

European Forum

Pension Reform in Spain
(1975-1997):
The Role of Organized Labour

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- identify the various options for, and constraints on institutional reform;
- discuss the role of the various actors in promoting or hindering this reform at the national, sub-national and supra-national level;
- and, more generally, outline the broad trajectories and scenarios of change.

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**Pension Reform in Spain (1975-1997):
The Role of Organized Labour**

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ABSTRACT

Trade unions are understood to be losing a great part of their capacity of pressure and influence in post-fordist economies. This paper shows how the role played by the Spanish trade unions in the process of reform of the pension system has been very significant. The paper is divided into two sections. The first analyses the structure of the Spanish pension system, i.e., it deals with financing mechanisms and expenditure trends, organization, conditions of eligibility, and amount of beneficiaries. It also evaluates how the different episodes of reform that have taken place since the mid seventies have affected the institutional configuration of the pension system. Moreover, the impact on social stratifications by age and gender are considered. The second section of the paper is devoted to the analysis of the decision-making process leading to the reforms. The role played by trade unions receives privileged attention. Finally, conclusions include a reference to the Southern European model of welfare and for future prospects of the Spanish pension system.

INTRODUCTION

The evolution of the Spanish welfare state during the Socialist rule (1982-1996) may be summarized as having undergone four concurrent processes: extension of coverage, decentralization, targeting, and cost-containment (Rodríguez Cabrero 1994). These processes did not affect all social policy areas equally. Health care reform took place in 1986, opening the way for universal coverage and financing via taxes, and placing all public resources under a unitary administration. The process of devolution was carried out for several regions leading to the creation of eight independent health care services. Decentralization also took place in the realm of personal social services together with an amelioration and expansion of them, fostered by the creation of the Ministry of Social Affairs in 1988 and the innovative measures incorporated by the autonomous regions. However, unlike other areas of social provision, the income maintenance system remained in the hands of the central state and its coverage was expanded in many cases through the introduction of means-tested benefits, especially in the cases of family allowances, unemployment benefits, social salaries and non-contributive pensions. Moreover, cost containment measures were applied mainly to the pension and unemployment protection systems.

Retirement pensions have become a crucial electoral and intellectual concern during the last few years, despite the fact that Spaniards place worries about the future of pensions second, after health care (CIRES 1995). Political attention to the pension system is most probably linked to the significant weight of elderly voters. Spain has undergone important demographic changes since the mid seventies. At present, population is almost of forty million, with an annual growth rate of 0.2 per cent since the early eighties. The decline in the fertility rate has been dramatic, so that it was already lower than the required for generation replacement in 1980 (2.1%), and it has declined to 1.23% in 1992, when it was the lowest of the European Union. The proportion of the elderly (over 65) increased from 10.9 per cent of total population in 1980 to 13.2 per cent in 1990 and to 15.3 per cent in 1995. It is expected that this proportion reaches one fifth of the population in year 2020.

The first section of this paper includes the main characteristics of the pension system in Spain and an assessment of present inequalities, that is, stratifications by occupational scheme, age, and gender within the retirement pension system, both in its contributive and non-contributive types. In an occupational system such as the Spanish, inequality is tightly linked, on the one hand, to labour market participation, and on the other, to the organization and design of the provision of benefits. This is why the second section analyses the policy-making process since the early eighties, both in what regards labour

market flexibilization and the reform of the pension system. The questions that are to be answered are, firstly, why were some welfare services expanded to the whole population as a right for citizens, decentralized, and financed increasingly out of taxes while pension benefits remained centralized, financed out of contributions and universalized through the creation of a means-tested scheme? And, secondly, why was it that the list of options for reform of the pension system forwarded by policy actors contemplated either the amelioration of the occupational existing program or its privatization, never including a universalization flat-rate option? These questions are relevant because they refer to the different evolution of distinct social policy areas and also because the mix between universalist health care systems and occupational income maintenance ones has been forwarded as one of the distinctive characteristics of Southern European welfare states (Ferrera 1996). Finally, the paper refers to what an extent the Spanish case fits in the Southern European model of welfare in the pensions system domain.

THE PENSION SYSTEM AND INEQUALITY

At present, retirement pensions are provided in Spain by a number of compulsory social insurance programs: a scheme for dependent workers (called the “general scheme”) and six main special schemes for autonomous workers, coal miners, seamen, domestic service, agrarian workers, and labour accidents. Public servants are covered by an independent scheme. All these schemes have slightly different access conditions and offer different benefits. All workers, either dependent or self-employed are compulsorily covered, regardless of income. Part-time workers are also subject to compulsory insurance, with the exception of those working less than 12 hours a week. Housewives and inactive categories have no access to social insurance schemes. Means tested benefits are available for those remaining outside social insurance, i.e., assistential and non-contributive pensions. There are no distinctions between basic and supplementary benefits and there is a ceiling and also a minimum for all pensions. The possibility of opting out is not contemplated.

Contributive economic benefits are managed through the *Instituto Nacional de la Seguridad Social* (INSS), dependent on the Ministry of Labour. Several other agencies enjoy delegated competencies in the management of pension schemes for autonomous workers, public servants and other occupational categories. The management is centralized and no autonomous regions have responsibilities in this policy area. The *Tesorería General de la Seguridad Social* is the central institution in charge of the collection of contributions. Non-contributive benefits are managed by the Ministry of Labour and Social Affairs, and by the autonomous regions. The financing of the system

has remained mostly contributive, including minimum pension complements (upgrading of benefits). The current rates of contribution for employers and employees amount to 24.4% and 4.9% respectively of the total income perceived by the employee. Employers' contributions to the financing of the social security system are one of the highest in Europe. In fact, employer's contributions amounted to 50.2% of total social security revenues in 1993, while the EU average was of 39.1% (European Commission 1995; CES 1996).

Expenditure on pensions was multiplied by 7.3 between 1980 and 1995. It amounted to 7.2% of the GNP in 1980; 8.5% in 1990; and 9.4 % in 1993. In 1995, expenditure on social security was devoted primarily to cash benefits (65%), whereas the amount devoted to health care and personal social services was much smaller (31% and 2%) respectively, for the tendency is towards the financing via taxes of all benefits in kind (see figure 1). Expenditure on economic benefits was aimed mainly at pensioners in 1995 (90%), which amounted to 58% of total social security expenditure, eight percentage points higher than in 1980. By types of pension, 54% was devoted to retirement; 26% to disability; and 19% to widows pensions (see figures 2 and 3). As for the split between the occupational schemes, the general one causes 65% of expenditure, while the rest is divided up among agrarian workers (18%); autonomous workers (8%); miners, seamen, domestic service and the labor accidents scheme (2-3% each) (see figure 4).

