

An assessment of the quality of life following the crisis in Spain

Colectivo Ioé

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The *Social Barometer of Spain* is a tool to analyse the Spanish society based on 189 indicators which are grouped in 35 dimensions and 11 spheres of social life. In its latest on-line edition are already incorporated the data for 2009, with those it covers now a period of 16 years (1994-2009). As a novelty, has been introduced a new methodology that attempts not only to capture the evolution of the indicators furthermore to set their level of quality in relation with the European context.
www.barometrosocial.es

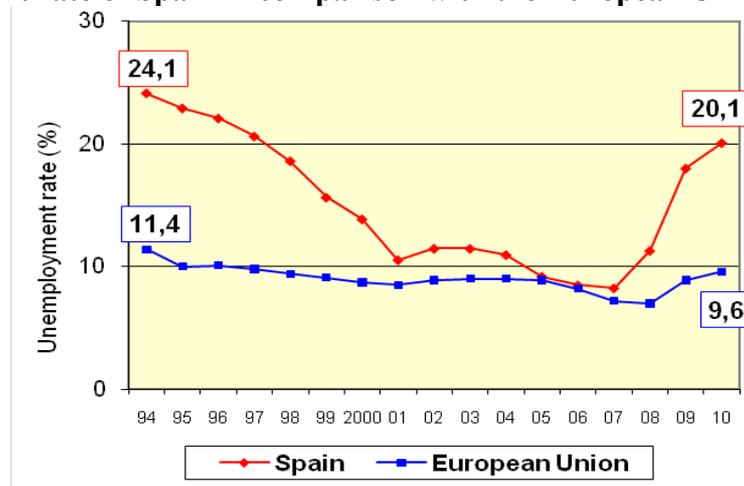
Summary

The crisis of the recent years has shown paradoxical effect concerning the social point of view. On the one hand it caused high job losses, with its side-effects of poverty and political and economical pessimism; on the other hand it provoked a decrease resulting from the recession downgrading some of the environmental indicators. The bursting of the housing and financial bubble has been assumed at first on a revaluation of wages and access to housing, but there are several indicators pointing at a more social inequality and dwindling social policy as an outcome of the crisis.

The collapse of employment

Between the years 1994 and 2007 the indicators greatly improved according to the access to employment in Spain. The activity rate increased from 51 to 60%, especially among women; the number of jobs rose from 12 to 20 million (3 of them to immigrants who represented an unexpected growth of population). The unemployment has fallen by two thirds. However, following the crisis has been destroyed two million jobs and in the fourth quarter of 2010 with an unemployment rate up to 20.3%. Of these unemployed, 39% receive tax benefits, 26% healthcare and 35% did not receive any aid.

Figure 1
Unemployment rate of Spain in comparison with the European Union (1994-2010)



Source: own elaboration based on EPA, concerning Spain and Eurostat, concerning the European Union. The data is taken from Indicator 2 for Employment, www.barometrosocial.es.

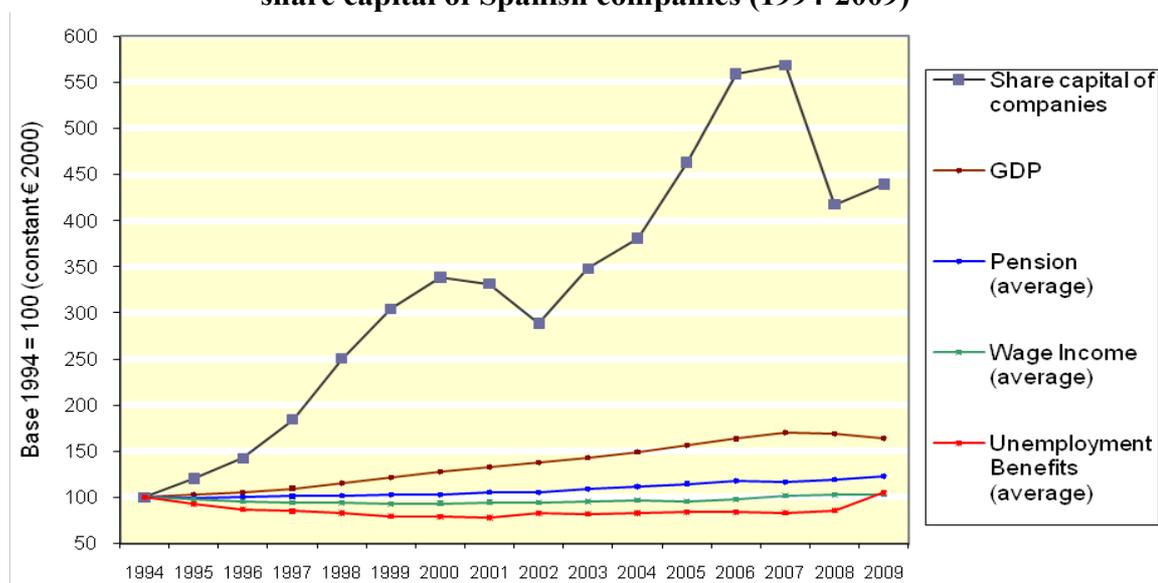
Both, the creation of employment before the crisis, as well as its subsequent destruction have taken place with much greater intensity than in the rest of the European Union: in 2005-2006 the unemployment rate in Spain corresponded with the average of the EU; in 2008-2009 it was more than twice (see Figure 1). This is mainly due to the high rate of temporary work contracts, which affected especially young persons and the immigrants at the beginning of the crisis with rates of 63% and 51% in 2007.

