

## SOCIAL PROTECTION SYSTEM IN SPAIN (2015)

The severe and prolonged economic crisis that Spain has been suffering since 2008 has demonstrated the fragility of the foundations on which is laid our production model and our welfare state and the importance of public social protection instruments for whom most suffer the consequences of the current crisis.

The visible results of the economic recession and austerity policies show a society where inequality and poverty have grown, and social and labor rights have been put into question. Experience shows the need to demand those rights constantly.

To analyze all this we have focused our analysis on the following areas:

- State Pensions
- Unemployment benefits
- Public Healthcare System
- Social services
- Supplementary Pensions
- The current gaps of the Social Protection System

### State pensions

The pension system is currently in a temporary deficit situation. This deficit is due to the loss of nearly 2.7 million contributors between 2007 and 2014. If the Spanish unemployment rate would be at the same level as the EU average, it would be possible to resolve this strictly temporary problem.

Future forecasts are more optimistic about social security affiliation, since after a long period of job losses, employment has begun to grow back again. The collection, however, does not increase at the expected rate due to the sharp devaluation of wages and precarious contracts (part-time, temporary, etc.). Therefore, it is clearly necessary that this new creation of employment responds to quality jobs.

The pension system also faces an important structural challenge for the expected strong increase in spending in the future due to the aging population and the increase of the average amount of new pensions in comparison with the current average spending in pensions (substitution effect).

The pension system in Spain guarantees an equivalent amount to 70-80% of final salary; the average pension is currently about EUR 1,000 per month. If we analyzed the average of all types of pension the amount reaches EUR 880 per month. Currently pension expenditure is around 10%

of GDP, and is expected to reach 13.5% of GDP by mid-century, coinciding with the period of maximum expenditure forecasted with the arrival of the bulk of the baby-boomers at the retirement age. From that time, the trend in spending will decline as a result of demographic evolution.

In this sense, CCOO considers that the monitoring and the reforms of the system should be undertaken from the Toledo Pact, based on a negotiation method, oriented to reach extensive political and social agreements. The direction of the measures taken should always be well balanced with a double target: to maintain the level of social protection offered by the system and ensure its long-term financial sustainability.

### **Unemployment benefits**

The reform of the benefits, the increase of the long-term and very long-term unemployed and the increase of precarious jobs after the labor reform, reduces the number of beneficiaries and deteriorates the quality of unemployment benefits.

The number of people receiving unemployment benefits starts to decrease from 2010 when the highest level is reached, and in 2014 there are 16% fewer unemployed people with unemployment benefits.

Since 2010 decreases the coverage of unemployment protection, which, in 2014, reached only 58.3 % of the unemployed, who had worked before being unemployed. In 2010 this coverage amounted to 80%.

As a result of the reduction in the number of beneficiaries, the coverage rate of unemployment benefits has been reduced. Since 2010, when the highest coverage rate was achieved, it has fallen by 22.7 percentage points and nowadays only 58.3 % of the unemployed are secured.

In 2014 around 5,000 million budgeted to cover unemployment benefits have not been spent, although the number of people to be protected has increased. Therefore, the number of beneficiaries has descended as well as its coverage rate.

The average expenditure on unemployment benefits descended 10.48% since the last reform as well as the average amount of the contributory benefit (6%), reaching EUR 809.4 per month.

The lower contributory benefit perceived by women, with a coverage rate below the rate of men and given that they mostly receive welfare benefits, are another example of the precarious situation of unemployed women in Spain.

### **Public Healthcare**

Public Healthcare, articulated in the National Healthcare System (NHS), has not escaped the trend of deterioration that results from the mixing of chronic problems unresolved: an economic crisis that pushes up demand for health activity and reduces the supply of means and resources to do so; and a political leadership that has exacerbated inequalities and directly attacked the essential core of the public health system, such as insurance and universal coverage. CCOO considers that

any action in the NHS should address the problems of sustainability, sufficiency, fairness, rationality and good governance.

However, the actions in the NHS have been limited to cuts in its funding. Between 2009 and 2012 (the latest year with published data), the system real spending was reduced by nearly EUR 6,500 million, 61% of it in the first year of the Popular Party government.

CCOO considers that the NHS needs a sufficient public budget and also to improve its management in order to make best use of all available resources. One of the issues that reflect the deterioration of a public healthcare system is its ability to adequately manage the waiting lists and waiting times. In this regard, 35% of the population believes that waiting lists have worsened in the past year and only 9.46% thought that they have improved; a diametrically opposite situation in comparison with the situation of 2009, when 20 % considered that it had improved.