The number of pensioners increased by 48% between 1980 and 1992; widows' pensions were the ones that grew more (63%) followed by disability ones (59%) and retirement (37%). In the case of widows the increase was due to the recognition of the right to a pension to widowers (as foreseen in the 1978 Constitution) together with the increase in female labour activity. As for disability pensions, they grew a lot until 1985 for they were used as substitutes to protect several situations caused by the restructuring of the labour market, such as early retirement or aged unemployed. From the middle of the decade onwards, administrative controls were intensified. However, the fact that some kinds of disability pensions are compatible with remunerated activity and many of them are exempt from taxes still make them attractive when compared with retirement pensions (Cruz Roche, 1994). In 1995, the number of contributive pensions reached seven million. The number of pensioners is slightly lower because around half a million beneficiaries perceive more than one pension (CES, 1996).

As approved in the 1985 reform, the minimum period of compulsory contribution for enjoying a pension is of 15 years, one of the highest in the EU, only below Italy. The formula to calculate the benefits includes the salaries of the last eight years also since 1985, although a year is going to be added from

1997 until 2002, which will have a negative impact on the amounts perceived. It has been estimated that the reduction in the initial amount of retirement pensions - adding up the restrictive measures enacted in 1985 and 1997- is of 30-35 per cent. Survivors and disability pensions are calculated with similar formulae to those used for retirement. Survivors benefits depend on the degree of kinship, with a maximum in the case of widows who perceive roughly 45% of their spouses' retirement pension. Permanent disability benefits are proportional to the degree of disablement and are higher when originated by occupational illnesses or accidents. At the moment, one out of six retired persons enjoys a disability pension.

A significant effort has been made during the 80s and 90s in order to ameliorate the amount of the lowest pensions at the expense of the highest ones. In 1995, 37.1% of all pensions were complemented in order to reach the minimum level, to which was dedicated around 10% of total expenditure on economic benefits. These complements were directed mainly to widows and orphans, and to the autonomous and agrarian workers and the domestic service schemes (CES, 1996).

An effort has been made as well in order to approach the average retirement pension to the minimum wage, an objective attained in 1995 (see figure 5). Average retirement and disability pensions are both above the minimum wage by 16.4% and 6.6% respectively. However, as figure 5 also shows, the increase in average contributive pensions has not been equally pronounced for retirement pensions than for disability and, above all, for widow's and orphans' pensions, that have remained well below the minimum wage.

Despite these efforts significant inequalities persist. In the first place, differences in the amount of the contributory pension may be ascertained among occupational schemes. In fact, the highest average pension (for coal miners) is 2.4 times higher than the one corresponding to domestic service (see figure 6). There are also differences between those people having contributed for the maximum period (35 years or over) and those who have failed to do so or have contributed for the minimum 15 years period. This gap is broadening because of the use of pre-retirement policies linked to the intense industrial restructuring process that took place during the eighties.

Inequalities are even more marked when the age and gender stratifications are considered. Both disability and retirement average pensions are much higher for men than for women for all the age intervals, and they decrease significantly with age (see figures 7 and 8). This situation entails that some of the most needy among the elderly, i.e. the very old, are the ones receiving the lowest pensions.

This is obviously a consequence of the fact that pensions are linked to previous salaries and contributions.

As for the gender stratification, the disfavoured position of women is connected to longer longevity and with a very problematic access to labour market. In fact, Spanish women's activity rate is one of the lowest in the EU (37.22% in 1996), while unemployment rates are much higher among women than among men (29.56% and 17.12% respectively in 1996). Moreover, the ratio between women's average salaries and those of men was 71.59% in 1994, so that in consequence female ex-workers enjoy lower contributive pensions than male ones in a similar proportion to salaries, in particular 70,79% (Instituto de la Mujer 1997).

The disadvantageous situation of women is only inversed when widow's pensions are compared to those of widower's ones. In this case, as men's pensions stem from an ex-working woman's pension, they are lower than the ones enjoyed by women which are derived from their husband's ones. They also decline with age, but they do so more markedly for men (see figure 9).

It is to be noted as well that there is a broad difference in the amounts of pensions, depending on whether they are contributive or non-contributive/assistential: the average contributive pension doubles the highest non-contributive one. Despite the fact that there were only 700,000 non-contributive pensions in 1995 as compared to 7 million contributive ones and that they only cause 2.3% of total expenditure on economic benefits, it is worth focusing on them for these are the less favoured group of beneficiaries. Furthermore, there exist differences depending on the kind of non-contributory pension enjoyed. Assistential benefits for retirement and disability were first introduced during the sixties when a discretionary program was created (PAS, *Pensiones Asistenciales*). In the case of disability, the benefits were ameliorated with the introduction of a program in 1982, namely the LISMI subsidy (*Ley de Integración del Minusválido*). Both programs were suppressed in 1992, except for people already enjoying a pension, and the amount of these PAS and LISMI pensions has been frozen ever since, so that their amount nowadays can be labelled as becoming more and more residual. Non-contributive benefits for retirement were introduced in 1990 and their amount is higher than that of assistential ones. Their basic amount (fixed every year) is the same for all beneficiaries. The coexistence of three different schemes that cover the same contingency has produced notorious inequalities.

The number of beneficiaries of non-contributive and assistential pensions for retirement and disability was doubled between 1982 and 1992, and then stabilized up to the present. In 1995, slightly under 700,000 people enjoyed

them, of which 53.16% were people aged 65 or over. Among these, women were the main beneficiaries, so that the proportion was of four women for each man. In 1992, the structure by age of the population receiving these benefits reflected a distribution that was focused on very old women living either in rural areas or in low income areas. The amount of these pensions reached only between 44.31% and 53.30% of the minimum wage, depending on the type of non-contributive/assistential pension in 1992. One third of the retired perceiving such amounts lived alone in 1992, and could consequently count only on these benefits for living (MAS 1993). In 1993, of the one and a half million elders that were estimated to be in need of help for everyday activities, 4.3% enjoyed a non-contributive pension. However, while 87.1% of men could count on a contributive retirement pension and only 1% had to depend on a non-contributive one, the corresponding figures for women were 29.8% and 5.8% (see figure 10).