Increase of inequality and poverty

The Spanish growth model has enforced a notable increase in GDP (annual rate of 3.4% of GDP) and a much larger expansion on financial capital and real estate (annual rate of 5.4%) in this period but with a very uneven distribution. As financial markets become global and produce huge profits for a minority, it does not include an increase of the purchasing power of the majority of the population receiving wage income (the annual variation of the wage was in average 0.3%).

Since the living standards of most households depend on wage income and public benefits associated with the income (mainly unemployment and pensions), it results very negative from the social point of view that such revenues have experienced much lower growth. It had been increased continuously above GDP and capital appreciation by the company, whose base is just the wage labour (see Figure 2). After the setback experienced by the monetary value of corporate actions in 2008 (-26%) it just started to increase in the next year. This was the biggest recession (GDP fall 3.3%) with an average increase of 5.3%. To the same time had been registered the highest rate of poor households (20.8) in the investigated period.

Figure 2
Trends of the wages, unemployment benefits and pensions compared to GDP and the share capital of Spanish companies (1994-2009)



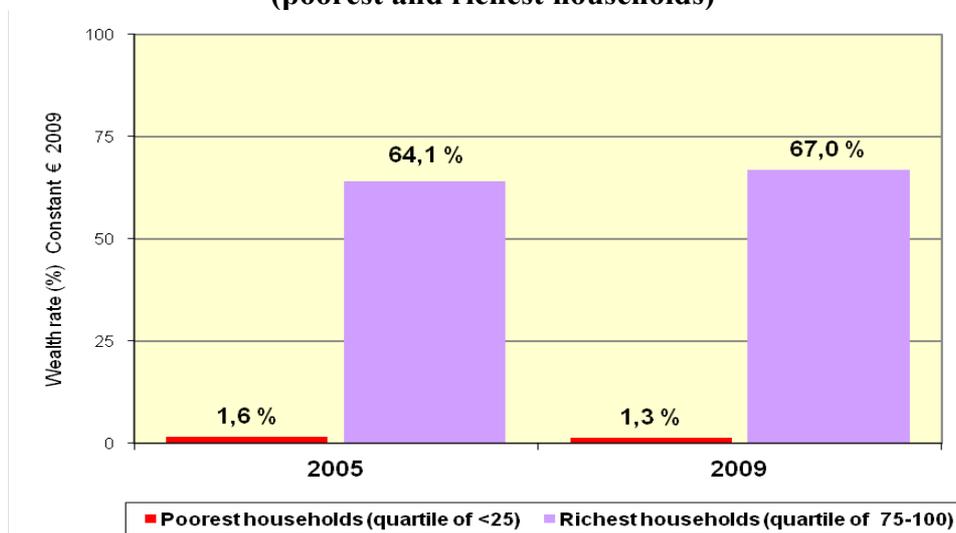
Source: own elaboration based on Contabilidad Nacional de España, Banco de España and Agencia Estatal de Administración Tributaria. The data is taken from Indicator 8 for Employment, www.barometrosocial.es

Just as for taxation, the revenue fell sharply by 18.3% in relation to the GDP as a result of the recession in the biennium 2008-2009, while public spending increased by 18.9% especially in social policies to react the effects of the crisis (improving the rate at the period

end). This led to a fiscal deficit of the State of 11.2% in 2009 and a substantial increase in sovereign debt. The government tries to solve these by means of reducing public expenditure (salaries, pensions, investments ...), and not by raising taxes on capital (principal beneficiary of the gains in previous years) or combating effectively with tax fraud, which is considered by 82% of the population as high.

