From austerity to permanent strain: welfare state reform in Italy and Spain

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Wither Greek Social Policy?
Social Policy in/for Times of Crisis
Hellenic Social Policy Association & Hellenic Observatory (LSE)
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Our point of departure:

• Broad view on changes in the different social policy fields (not just focusing on one) in order to understand the trade-offs, tensions
• Focus on the institutional reforms and changes (output) rather than the impact (outcome)

1. Analysis of expenditure data (per capita, in order to compare with EU-15) over time (Eurostat, 2009)
2. Analysis of change in welfare state programmes
Public Expenditure per inhabitant - PSS: Distance from average EU-15 (=100%)

- **Educ.**
  - IT: Distance 1995: 120%, Distance 2009: 90%
  - SP: Distance 1995: 100%, Distance 2009: 70%

- **Social excl.**
  - IT: Distance 1995: 10%, Distance 2009: 50%
  - SP: Distance 1995: 30%, Distance 2009: 70%

- **Active LM**
  - IT: Distance 1995: 50%, Distance 2009: 60%
  - SP: Distance 1995: 30%, Distance 2009: 60%

- **Family**
  - IT: Distance 1995: 30%, Distance 2009: 50%
  - SP: Distance 1995: 20%, Distance 2009: 50%
Analytical approach for institutional change

- Italy & Spain share a similar overall structure of their welfare systems. Institutional design organised around:
  - A Bismarkian model in pensions, unemployment and labour market policies;
  - A Universalistic model in education and health care;
  - A residual model in social assistance, social care & family support

Given the fact that a characteristic of Southern European welfare states is a mix of different institutional principles, we expect that trajectories and mechanisms of change are different also, depending on the institutional design of each policy field.
Policy changes

• Spain and Italy have followed **two different paths** during the last 20 years (begging for also different sets of *explananda*) of institutional change.
  – Mix of ‘Permanent restructuring and retrenchment’ for Italy (*continuity*).
  – Welfare recalibration first (acts on equality and long-term care) but retrenchment later for Spain (*rollercoaster*)
Institutional reforms (crisis period): pensions & labour market

**Italy**
- 2011 pension reform

- 2012 Labour market reform (flexibilization with some? coverage for the weakest contracts).
- New unemployment benefits scheme (ASPI). Aims to cover part of atypical workers.

**Spain**
- 2011 pension reform. 2013, further adjustments
- Freezing of pensions for 2011
- Agrarian, self-employed, domestic to ‘general regime’
- 2012 Labour market reform (easing dismissals and reducing their costs)
- Subsidies for long-term unemployed / drastic reduction of active employment policies
Institutional reforms (crisis period): health care, education, social care

**Italy**
- ‘hidden retrenchment’, ‘refamilization’
- severe budgetary cuts in education & health care
- Increased co-payments from 2014
- ‘Piani di rientro’ / Integrative Health Care Funds
- new social risks and social investment policies neglected
- drastic cuts to social care funds and absence of development of a (missing) minimum income scheme

**Spain**
- drastic budgetary cuts
- reductions on salaries of public employees (two waves)
- reform of co-payments on pharmaceuticals
- Illegal immigrants no longer covered by NHS
- Access to social assistance restricted because of budgetary cuts
How to analyse recent changes?

• Analyses of welfare state reform have been deeply influenced by the concepts of ‘blame avoidance’ and ‘credit claiming’

• Bonoli (2012) revisiting of such concepts: anomalies that are not accounted for by existing theoretical framework. Seeking retrenchment and votes: ‘affordable credit claiming’

• Italy and Spain yet another anomaly: harsh measures being undertaken call for further analytical developments
Preliminary conclusions

• The neo-insitutionalist paradigm assumes that ‘external shocks’ may open ‘windows of opportunity’ or ‘critical junctures’ for policy change.

• However, despite strong external and internal pressures, the big recession has not led to a reconfiguration of welfare policies implying a paradigmatic change of the welfare state in either country. Moreover, innovation has been scarce.

• So far, due to extreme pressures (sovereign debt crisis) and time constraints, it seems much easier to cut on universal policies and residual ones than on the contributory domains.
Preliminary conclusions

• Italy and Spain, though following different paths, have entered an ‘age of permanent strain’, that goes far beyond the ‘age of permanent austerity’.

• The objective of policy reform (shared by EU, European salient actors, other international actors and Spanish and Italian present governments) has become budgetary balance.

• The measures undertaken tend to follow a strategy of ‘bold retrenchment’, consisting of drastic budgetary cuts, enacted without much public, social and parliamentary debate and with enormous haste.