The economic well-being of the elderly depends in Spain, as in many other countries on public pensions. As noted above, the expansion of the Spanish pension system during the last two decades has been notorious both in terms of coverage and on the level of the transfers. In fact, while 70.8% of the elderly received public benefits regularly in 1980, the proportion had increased to 81.7% in 1990. The distance in what respects income levels has also been narrowed among households headed by elders and the average family income: the difference in 1980 amounted to ten percentage points, while it had decreased to three points and a half in 1990. However, households headed by elderly women still maintain a difference of 7.7 percentage points with the average family income (Ayala et al. 1995). Moreover, poverty is higher among pensioners than among the active population: households headed by elders suffer poverty in a proportion which is ten percentage points higher than the rest of the population. Around 29% of the elders living alone are below poverty threshold and almost the same (27%) applies to families composed by elderly couples (Hercé 1995).

In sum, coverage extension and expenditure increase on the income maintenance system has had the effect of ameliorating the living conditions of the elderly as well as approaching the Spanish welfare system to the more developed European welfare states. A significant effort has also been done at redistribution that has been achieved through several measures: a) the reduction of the initial amount of contributive pensions (increase of the years used in the formula used to calculate it); b) an increase in minimum contributive pensions; and c) an expansion and amelioration of non-contributive pensions.

Nonetheless, a high degree of inequality is still embedded in the contributive system and the decision of complementing it by introducing

means-tested benefits may prove conflictive for the future. Several packages of reforms leading to labour market flexibilization were passed during the last two decades which had the effect of leaving the already existing indefinite contracts almost untouched, while leading to a sharp increase of the share of temporary jobs. These latter amount to one third of all employment at the moment, and especially affect the working conditions of the young and women, who are entitled to weaker contributory rights. If this situation is not reversed, a good number of workers will either receive very small contributory transfers or will not be able to apply for them altogether in the future, and thus will have to depend on the weaker assistential area of protection.

2. POLICY LEGACIES AND PENSION REFORM

How has this result come about? Why has the action of policy-makers concentrated on the universalization of welfare services while leaving the income maintenance system predicated on occupational principles? The "new institutionalist" view on comparative social policy defends that former social policy decisions transform politics, so that new provisions are highly influenced by the character of the pre-existing organizational structure (Skocpol and Amenta 1986). As a consequence, continuity in the policy-making process is to be expected. This theoretical approach could easily explain the resilience of the occupational model in the income maintenance domain. Still, why was it then that the health care system was turned universal if it was born equally occupational? The answer may be related to the existence of different attitudes and interests among policy-actors regarding both policy areas, which allowed for the appearance of windows for reform in the case of welfare services while failing to do so in the case of pensions.

Several reasons may be forwarded in order to explain the reform of welfare services towards universalization. First, the universalization of the health care and educational systems could count on the support of the unions and that of the population in general. The backup of the unions and several user's and consumer's associations allowed the government to establish a stable coalition in favour of the reforms, a coalition that could outweigh the opposition of other pressure groups, such as some health professionals. Second, both the health care system and the education one were already mature systems of protection enjoying very large coverage spans, so that the economic effort, though considerable, was not unbearable. Third, and crucial, the autonomous regions, who were at the time anxious to undertake new responsibilities played a crucial role, not only in the reform of health care and education but also in the development of personal social services and basic social protection. Conversely, an explanation for the evolution of the pension system in the Spanish case may

be drawn from the consideration of policy legacies, Socialist macroeconomic policy and the evolution of the labour market, together with the crucial position of the unions regarding the defence of the *statu quo* of the income maintenance system.

As for the foundations of the Spanish pension system, two were the main reforms that took place in the social policy sphere during the sixties and early seventies, still under the Dictatorship. These reforms established the basic principles on which the pension system is still predicated. First, the 1963 Basic Law of Social Security (*Ley de Bases de la Seguridad Social*, LB), which can be considered as a turning point in social policy, and, second, the 1972 reform (*Ley de Financiación y Perfeccionamiento*, LFP). The LB unified the previous existing insurance programs into a single institution, the National Social Security system, and the condition of low income for access was eliminated. However the organization of the system was kept along occupational lines, and its financing continued to be based on the contributions of the affiliates. State transfers remained very scant, despite the declared intention of the LB to increase them. The 1963 reform led to the consolidation of a highly fragmented system, consisting of a general scheme for dependent workers and several special schemes for other professional categories.

The 1972 pension reform was designed to expand social protection, especially in retirement, unemployment, and sickness cash benefits. The improvement was achieved through the linking of member contributions and benefits to real incomes, a measure that was to be introduced by stages. This procedure substituted the one in place since 1963 that linked member contributions and benefits to a scale of professional categories, defined arbitrarily and having no exact link with income. As a consequence of this reform, expenditure on income maintenance benefits increased significantly over the next years.

In general, the objectives that were seen as fundamental by Francoist policy-makers were the attainment of social peace, the maintenance of the operational capacity of the productive apparatus, and the achievement of internal and external credibility. These goals were consistent with the establishment of an occupational model directed to workers and financed out of contributions. The model was also consistent with the prevailing ideology about the roles which should be played by the genders: male bread-winners, who were granted a secure job, together with state services and subsidies; and female home-carers, who took charge of the elderly, the very young and the handicapped mostly at home. This explains why, despite the surplus of the system during the sixties and early seventies, personal social services were so scantily developed, and why no move towards universal coverage and full state provision was made.

Finally, it also accounts for the privileged treatment of industrial accidents and illnesses (both as regards health care and economic benefits), which has prevailed until the present date.

From the beginning of the seventies a generalized wish was felt in Spain of improving the social security system and catching up with the levels of expenditure of other Western European countries. When the period of transition to democracy (1975-1982) started, the feeling of backwardness was grounded in reality, at least in quantitative terms. The level of social expenditure as a percentage of GDP in Spain (12.1%) was much lower than that of other EC countries, reaching only to about half of the rest of the levels, with the exception of Portugal and Greece (González Catalá and Vicente Merino, 1985). In 1978 the democratic Constitution introduced the principle of universal extension of coverage of social security to all Spanish citizens (articles 41, 43 and 49). Between 1975 and 1982, coverage rates augmented in all the different programs, although in 1982 still 14.4% of the Spanish population was excluded from the social security system (Fundación FOESSA 1983: 811). Expenditure on social protection in 1981 was one and a half times higher than in 1975, so that the differentials in comparative terms with other OECD countries were narrowed without totally closing the gap.

