservative” and “corporatist” may be understood in very different ways in different social protection systems.

## **Conclusions**

The result of the Spanish trajectory of reform constitutes a very interesting mix of traditional models à la Esping-Andersen. The principles and normative/ideational elements of the Spanish welfare state have changed accordingly. In the realm of income maintenance, “job and income security for male workers” has lost its central importance as has the orientation towards the support of traditional family roles. Conversely, collectively negotiated rights for all workers (not only hard core ones) on the one hand, and enhanced proportionality of benefits to contributions, on the other, have been adopted as principles. The social democratic principle of universal access as a citizenship right reigns now in the health care and education domains and will do so in the social care area in the near future.

Access also follows, at present, the tri-fold nature of the Spanish welfare state: workers' rights, citizens' rights, and low income, depending of the policy area. Benefits are earnings related in pensions and unemployment, and flat rate in social assistance (with corrections depending on the family situation). A homogeneous and broad package of health care services is common for all Spaniards and legal immigrants, and also for illegal immigrants under 18 years and pregnant women. Means tested programmes, such as family allowances and social assistance economic transfers, have very limited access due to the existence of a very low income threshold to enter the programmes. In the social care services domain, again the income threshold is really low. This has led to an ironic situation, in which the worst off are not the lowest income families but rather the lower middle class ones. This is so because the latter's income is too high to access public programmes but also too low to buy care services in the market.

Financing mechanisms tend to be used also according to the principles of the policy area. Such a move was agreed in the Toledo Pact of 1995. Pensions and unemployment remain financed out of social contributions and so is the new Pension Fund. All non-contributory and social assistance benefits, together with the main bulk of health care services are financed out of taxes (the transformation for health care is still under way but almost completed). In general, the reliance on taxes for the financing of social protection has grown dramatically from the late 1970s, as already shown in table and graph 1. However, the growth of indirect taxation as a proportion of total financing is hardly good news, for it implies regressive effects on equity. The major shift in management and administrative structures has been brought about by political devolution, which has endorsed the social partners and civil associations with new opportunities to participate in the policy-making process.

In sum, if we compare the four dimensions characterising the Spanish welfare state with that of the late seventies, the difference is stunning. Expenditure over GDP has not grown dramatically but it has kept its level despite the EMU (table 3, graph 2). Population coverage has expanded significantly to reach universal coverage in pensions and health care, and many protection gaps have been closed. Efficiency gains in management can also be ascertained. Most unfortunately, one cannot say some crucial policy areas have undergone major change. As table 4 shows, the expenditure levels of Spain on family, housing and inclusion policies are still really low and have not shown any tendency to grow significantly in the past decades. Furthermore, the deep fragmentation of the Spanish labour market, the still soaring proportion of fixed-term jobs, and the fact that it is young people and women those who are the losers is hardly a reason for rejoicing. Hence, the changes in the system of social protection have both assets and liabilities. The system is successful in dealing with pensions and health care problems. Social Security balances and dependency ratios have ameliorated significantly from 2000 thanks to massive immigration and outstanding employment growth. Although advancements have taken place in the rest of social policy domains and there is room for hope, the rapid and accused ageing of the Spanish society and a still too high reliance of family provision may be cause of severe difficulties in the near future.

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**Table 1: Weight of primary, secondary and tertiary sectors over GDP (current prices)**

<b>Year</b>	<b>Primary</b>	<b>Secondary</b>	<b>Tertiary</b>
1980	7.32	36.72	55.96
1981	6.55	34.7	58.75
1982	6.74	33.71	59.56
1983	6.45	33.18	60.37
1984	6.84	31.61	61.56
1985	6.39	34.18	59.43
1986	6.23	35.39	58.38
1987	6.15	35.02	58.83
1988	6.05	34.7	59.25
1989	5.64	35.07	59.29
1990	5.48	34.66	59.86
1991	4.98	34.23	60.78
1992	4.42	32.56	63.02
1993	4.76	30.92	64.32
1994	4.87	30.57	64.56
1995	4.62	30.98	64.4
1996	5.05	30.46	64.49
1997	4.64	30.61	64.75
1998	4.3	30.66	65.04
1999	3.89	30.37	65.74
2000	3.63	30.52	65.85

