

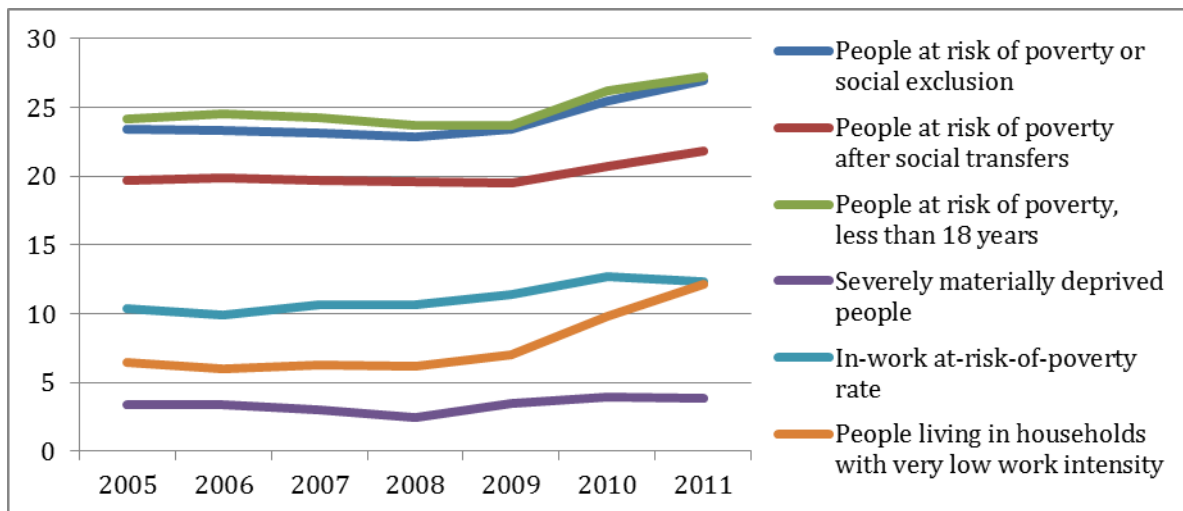
1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in Spain based on Eurostat:

- The **rate of people at risk of poverty or social exclusion** has been on the rise since the beginning of the crisis and has **reached a new high of 28% in 2012** – an increase of more than 5 p.p. since 2008.
- The rate of **people living in households with very low work intensity has doubled** from 6.2% in 2008 to 14.2% in 2012.
- **The alarming rate of 33.8% at-risk-of-poverty among children was recorded in 2012**, representing an increase of over 10 p.p. since the beginning of the crisis.

Poverty trends in Spain (% of population)



Additional national data shows the severity of the problems reflected by the above Eurostat data:

- Since 2007 the **average income has fallen by 4% while prices have increased by 10%**.
- In 2011, **3 million people were suffering from severe poverty**, that was 6.4% of the population – an **increase of 2.3 p.p. since 2008**.¹
- In 2013, 56% of unemployed people are long-term unemployed, compared to 22.7% in 2007, which is causing a **chronic deterioration of living conditions**, especially regarding access to goods and services, but also a decline in the capacities and motivations in undertaking a process of improvement of personal and family life.²
- Not only has the **number of people assisted by Caritas Spain Service of Assistance risen dramatically** – the number tripled between 2007 (370,000) and 2012 (1,164,000) – but an **increased chronic dependence on assistance** can be witnessed – almost one third of people assisted by Caritas Spain has been using its services for 3 or more years (2010 to 2012). In many cases this is **due to the absence or disappearance of mechanisms for social protection**. In fact, among those assisted by Caritas Spain the number of people with no income has increased from 26% in 2008 to 40% in 2012.

¹ Instituto Nacional de Estadística, 2012, *Encuesta de Condiciones de Vida*. URL: <http://www.ine.es/jaxi/menu.do?type=pcaxis&path=/t25/p453&file=inebase>

² Instituto Nacional de Estadística, 2012, *Encuesta de Población Activa*. URL: <http://www.ine.es/jaxiBD/menu.do?L=0&divi=EPA&his=3&type=db>

1.2. Recent policy developments

Since last year the following policy developments have been registered:

The introduction of **legal fees** to "theoretically" state fund of legal aid system: This measure together with the reform of the Legal Aid Act will restrict access to Justice which will have a **direct impact on people at risk of poverty and social exclusion**, as in the event of having to initiate court proceedings they will not have access to public legal aid.