However, and despite the general wish to expand the system along the lines of a universalist model, no reform process of the social protection system leading to universal coverage was undertaken during transition to democracy (1975-1982), due in part to the strains caused by the economic crises and also because some other more compelling objectives had to be reached, such as the reform of the political institutions. A fiscal reform took place in 1977, and a crucial agreement was reached among political parties for the design of a package of measures aimed at tackling the impact of the crises. However, the rigidity of the labor market remained untouched (Guillén 1992).

The Socialist party won the general elections in 1982, but the first actual reforms in the domain of social policy did not take place until the mid eighties. The main reforms that were introduced in the domain of the contributive pension system during the two last decades are the pension law of 1985, a decree passed in 1989, and the reform law of 1997. The largely debated 1985 reform was targeted at reducing fraud, above all on disability pensions, and to avoid the "purchase of pensions". It also aimed at slowing down the growth on pension expenditure caused by previous 1972 reform. Therefore, it had a restrictive character for it enlarged the minimum period of compulsory contribution from ten to fifteen years, while the formula to calculate the benefits came to include the salaries of the last eight years instead of the two previously required. In fact, when the protection intensity of the pensions system is compared with per capita

GNP, the evolution shows that it increased until 1984 (51.5% in 1980 and 54.65 in 1984) when it started to decrease, and it remained around 48% until the early nineties (Cruz Roche 1994). As a compensation, the law foresaw the indexing of all pensions to the cost of living, a measure that was not implemented right away.

In the early eighties, due to the impact of the economic crises and to their coincidence with the reform of the political institutions, the economy was very unbalanced: high inflation rates, trade and social security deficits, and even higher unemployment rates. The Socialist party was clearly in favour of establishing a socialized model of social provision, especially in what regards the services domain (health care, education). However, adjusting the economy and, above all, restructuring the ailing industries was also important. This is why the PSOE engaged in a restrictive monetary macroeconomic policy that was to result in gradual adjustment, a policy that clashed with the ideal of creating a socialized welfare system. The 1985 restrictive pension reform was in line with this adjustment policy. It was a very costly decision for the government, for it triggered the process of open political confrontation between the Socialist party - tightly controlled by the government - and the socialist union UGT, around the economic and social policies of the government, which also included the first wave of labour market flexibilization in 1984 (Guillén 1996). Thus, cuts for the chore workers were clearly, even if unsuccessfully, rejected by the unions. Still, they were able to get something in exchange.

In the mid eighties, the pulse between the government and the unions did not only revolve around social policy and macroeconomic measures. When the first syndical elections were celebrated in 1979, the unions already realized that, despite the plus of legitimacy they had acquired during the first years of the transition period, the levels of affiliation were never going to reach high figures. As the main goal of any organization is to guarantee its own survival, the strategy that was chosen by them was to adopt an “inclusive” model with few affiliates but that would enable them to claim representativeness of all workers, rather than an “exclusive” model - on the British tradition - devoted only to its broad affiliation bases. Unions were ever so worried about two crucial issues; the first was financial resources in a situation of low membership, and the second was attaining the status of the only possible interlocutors with the government and the employer's association. This is why the conflict with the executive in the mid eighties, although not of public domain, revolved as well and most importantly around the passing of the Law of Syndical Freedom (LSF, *Ley Orgánica de Libertad Sindical*), which would enable all unions getting 15% of the votes in syndical elections to act as representatives in collective bargaining and would also endorse them with a share of the annual state budget, among other advantages.

The LFS was enacted in 1985, but what is relevant to the development of pension policy is that if unions adopt a strategy to represent all workers, they are hardly likely to fight for the interests of specific groups of workers, such as those depending on temporary contracts, for example. In fact, the demands of the unions for more equitable working/pension conditions among formal and informal workers or among the genders have remained largely on the symbolic discourse domain. The reasons for this behaviour on the part of unions were linked also to the fact that, in the mid eighties, the effects of the flexibilization of the labour market were not yet very visible. That is, temporary contracts had not yet grown in number to the swollen proportions they were to reach by the late eighties and early nineties. In this way, the defence of "all workers" on the part of unions was not seen as a disloyal undertaking.

The behaviour of unions changed in the second part of the eighties towards the exercise of much greater pressure. A general strike took place in 1988, triggered by the failure of the government to give back productivity increases despite wage increase control. The conflict was ended by the attainment of an agreement between the government and the unions. The agreement revolved over the adoption of several expansionary social measures. A decree on contributive pensions was passed in 1989, so that benefits were effectively indexed to the cost of living, including the 1988 inflation rate, and the government compromised to increase the minimum pension to the level of the minimum wage for those beneficiaries with family burdens. More importantly, non-contributive means-tested pensions for disability and retirement were introduced in 1990. All these moves were reinforced by the entrance of Spain in the European Community in 1986. The new political status fostered the adoption of expansionary measures in the system of social provision during the late eighties in order to meet EC recommendations and to narrow the gap with the more developed European welfare states (Guillén 1996). The positive cycle of the economy also helped.

Nonetheless, a thorough reform of the pension system towards a universal model, entailing the creation of a basic safety net for all elderly citizens, was not achieved in the second half of the eighties. This was so despite the fact that such a proposal was done in the different national congresses of the Socialist Party. Instead, such a move was not contemplated by the Socialist government, who relied on the economic recovery as a mechanism of redistribution. It was only after conflicts or strikes conducted by the unions that new measures were undertaken. The government decided to "universalize" (as expressed in their own discourse) the pension system by introducing means-tested non-contributive pensions for all people over 65. However, this is not the same as to grant a minimum retirement benefit on the grounds of citizenship. Moreover, eligibility for non-contributive pension benefits was based on the family income

rather than on an individual entitlement. This was due in good part to the decided defence of the occupational system by the unions.

As noted above, the Spanish unions' membership was very small in comparative terms during the late seventies and it had decreased during the eighties. But this fact is misleading when considering their strength (Pérez Díaz and Rodríguez 1994). The left-wing union *Comisiones Obreras* (CCOO) has been always in favour of maintaining the occupational character of the income maintenance system. The confrontation that took place between the PSOE and the socialist UGT from the mid eighties onwards meant that a potential agreement between both on the reform of pensions towards universalism could not be attained. The result has been that both unions have remained interested on the maintenance of the security and privileges of the labour market core workers, by whom they are supported, if not because of levels of affiliation, because of the results of syndical elections. Even in a situation of large proportions of fixed-term contracting, unions find their support mainly among formal workers. Consequently, they fight against temporality but are never ready to accept a diminution of social security entitlements in their public discourse, be it for open-ended or for fixed-term contracts, and this constitutes their expressed way of defending "all workers".