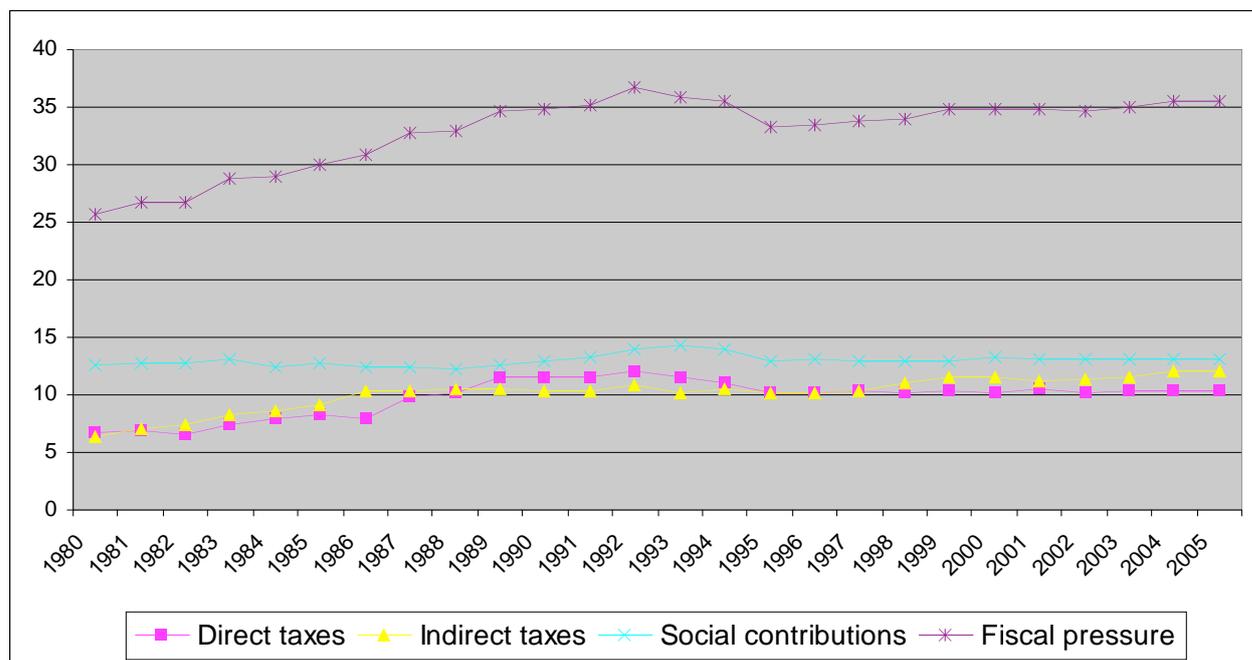
Source: Fundación BBVA (2005): *Estadísticas Históricas de España*.

**Table 2: Evolution of state revenues (1980-2005) (% over GDP at current prices)**

<b>Year</b>	<b>Direct taxes</b>	<b>Indirect taxes</b>	<b>Social contributions</b>	<b>Fiscal Pressure</b>
1980	6.7	6.4	12.6	25.7
1981	6.9	7.0	12.8	26.7
1982	6.5	7.4	12.8	26.7
1983	7.5	8.2	13.1	28.8
1984	7.9	8.6	12.5	29.0
1985	8.2	9.1	12.7	30.0
1986	7.9	10.4	12.5	30.8
1987	9.9	10.4	12.5	32.8
1988	10.1	10.6	12.3	33.0
1989	11.6	10.5	12.6	34.7
1990	11.6	10.3	12.9	34.8
1991	11.6	10.3	13.2	35.1
1992	12.0	10.8	14.0	36.8
1993	11.5	10.1	14.3	35.9
1994	11.0	10.6	14.0	35.6
1995	10.1	10.2	13.0	33.3
1996	10.2	10.2	13.1	33.5
1997	10.4	10.4	13.0	33.8
1998	10.1	11.0	12.9	34.0
1999	10.3	11.5	13.0	34.8
2000	10.1	11.5	13.2	34.8
2001	10.5	11.2	13.1	34.8
2002	10.2	11.3	13.1	34.6
2003	10.3	11.6	13.1	35.0
2004	10.4	12.0	13.1	35.5
2005	10.4	12.1	13.1	35.6

Source: General Government Data. European Commission, 2003 and 2005.  
(from 1995, SEC95; until 1994, SEC 79)