The State Housing Plan 2013-2016 contains **no real measures to promote social housing** (rent) or specific measures to tackle problems of residential exclusion. Measures to address the problems of shanty towns are not mentioned in this plan. With regards to housing mortgages, the new Royal Decree Law 6/2012 does not take into account the situation of many people that are left out from the regulation.

The new Royal Decree Law 16/2012 on "urgent measures to ensure the sustainability of the national health system and improve the quality and safety of its services" **no longer covers certain vulnerable groups under the public health system** (e.g. irregular migrants, female victims of violence or sexual exploitation, chronically ill, disabled).

There are other legislative reforms currently in drafting process which could have a lethal consequence on poverty should they be approved: Penal Code, Criminal Procedure Code, Draft Law on local governments, Immigration Regulations.

Assessment of Spain's NRP and policies it refers to:

The NRP continues to give not enough importance to the situation of growing poverty in the country. **Measures foreseen are basically focused on adopting 3 plans:** Social Inclusion Strategy 2013-2016, Comprehensive Strategy to support the family and the Action Plan following the approval of the Disability Strategy 2012-2020 but the **document does not specify what the government wants to achieve in this regard.**

Compared to other EU objectives, the **unimportance given in the NRP to measures aimed at combating poverty and social exclusion in Spain is surprising**, taking into account the growing rates of poverty, in-work poverty and child poverty (one of the countries in the EU with the highest rates). In this regard, it is crucial that future NRPs address the objective of reducing the number of people in poverty and social exclusion in more detail and based on concrete results. To achieve this goal it is essential to involve all stakeholders, especially the Third Sector, which was not consulted in the drafting process of the NRP. The government should encourage more participation through the recently created Commission on Civil Dialogue integrated by the Ministry of Health, Social Services and Equality and the Third Sector Platform.

It is extremely necessary to adopt a Strategy to fight poverty and social exclusion, as the NRP mentions, ensuring that there is an adequate budget according to the severity of the problem; this is absolutely necessary in order to reverse or at least mitigate the devastating effects of the current crisis.

Assessment of Spain's Country Specific Recommendations (CSRs) adopted in 2013:

There are certain CSRs adopted that may have a negative impact on the situation of poverty and social exclusion in Spain:

CSRs that could have a negative impact	Possible negative impact
<ul style="list-style-type: none"> • CSR 1 on the cost-effectiveness of the health-care sector and reducing hospital pharmaceutical spending. 	<ul style="list-style-type: none"> • Asking to reduce health expenditure in a system that has demonstrated a high efficiency rate as is the Spanish case (it is one of the cheapest in Europe) is not reasonable. • Cutting in pharmaceutical expenditure has more negative consequences than good results in terms of redistribution.

CSRs that could have a negative impact	Possible negative impact
<ul style="list-style-type: none"> • CSR 1 on the dis-indexation law to reduce the degree of price inertia in public expenditures and revenues 	<ul style="list-style-type: none"> • This measure represents a loss of purchasing power, which can lead to further impoverishment (e.g. pensions).
<ul style="list-style-type: none"> • CSR 1 on ensuring the correction of the excessive deficit. 	<ul style="list-style-type: none"> • The reduction of social spending policy is only causing an increase of structural poverty rates.
<ul style="list-style-type: none"> • CSR 2 on further limiting tax expenditure in direct taxation 	<ul style="list-style-type: none"> • Tax collection measures are effective tools to combat inequality through the development of social cohesion policies. A reduction in tax collection systems carries the risk of social polarisation in a country that is moving towards dualisation.
<ul style="list-style-type: none"> • CSR 3 on recapitalisation of the financial institutions. 	<ul style="list-style-type: none"> • Recapitalising banks and measures to reduce the public deficit will be ultimately borne by the entire population. The non-accountability of companies causing financial problems is producing more harm to the system than delivering a solution.
<ul style="list-style-type: none"> • CSR 8 on unprofitable transport infrastructure. 	<ul style="list-style-type: none"> • Budget cuts in transport will impoverish rural areas that have no other alternatives.
<ul style="list-style-type: none"> • CSR 9 on reforming the local administration. 	<ul style="list-style-type: none"> • The local government reform will worsen the access to social services of poorer people. If municipalities lack resources, they are forced to convert services into mere informational services, which may lead to the abandonment of many people who need the support of social services to meet their basic needs.
<ul style="list-style-type: none"> • CSR 9 on reforming to the judicial system. 	<ul style="list-style-type: none"> • Improving the efficiency of the judicial system is certainly a priority; however, the measures proposed by the government will have a negative impact for people on low income as it adds increases the price to access justice.