During the early nineties, the main issue of concern for the future of the pension system has become, as in many other EU countries, the financing problem. Consequently, cost containment measures have affected the income maintenance system in the last few years. Benefits were indexed to the previous year's inflation rate until 1994 and since then to the estimated inflation rate for the forthcoming year. Also since 1994, some kinds of disability benefits are subject to taxation. For the administration, improving efficacy and efficiency has become one of the permanent main worries. Another crucial concern is the fight against fraud and abuses in employers' contributions to social security, and in disability pensions. In 1992-1994 some other strikes were led by the unions because of the restrictive measures applied to unemployment benefits and the introduction of the second wave of labour market flexibilization that took place in 1993-94. The government found its way through with the enactment of both sets of reforms but had to agree on a reform of syndical elections clearly advantageous for the two main unions, UGT and CCOO. Some other concessions included an increase on public subsidies, and a larger role on the management of permanent professional training. In this way, while the fight on the social protection front usually takes place openly and reaches the public domain, other negotiations regarding the position and organizational strength of the unions occur in the somewhat darker background, and may account for the acceptance of restrictive measures on the side of the unions.

Worries about the future of the pension system came to grow so much towards the mid nineties, that in February 1995, a parliamentary commission was appointed. The commission was in charge of assessing whether the existing pension system could prevail or it should be modified in the direction of privatization. After a year of activity, the decision was that the existing system, based on intergenerational solidarity, should be kept. The parties represented in the in this commission (PSOE, PP, *Izquierda Unida* and the Catalan *Convergencia i Unió*) also produced a set of recommendations in order to secure the continuity of the system in the so-called *Toledo Pact*. The proposals came to include the progressive and voluntary retardation of the retirement age; the reduction of the special regimes to two: one for dependent and another for autonomous workers; an increase in the proportionality between contributions and benefits; the financing of health care and social services through taxes, so that contributions could be used only to finance contributory benefits; and the reduction of employer's contributions in order to foster job creation (only if this does not entail public deficit imbalances). The main unions soon declared their agreement with the pact. The employer's organizations and the banking sector also agreed but also expressed their desire that private pension plans should be incentivated.

The final episode of pension and labour market reform has taken place only recently, already under the rule of the conservative party (PP, *Partido Popular*), who gained office in March 1996. While the reforms of the first half of the nineties had to be imposed on the unions by the Socialist party, the new reforms have been grounded on a pact. This has been possible because the unions fear the privatization potential thrusts of a conservative government and no less because they are very aware of the present weakness of the Socialist party and of the left in general, who are internally divided and affected by corruption scandals. The latest reform of the labour market, which was agreed on in April 1977 included a decrease of redundancy compensations accepted by the unions in exchange for a reduction in job precariousness. As for the pension reform, a pact was signed in October 1996 between the government and the two main unions and the reform law was passed in June 1997. Among other aspects, the decisions made include the financing of health care, means-tested benefits, and complements to minimum pensions totally out of taxes; a gradual reduction of the number of occupational schemes; the indexing of pensions to the estimated forthcoming inflation; the gradual increase of the number of salaried years used to calculate the pension from 8 to 15; and an amelioration of the lowest widow's and orphan's pensions.

It is only too early to evaluate the impact of these latest reforms on inequality patterns. However, it is foreseeable that if job precariousness is reduced and redundancies become less expensive in the case of permanent jobs,

the segmentation within the labour market between the core sector and the more informal one may be reduced, thus having an impact on pension equality. Moreover, if the formula to calculate new pensions increasingly comes to include more salaried years, this will mean a reduction in the pension amount, which will result in a narrowing of the gap between the contributory and the non-contributory system.

As for the maintenance of the occupational character of the pension system, as Esping-Andersen (1995) points out, contributive models generate strong legitimacy among their beneficiaries, and it is only by means of strong coalitions for reform that they can be turned into flat-rate programs. Labour market flexibilization did not take place decidedly in Spain until 1994, and even then it hardly affected the core sector, so that the strategy of the unions was consistent with the prevalence of the occupational income maintenance system. Consequently, the Socialist governments tried to build a ring of minimum social protection for all elderly citizens by the introduction of means-tested retirement benefits, rather than pursuing the establishment of flat-rate universal benefits. Furthermore, such a change in model is expensive and extremely risky in electoral terms. While almost everyone would be happy with the expansion of entitlements to, say, health care services or education ones, turning an occupational pension system into a universal one touches upon deeply entrenched interests and legitimacies. This may be the reason why policy-legacies have proved much more resistant in the case of pensions than in the case of welfare services.

Besides, despite the fact that an Institute for the Woman (IM, *Instituto de la Mujer*) was created in 1983, and that its activity regarding the diffusion of information and the singling-out of problems was intense, the IM was not endorsed with management capacities to implement gender equality programs, so that it had to limit itself to persuade other administrative bodies in order to attain its objectives. Thus, the role played by the IM in the formulation or the implementation of policies has been very limited. Moreover, relations between state-feminists and the feminist movement have always been difficult and no co-operation on a regular basis has taken place among them (Valiente 1997). This may be another reason why inequalities by gender within the pension system have failed to be diminished.

Last but not least, as has been pointed out recently (Ferrera 1996), the contributive pension systems in Southern Europe are very generous in comparative terms with other UE countries, while assistential means-tested benefits are lower than in other member states. This characteristic has been considered as one of the differentiating aspects of Southern European welfare states. However true for wage earners having completed a full contributory

career, as Ferrera shows, the global data hide a lot of inequalities and the most recent pension reform episodes will have an impact on the historical “generosity” of the system even for this category of workers, that is, regarding the percentage of previous salaries replaced. Moreover, if we take into account the intensity of protection, measured as the average contributory pension as a percentage of GDP per head, the generosity of Southern systems is challenged. While Italy and Greece are well over the European mean in 1993 (77.6 and 78.0 in the Italian and Greek cases respectively as compared to 62.0 for the EU-12 mean), Spain (47.3) and Portugal 42.1) are well below it (European Commission 1995). All in all, what the Spanish case shows is that, most probably, if contributive pensions continue to be reduced while non-contributive ones are ameliorated, the “dualistic, almost ‘polarized’ character” (Ferrera 1986: 19) of the Southern model may fail to constitute a differentiating feature in the long run.