From the social point of view the main consequence of the previous processes is that the Spanish society has a wealth distribution becoming every time more unequal, which has increased additionally during the crisis. According to the Survey *Encuesta Financiera de las Familias* the ratio of inequality between the 25% richest and poorest households went from 39.3 in 2005 to 50.4 in the first quarter of 2009. In terms of added value the richest quartile increased their wealth during the crisis in recent years by 20%, while the poorest quarter declined by 6.4% (Figure 3).

Figure 3
**Evolution of the distribution of wealth between 2005 and 2009
 (poorest and richest households)**



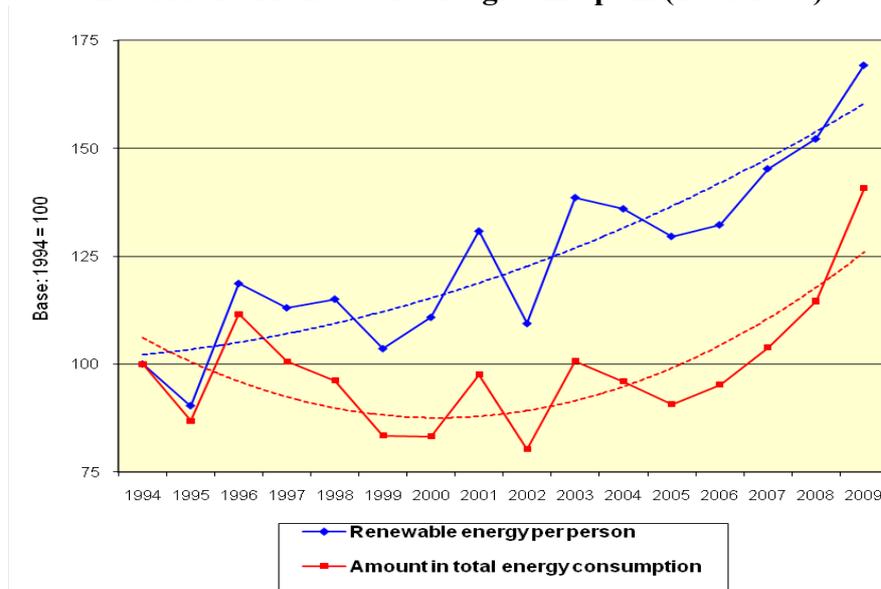
Source: own elaboration based on BANCO DE ESPAÑA, *Encuesta financiera de las familias (EFF) 2008, Métodos, resultados y cambios desde 2005*, Madrid, 2010. The data is taken from Indicator 10 for Income and Wealth, www.barometrosocial.es

The recession is slowing down the environmental degradation

The economic recession of 2008-2009 has affected industrial production, agriculture and livestock, construction, transport and electricity consumption causing paradoxically a significant improvement of environmental indices: CO2 emissions have been reduced by 15.6% and energy consumption by 9.3%. These circumstances allow Spain to approach 24 points to the requirements of the Kyoto Protocol by 2012 (missing still 14 points to meet the established level of emissions).

Renewable energies, whose contribution in total energy consumption was becoming less until 2002, increased their relative contribution by 74% between 2002 and 2009 (Figure 4). In addition, to the extent that renewable energies are domestic production, energy dependence has fallen from 81.1% in 2005 to 77% in 2009.

Figure 4
Evolution of renewable energies in Spain (1994-2009)



Source: own elaboration based on Ministry of Industry, Tourism and Trade.
 The data is taken from Indicator 11 of the area Environment, www.barometrosocial.es

The social policies resist the proposal (until 2009)

The indicators for health of the population show mixed results: positive in relation to mortality and life expectancy; negative in dimensions of disease and lifestyle habits especially for women; and fairly stable in dimension of health care resources: the public and private spending on health in 2008 reached 9% of GDP, the highest quantity since 1994.

The representative index *education* registered the best years in the period 1994-1999, stagnated later and increased than slowly in recent years. In particular, the early school dropout rate, reaching 31.2% of the population between 18 and 24 years, puts Spain in last place in the EU-27, just ahead of Malta.

The access to home ownership has been caused a growing indebtedness of many working families, while banks and building promoters enriched their selves until the housing bubble has punctured and prices lowered. However in the recent years the fall of purchase prices and rents has been offset by the greater difficulty of access to credit and the loss of purchasing power of unemployed families. Among others it led to an unprecedented increase public auction of the property by court order of mortgaged households (93,000 in 2009 and 120,000 in 2010).