1.3. Recommendations

- ➔ **Establish a citizen minimum income scheme** within the social security system on the basis of taxes to people with higher income levels, either universal or restricted to certain income levels.
- ➔ **Carry out a reform of state revenues and expenditures** through a tax reform that would apply the current income tax regulations, especially in relation to its progressivity and fairness, to other taxes as current income tax regulations are having a positive impact. In addition, **reversing the trend of obtaining income through VAT** as its redistributive effect is very little and is causing a lot of damage to the poorest people.
- ➔ **Formally agree on a budget to carry out the National Social Inclusion Plan.** Currently, the 2013 national budget does not foresee an adequate budget for a proper implementation.

2. EMPLOYMENT

2.1. Recent trends

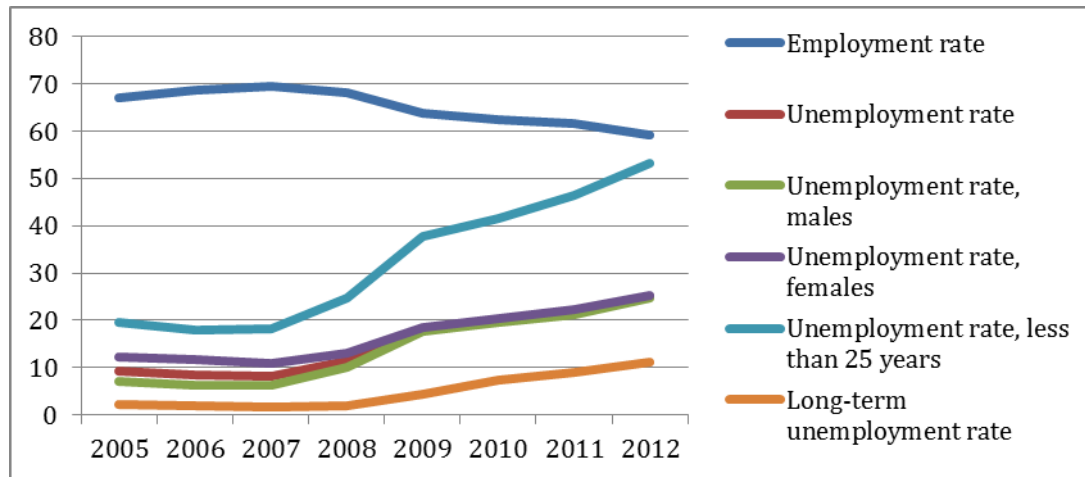
Developments of the employment situation in Spain based on Eurostat:

- **In 2012 youth unemployment reached a new high of 53.2%**, which means that it has more than doubled since the beginning of the crisis, making every second person under the age of 25 unemployed.
- The overall unemployment rate also doubled since 2008, standing at 25% in 2012. Since the beginning of the crisis, unemployment more than doubled among the male population (from 10.1%

in 2008 to 24.7% in 2011), however, **with 25.4% women remain more affected by unemployment than men (24.7%)**

- **The most alarming indicators of the on-going crisis can be observed in the long-term unemployment rate which increased fivefold between 2008 and 2012.** The most significant increase affected the male population of which in 2012 10.8% had been unemployed for 12 months or more – a more than sevenfold increase since 2008 (1.4%). At the same time the share of women without a job for 12 months or more has increased fourfold since the beginning of the crisis, **bringing the female long-term unemployment rate to a new high of 11.6% in 2012** (more than double of the EU average).