4. CONCLUSIONS

Spanish pensions have undergone several restrictive and expansionary reforms during the last two decades; the first being prevalent in the contributive system and the second in the non-contributive one. Redistribution has not only taken place because of this development but also because of the amelioration of minimum contributory pensions. Both expenditure and beneficiaries have continued to grow to a very significant extent, although the system has remained occupational and completed with means-tested programs.

The main inequalities to be ascertained within the retirement pension system in Spain are those existing between occupational schemes, between genders, between contributive and non-contributive benefits; and also among the old and the very old. Inequalities by social stratum may be also pointed out, for the better off strata of the population are able to contract out a private pension plan under favourable fiscal conditions in order to complement their public compulsory pensions, while the worse off are deprived of this possibility. It can also be stated that a close link exists between the evolution of labour market regulations, the organization of public provision of pensions, and the existence of gender and age stratifications.

The role played by the different policy actors in the development of the retirement pension system may explain the persistence of its occupational character as well as the inequalities derived from it. Until the end of the Francoist regime, the configuration of the political institutions left little room for the expression of demands by interest groups or the population in general. Under these circumstances, decisions in the area of social policy were mostly in the

hands of political and bureaucratic elites, whose ideas and legitimization needs were consistent with the introduction and maintenance of an occupational system of social provision. Furthermore, their ideology was more receptive to the Bismarckian style of social provision than to the Beveridgian one. In consequence, the expansion of the system in terms of coverage, expenditure and benefits provided was related to socio-economic development.

During the period of transition to democracy, and despite the democratization of the policy-process and the generalized wish to adopt a universalist model of social protection, the need to give priority to the reform of the political institutions together with the impact of the economic crises impeded the shift of the system towards universalism. Once democracy was fully established, universal coverage for health care and compulsory education was attained and personal social services significantly increased. On the opposite side, the pension system remained occupational because the perceived menace of privatization of the public system fostered its preservation and amelioration rather than risking a change of model. Moreover, the cost of a shift towards flat-rate universalism was perceived as too high both in economic and electoral terms and the formation of a strong coalition in favour of such a change failed to be reached, especially because of the resistance of both of the main trade unions.

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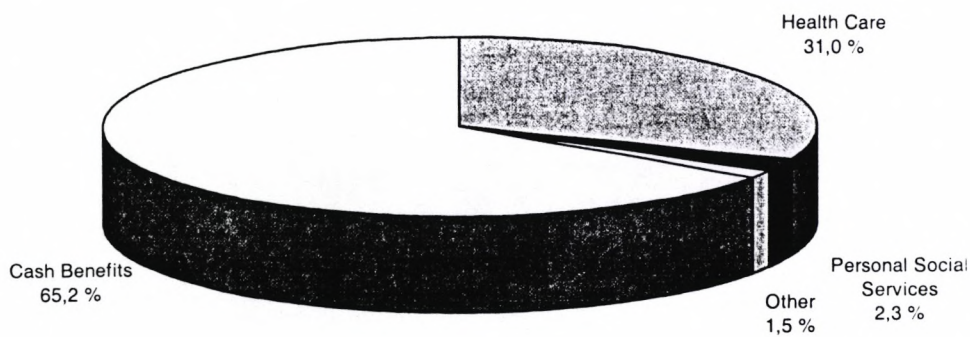
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Source: CES (1996)

FIGURE 2: ECONOMIC TRANSFERS (1995)

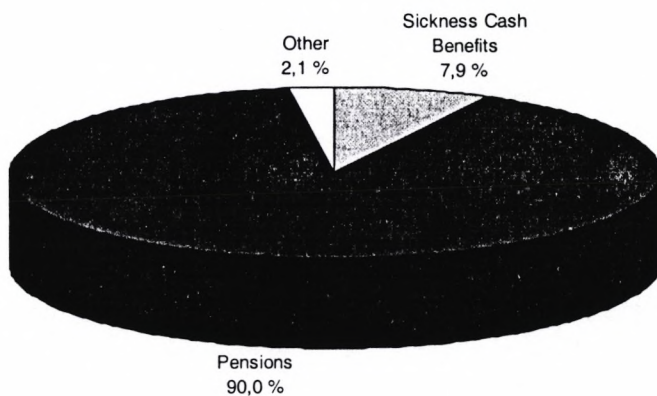
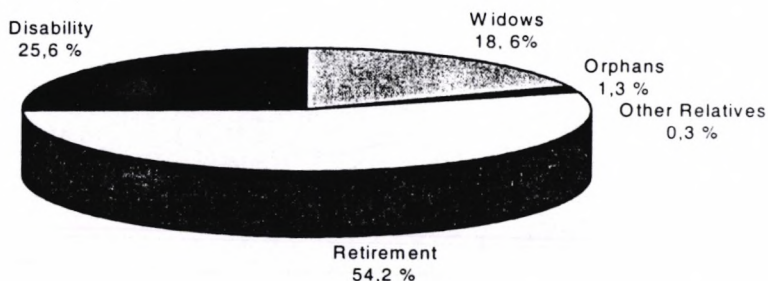
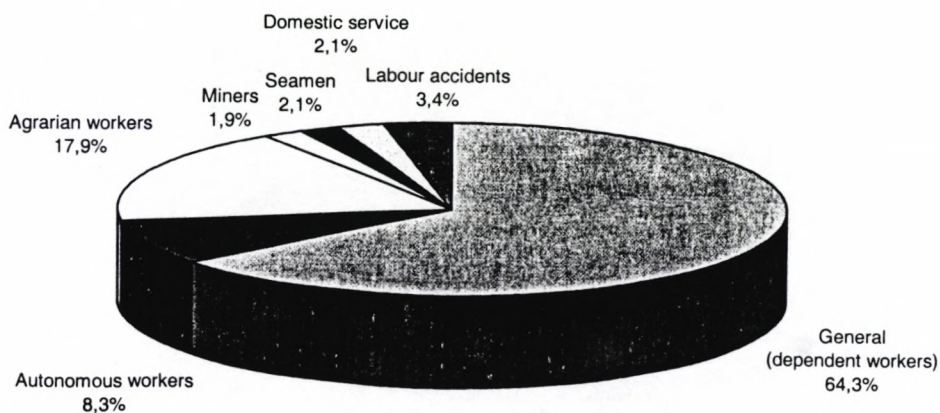