The indicators for the public pension system, which came dragging a relative stagnation from the former years, experienced a clear improvement in the middle of the crisis in 2009. This year saw the largest increase in constant euros concerning the average pension, both contributory (+5.1%) and non-contributory (+2.6%).

Growing mistrust in political institutions

The index of trust in politics presented its best results in the moment of change of the party in the government to flare up at the end of the legislatures. Since 2008, the second term of the socialist government, has produced the highest growth of dissatisfaction with the functioning of political institutions: 45% of the population distrusts the functioning of

democracy, 58% do not trust the Parliament and 77% show little or no confidence in political parties.

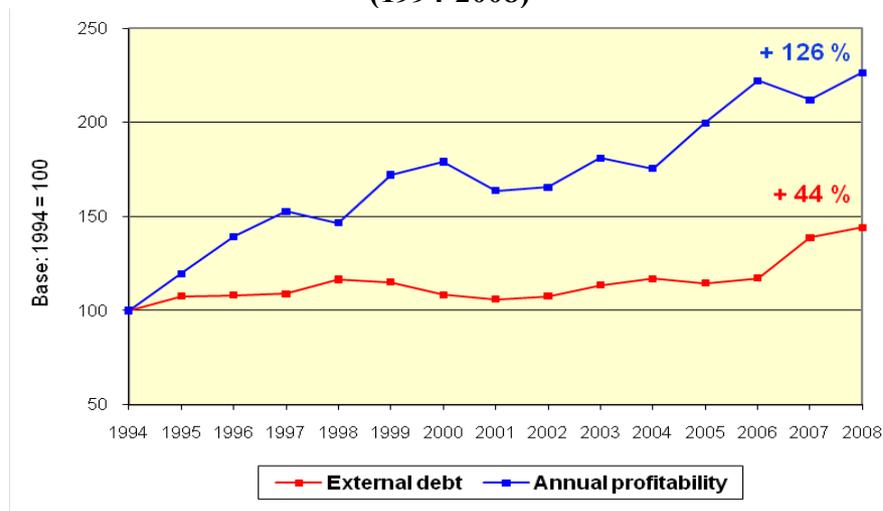
More than half of the population distrusts the judiciary, which results that 2008 was the year with the most negatives opinions. However, the processes initiated in the courts have steadily increased from 5 to 9.5 million cases over the last 16 years. Rates and judicial congestion were significantly reduced in the nineties but came back with maximum increases in 2008-2009.

The existing crime rate in Spain is one of the lowest in the European Union and fell by 21% between 2002 and 2009. However, Spain leads with Britain the rate of people in prison which has increased by 35% since 2002.

Spain has consolidated its position among the rich countries

The barometer index of the international relations of Spain presented a parallel evolution compared to the set of high-income countries: in an economic and political hierarchical world, the economic gap between rich and poor grew in last years of the twentieth century. In the first decade of the twentieth-one century it declined slightly following the economic crisis. The economic gap between Spain and the highest immigration countries (Romania, Morocco and Ecuador) increased by 22% between 1994 and 2000 before it declined 24% later in the first decade of the century.

Figure 5
Evolution of external debt and debt service of middle- and low-income countries (1994-2008)



Source: own elaboration based on the World Bank. The data is taken from Indicator 6 of the area International Relations, www.barometrosocial.es

The external debt of middle- and low-income countries, according to the World Bank classification, increased from 1.9 billion US-Dollars in 1994 to 2.8 billion US-Dollars in 2008 (at constant values of 2000). However, the weight of that debt in relation to the economy of these countries declined substantially, reaching a 20.3% of GDP in 2008. This positive performance contrasts with the increased benefits going to those countries as debt service, which has more than doubled between 1994 and 2008 (from 192,000 million US-Dollar per year to 435,000 million US-Dollar). The profitability of creditors on investment in less-income countries has grown three times faster (126%) than the amount of active debt

(44%), which means that every six years would be paid all outstanding debt, but it proceeds growing continuously (Figure 5).

We have no information about the debt that other countries have contracted with Spanish enterprises or financial institutions which amount must be relative high according to the volume of Spanish investment abroad. We only know the debt which the Spanish state is creditor, who's absolute and relative volume has declined over the past 15 years, from 2.12 to 0.78% of GDP. Talking in terms of official development assistance can be said that it has grown considerably in the recent years, reaching almost three times the world average of Support provided by high-income countries (0.17 of GDP in 2008 compared to 0.44% by Spain). In the last decade our country has become the first remitter of the European Union, passing the 8,000 million euros in 2007, a quantity which has been reduced by 12% following the crisis.

(English version: Mikolaus Ch. Wirth)