All persons who have established their residence in the country should be ensured by the National Healthcare System, just as it was established in 1986. It makes no sense to keep exclusions of assistance, as in the case of immigrants that reside in Spain but without a residence permit, Spaniards with a certain income, or limiting to 90 days the right to healthcare, in the case of unemployed people who try to find a job in another country. All these exclusions actually generate more problems than those that they claim to solve.

In short, we must return to the path of a universal public healthcare system. To achieve that, it is essential to modify this regressive regulation on access to the right to health protection and health care. This issue is not only an issue of economic resources, but also a policy-making and management capacity issue.

### **Social Services and Dependency Care**

The attention to people in situations of dependency is one of the most recent developments of social protection offered through our welfare system (Social Dialogue Agreement signed in December 2005).

The System for Autonomy and Dependency Care (SADC) is the first practical experience of how it is possible to further develop the system of social protection in a framework of broad decentralization of government powers. It enables the development of common basic conditions throughout the state and cooperation of the central and regional administrations in its design and management.

SADC has reached a level of effective coverage of 1.55%, while the aim is to reach 2.6%. It is absolutely unacceptable the degree of opacity of the current government in this area. It is no possible to consider a properly transparent system if there is not periodic information on some other indicators on the quality of services offered by the SADC (number of hours of care recognized in the home care services, day care center, prevention,...; detail of the services that are provided by day centers, residences, prevention, etc.; type and characteristics of the services offered; copayment level contributed by the beneficiary; public price/concerted price of the services, etc.).

Currently the Dependency System cares for about 745,000 dependents, 4.5% less than those who were attended before the cuts imposed in 2012. 60% of them receive professional care services and 40% a family care allowance.

The main challenge for 2015 should be to fulfill the mandate of the Dependency Act and ensure effective care to all persons recognized with some degree of dependence, which will mean to attend more than 500,000 new beneficiaries.

It is necessary to have a strong public network of basic social services to alleviate the social impact of the crisis. One of the, theoretically, more appropriate instruments, the Concerted Plan, lacks funding and sufficient means. The attitude of the central government, which progressively reduced its contribution to the program to only 2%, is a very negative message to the other two participating Administrations (“Autonomous Communities” and local corporations) and greatly limits the ability of the state to achieve harmonization of the level protection of all citizens, irrespective of their place of residence.

### **Occupational Pension Schemes**

Occupational pension schemes in Spain continues in a state of lethargy caused in part by the crisis and also by the lack of clear and consistent measures that try to boost them.

They have been developed where it was predictable their creation, i. e. in large companies and, to a lesser extent, in public administrations, but in this last case remains, due to the austerity measures, a ban on contributions to these schemes. The development in the small and medium enterprise is still pending.

Additionally, we have to take into account that the labor reform has affected the occupational pension schemes, facilitating the reduction or elimination of contributions.

Furthermore, the new tax reform is contrary to the needs of the system, creating savings products oriented to the medium term -five years- instead of the long term. It opens windows of liquidity at 10 years of contributions; and limits the period, in which it is still possible to benefit from a reduction of 40% if the beneficiary perceives the accrued benefits in a lump sum (or at least part of them). The latter two measures could severely affect the investment process of pension funds (reducing the investment time horizon) and could mean a significant reduction of their profitability.

In Spain supplementary pensions are dealt by the administration like tax planning products and business opportunities for the industry instead of instruments that could truly seek to complement the social security pension.

### **Existing gaps in the social protection system**

It is clear that the system of “traditional social protection” needs to be strengthened. The priority must cover from a unitary and universal vision the loopholes in the different instruments (unemployment and benefits of the “Autonomous Communities”), prioritizing the groups at greatest risk: unemployed without benefits, families with children below the legal age, households without

income or in difficulties,... knowing that is not only a matter of spending more, but to spend better in order to achieve a fairer society.

This is not only an effect of tax cuts in the traditional system of social protection, but also flaws in the structure of the system that nowadays, with the economic crisis, have seen increased their social effect. Currently, there are over 771,000 households in which all members have no earned income (wages, unemployment benefits, pensions, etc.) and the risk of poverty of the population reaches already 1 in 4 people and is particularly significant in young families in unemployment with dependent children.

To address the gaps in social protection coverage, CCOO and UGT have launched a Popular Legislative Initiative (PLI) for the creation of a Minimum Income Benefit or Guaranteed Minimum Income to ensure basic economic resources to all people that today do not have unemployment benefits and lack of resources that enable them to live with dignity. CCOO has estimated that at this time 2.1 million people would be eligible for this benefit.