Employment trends in Spain (% of population):



Data from Caritas Spain confirm Eurostat's data:

- In 2012, **81,613 people participated in employment and training activities organised by Caritas.** Of those, **many are long-term unemployed and need to redirect their professional career** to other sectors in which they are not yet properly trained or lack of specific knowledge. This new profile of people accessing Caritas services is worrying as it is a different profile from those that were accessing the services before the crisis and who are still in need of assistance by Caritas.

2.2. Recent policy developments

Since last year the following policy developments have been registered:

Strategy of entrepreneurship and youth employment 2013-2016, with four main objectives: 1. To help improve the employability of young people 2. Increase the quality and stability of youth employment 3. Promoting equal opportunities 4. Encourage entrepreneurship, with around 100 measures and 3,500 million for the period of the strategy.

Although measures aimed at promoting youth employment are particularly welcomed, the **lack of addressing the transformation of the economic production model**, which is causing very high rates of unemployment, remains a concern. Although youth unemployment is a priority, putting the emphasis on entrepreneurship as the best alternative to the current situation on the detriment of other measures that promote employment will have a very limited impact.

Assessment of Spain's NRP and policies it refers to:

The NRP introduces a series of measures aimed at job creation. Among the most relevant: the Employment Policy Plan 2013 with a greater focus on results; the Strategy for Active Employment 2014-2016, which will be adopted in the last quarter of 2013; and measures that link passive and active policies of employment.

However, one should take into account that the **Labour Reform implemented in 2012 provides a framework, which introduces a bias and direct consequences of any action to be launched in the future.** Thus, the Law 3/2012 is supposed to foster "flexicurity" but the measures put in place have put more focus on flexibility for business without improving the security dimension for workers in relation to the consequences and problems in terms of job transitions and rotations caused by giving businesses more flexibility.

So far, the **Labour Reform has reduced the levels of unemployment protection with very little impact on active employment policies,** as they have not led to improvements in public services employment or employment training, elements that may be important to promote the reintegration of disadvantaged groups. Measures recently taken are questionable in terms of efficiency such as the right to a paid leave of 20 hours of training accumulated for a period of up to five years (not yet implemented), or the authorization of temporary agencies to operate as agencies.

In the short term, it is uncertain if the measures will lead to job creation. Economic theory demonstrates that policies that decrease the cost of dismissals, when adopted in a context of economic recession, contribute to the loss of jobs and as a result causes a rise of unemployment. This is precisely what has happened in 2012 and what will happen in 2013. Although it may positively influence future hiring decisions, the overall effect need not necessarily be positive. **Other measures to reduce labour market duality such as disincentives to temporary contracts or limit rotation or to promote employment stability are absent from the NRP.**

Assessment of Spain's Country Specific Recommendations (CSRs) adopted in 2013:

There are certain CSRs adopted that may have a negative impact on the employment situation in Spain:

CSRs that could have a negative impact on problems related to employment	Possible negative impact
<ul style="list-style-type: none"> • CSR 4 on the Single Job Portal and the implementation of public-private cooperation in placement services. 	<ul style="list-style-type: none"> • The agreement terms of the Single Job Portal public-private cooperation, especially with regards to vulnerable groups and long-term unemployed, are a matter of concern. It is feared that private companies may prioritise the most employable, leaving behind less employable groups which are often further from the employment market worsening the gap between certain groups and the majority of the population.

It is concerning that **CSRs do not address issues related to the negative impact of the labour reform** on working conditions and relations, which are worsening and causing an alarming rise of precarious contracts and job insecurity.

2.3. Recommendations

- **Put in place effective active inclusion policies with enough economic resources** focused on requalification of the work force, measures to avoid dualisation of the labour market, measures that promote labour responsibility from employers but also on improving the access to the labour market of vulnerable groups, especially young people (less qualified), people over 45, people with less family and social network support, migrants.
- **Promote personal employment itineraries as a method to promote the access to employment of vulnerable groups,** that is, to design a cycle where the person receives training adapted to labour market demand, support and assessment through the entire process.
- **Raise the minimum wage** in order to eradicate what is known as the working poor. The scope of competitiveness exclusively via salary reduction is leaving many workers in extreme situations or directly in poverty.