FIGURE 3: EXPENDITURE ON CONTRIBUTIVE PENSIONS BY TYPE (percentage over total) 1995

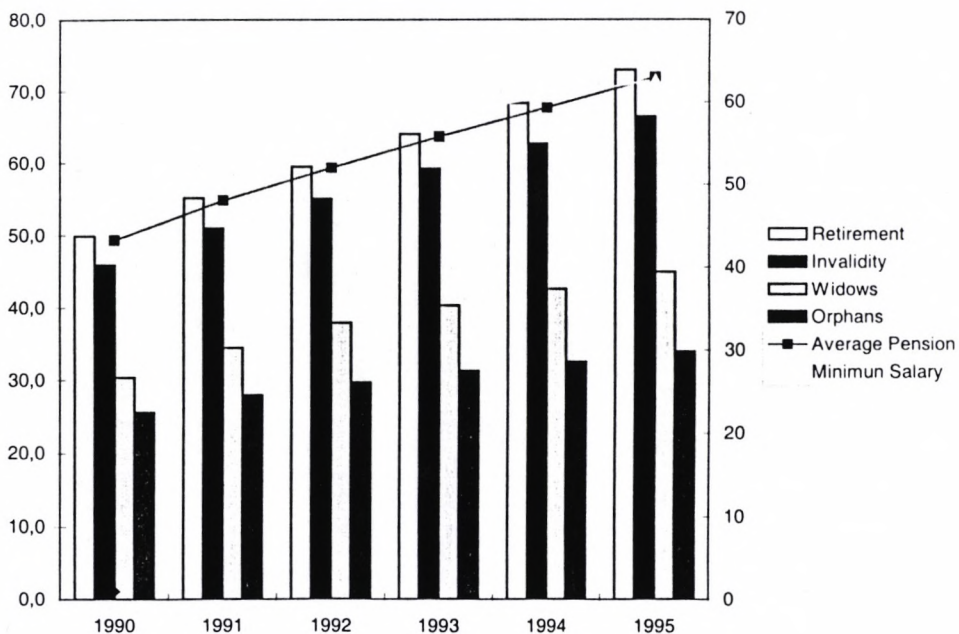


Source: CES (1996)

FIGURE 4: EXPENDITURE ON CONTRIBUTIVE PENSIONS BY OCCUPATIONAL SCHEME 1995 (percentage over total)

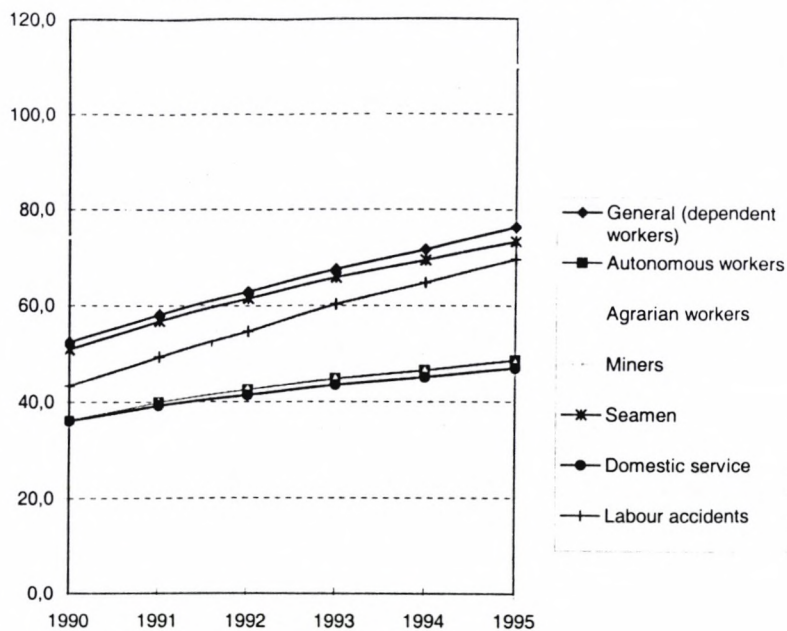


**FIGURE 5: AVERAGE CONTRIBUTIVE PENSIONS BY TYPE AND
MINIMUM WAGE, 1990-1995 (Thousand pesetas per month)**



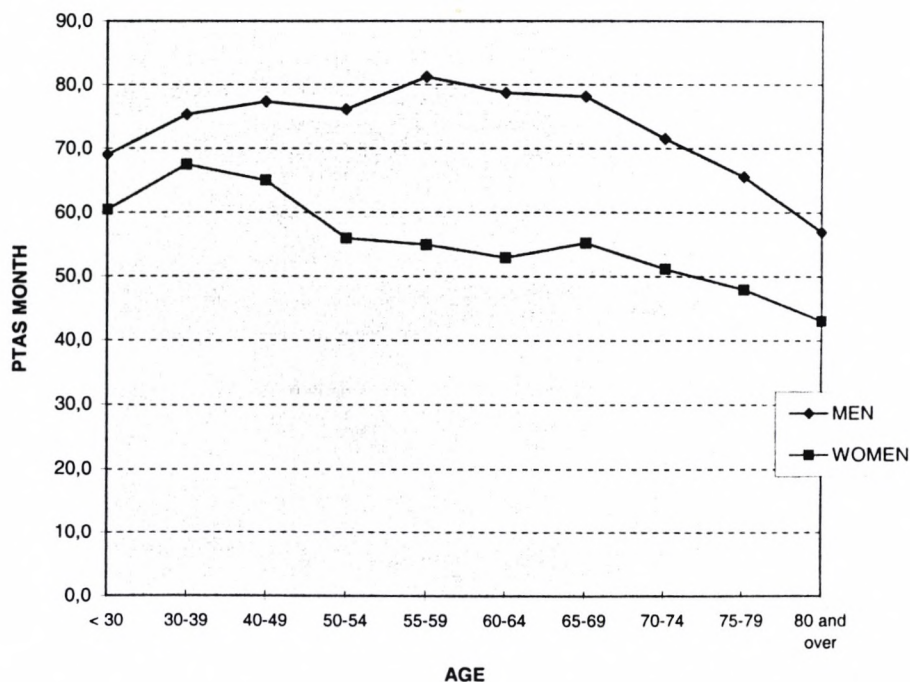
Source: CES (1996)