• Cuts are eroding the universal pillar of both welfare states and weakening the residual pillar dramatically, even in the absence of normative changes in entitlements. Towards deeper dualisation.
Preliminary conclusions

• No blame avoidance strategy: reducing visibility, using obfuscation, dividing & conquering (Weaver, 1986; Pierson, 1996, 1996, 2001). Southern govs. not interested on increasing disaffection towards EU.

• Not much either in terms of delaying the effects of reform (with the notorious partial exception of pensions)

• Current ‘bold retrenchment’ measures are being introduced through what may be labeled as ‘TINA (there is no alternative) credit claiming’

• Turning all into ‘winners’: overcoming the crisis
Other considerations

- How external has the shock been? Take into consideration pre-existent design of social protection policies. Also duration of the crisis.
- The crisis & beyond: towards social investment or further (dualising) retrenchment? (Palier, 2010).
- Bold retrenchment contingent to national specific circumstances or there to stay?
- Blockage, suffocation? Disabled for innovation?
- Tensions between the different welfare principles? Greedy generation?
- Government and governance crisis: national, sub-national, EU levels. A north-south wedge?
Muchas Gracias!

Thank you very much
for your attention!!!
The role of the EU: narrative 1
(S. Royo, 2012)

• Member states with historic inability to manage their public finances were unwisely allowed into the EMU (anchored by Germany, who has history of fiscal and monetary probity)
• They took advantage of record-low interest rates. Bubbles.
• They failed to address competitiveness challenges
• When reality caught up with them, they tried to undo the effects of decades of fiscal mismanagement by taking advantage of low interest loans from stronger countries
• They insist in putting together a fiscal union and reforming the EMU institutional framework
• They want more money from the rich countries to maintain their ‘unjustified’ standards of living
The role of the EU: narrative 2
(S. Royo, 2012)

• Countries in the periphery were encouraged to join a poorly designed EMU by the rich countries who led and dominated it.

• Rich countries established the fiscal rules and were the first to break them and get away with it.

• They encouraged their banks, who lacked good profitable opportunities in their stagnant domestic markets, to lend recklessly to the countries in the periphery.

• When these investments failed, the governments bailed out the banks by lending funds to the debtor countries so they could pay back the banks.

• They imposed draconian conditions on the debtor countries with unprecedented losses of sovereignty. Punishment.
Thank you very much for your attention!
España en perspectiva comparada

Tabla 1. Algunos indicadores: variación 2007-2010

<table>
<thead>
<tr>
<th></th>
<th>España</th>
<th>Dinamarca</th>
<th>Francia</th>
<th>Reino Unido</th>
</tr>
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<tbody>
<tr>
<td><strong>Ingresos (% PIB)</strong></td>
<td>-4,8</td>
<td>-0,1</td>
<td>-0,4</td>
<td>-0,8</td>
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<td><strong>Gasto (% PIB)</strong></td>
<td>6,4</td>
<td>7,4</td>
<td>4,0</td>
<td>6,5</td>
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<tr>
<td><strong>Saldo gastos - ingresos</strong></td>
<td>-11,2</td>
<td>-7,5</td>
<td>-4,3</td>
<td>-7,3</td>
</tr>
<tr>
<td><strong>Deuda (% PIB)</strong></td>
<td>24,8</td>
<td>16,2</td>
<td>18,1</td>
<td>35,5</td>
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<tr>
<td><strong>Tasa desempleo (%)</strong></td>
<td>11,8</td>
<td>3,7</td>
<td>1,4</td>
<td>2,5</td>
</tr>
<tr>
<td><strong>Tasa de pobreza (% población total)</strong></td>
<td>2,4</td>
<td>1,5</td>
<td>0,3</td>
<td>0,5</td>
</tr>
<tr>
<td><strong>Tasa de pobreza (menores de 16 años)</strong></td>
<td>3,5</td>
<td>1,0</td>
<td>3,7</td>
<td>1,8</td>
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<tr>
<td><strong>Riesgo de pobreza de los trabajadores</strong></td>
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<td>0,1</td>
<td>-1,2</td>
</tr>
<tr>
<td><strong>Brecha de desigualdad (ratio 1/5 quintil)</strong></td>
<td>1,6</td>
<td>0,7</td>
<td>0,6</td>
<td>0,1</td>
</tr>
<tr>
<td><strong>Índice de Gini</strong></td>
<td>2,6</td>
<td>1,7</td>
<td>3,3</td>
<td>0,4</td>
</tr>
<tr>
<td><em><em>Gasto social per cápita en PPA</em> (euros)</em>*</td>
<td>678</td>
<td>673</td>
<td>110</td>
<td>982</td>
</tr>
</tbody>
</table>

Fuente: [Eurostat](https://ec.europa.eu/eurostat).  
Nota: *Último dato disponible 2009.