**Graph 1: Evolution of state revenues (1980-2005) (% of GDP, current prices)**



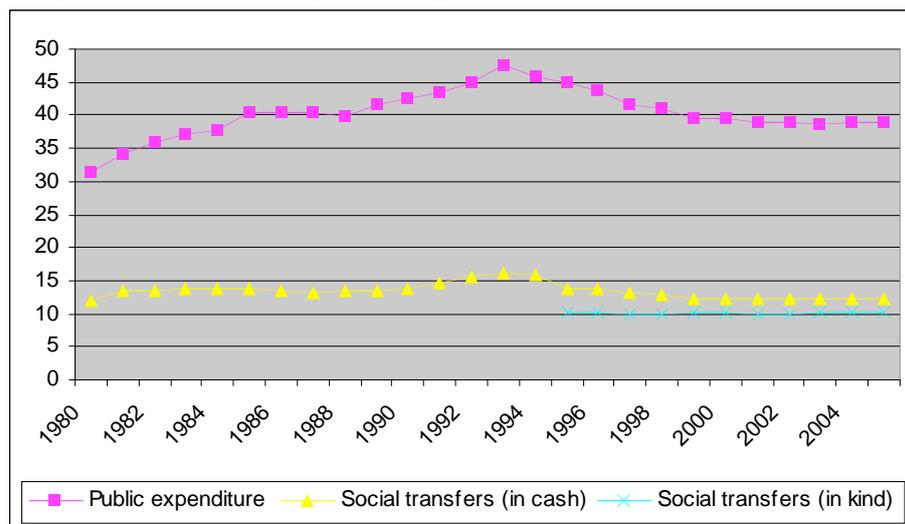
Source: General Government Data. European Commission, 2003 y 2005.

**Table 3: Evolution of public expenditure (1980-2005) (% of GDP, current prices)**

Year	Public expenditure	Social transfers (in cash)	Social transfers (in kind)
1980	31.5	12.1	
1981	34.0	13.5	
1982	35.9	13.4	
1983	37.0	13.9	
1984	37.6	13.9	
1985	40.4	13.8	
1986	40.4	13.5	
1987	40.3	13.3	
1988	39.9	13.4	
1989	41.7	13.4	
1990	42.6	13.9	
1991	43.5	14.7	
1992	44.9	15.5	
1993	47.6	16.2	
1994	45.9	15.8	
1995	45.0	13.9	10.1
1996	43.6	13.8	10.1
1997	41.6	13.3	9.9
1998	41.0	12.8	9.9
1999	39.6	12.4	10.1
2000	39.4	12.3	10.1
2001	38.9	12.2	9.9
2002	39.0	12.3	10.0
2003	38.6	12.4	10.1
2004	39.0	12.3	10.2
2005	38.8	12.3	10.1

Source: General Government Data. European Commission, 2003 and 2005.  
(from 1995, SEC95; until 1994, SEC 79)

**Graph 2: Evolution of public expenditure (1980-2005) (% of GDP, current prices)**



Source: General Government Data. European Commission, 2003 and 2005.  
(from 1995, SEC95; until 1994, SEC 79)

**Table 4: Evolution of expenditure on social protection by policy area (%GDP)**

<b>Year</b>	<b>Health care</b>	<b>Invalidity</b>	<b>Old age</b>	<b>Survivors</b>	<b>Family</b>	<b>Unemployment</b>	<b>Housing</b>	<b>Exclusion</b>
1980	5.4	1.1	6.2	0.9	0.7	2.7	0.1	0.1
1985	5.0	1.5	7.5	1.0	0.4	3.6	0.0	0.1
1990	5.6	1.5	7.4	0.9	0.3	3.5	0.1	0.1
1991	6.0	1.6	7.6	0.9	0.3	4.0	0.1	0.1
1992	6.4	1.6	8.0	0.9	0.4	4.3	0.1	0.1
1993	6.6	1.7	8.4	0.9	0.4	5.1	0.1	0.1
1994	6.4	1.7	8.4	1.0	0.4	4.3	0.1	0.1
1995	6.1	1.6	8.5	0.9	0.4	3.5	0.2	0.1
1996	6.2	1.6	8.6	0.9	0.5	3.1	0.3	0.2
1997	5.9	1.6	8.5	0.9	0.5	2.9	0.2	0.2
1998	5.8	1.6	8.3	0.9	0.5	2.7	0.3	0.1
1999	5.8	1.5	8.2	0.8	0.5	2.5	0.2	0.1
2000	5.8	1.5	8.3	0.8	0.5	2.4	0.2	0.1
2001	5.7	1.4	8.0	0.6	0.5	2.4	0.2	0.2
2002	5.8	1.4	7.9	0.5	0.5	2.5	0.2	0.2
2003	5.9	1.4	7.9	0.6	0.5	2.6	0.2	0.2

Source: Eurostat- Seespros  
(2001-2003: Provisional)