**FIGURE 6: AVERAGE MONTHLY PENSION BY
OCCUPATIONAL SCHEME 1995 (Thousand pesetas)**



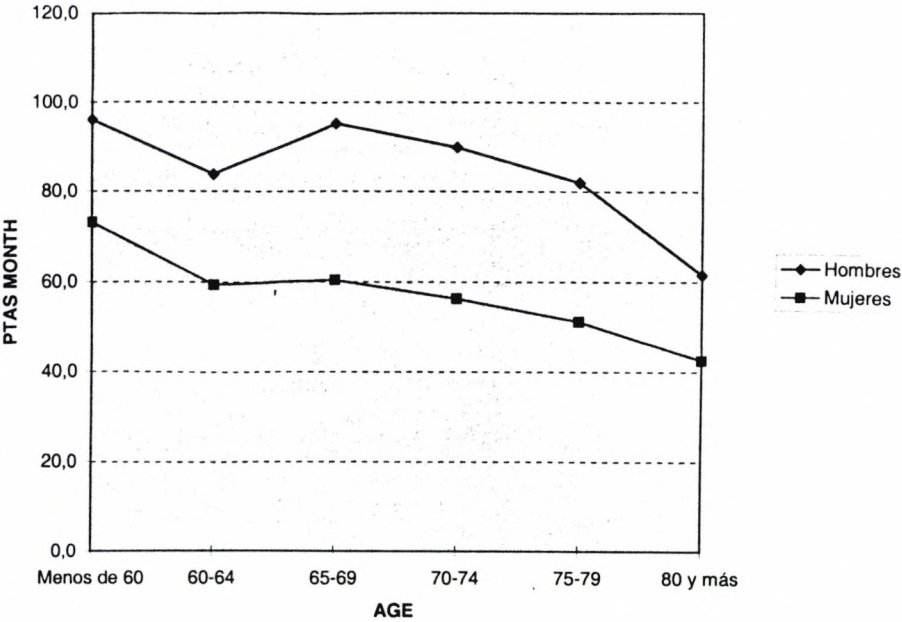
Source: CES (1996)

FIGURE 7: AVERAGE AMOUNT OF CONTRIBUTIVE PENSIONS, BY AGE AND SEX (1995)



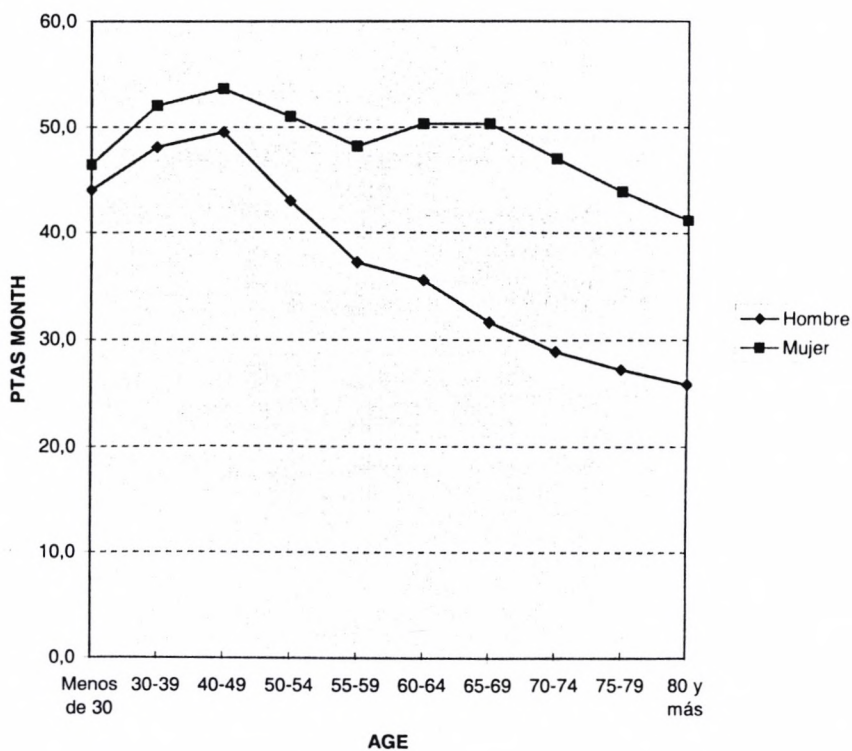
Source: Ministerio de Trabajo (1996)

FIGURE 8: AVERAGE AMOUNT OF CONTRIBUTIVE RETIREMENT PENSIONS, BY AGE AND SEX (1995)



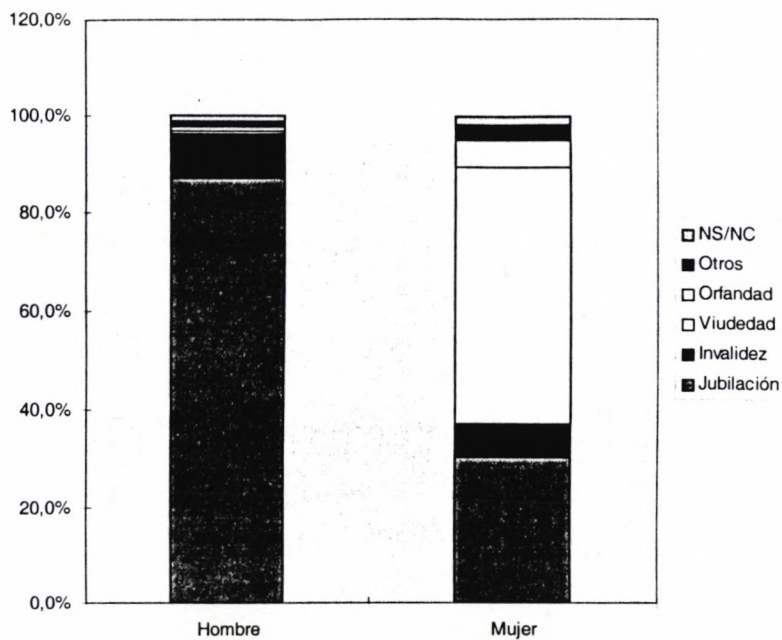
Source: Ministerio de Trabajo (1996)

FIGURE 9: AVERAGE AMOUNT OF CONTRIBUTIVE WIDOWS PENSIONS, BY AGE AND SEX (1995)



Source: Ministerio de Trabajo (1996)

**FIGURE 10: ELDERLY PEOPLE NEEDING HELP FOR
EVERYDAY ACTIVITY**



Source: INSERSO (1995)



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