

SPAIN'S DEMOGRAPHIC CRISIS AND ITS IMPLICATIONS FOR THE SPANISH
WELFARE STATE

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ABSTRACT

Janna Zasloff Goldberg: Spain's demographic crisis and its implications for the Spanish welfare state

(Under the direction of John Stephens)

Spain is currently undergoing a demographic crisis with less than replacement fertility rates and an aging population. This crisis can be traced back to the organization and formation of the welfare state and will hold serious challenges for the future of the Spanish welfare state. The low fertility rate has many roots within the welfare state, especially the preference for familial care within the home, the precariousness of the job market for part time workers, and the cost of housing. Gender issues also affect the fertility rate in Spain as women are choosing to work and have a career rather than have children. The aging of the population and staggeringly high immigration rates also contribute to Spain's demographic crisis. The welfare state will feel the challenges of the demographic crisis in the near future unless it amends its family and work policies to accommodate couples who wish to start families.

TABLE OF CONTENTS

LIST OF TABLES.....	iv
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LIST OF FIGURES.....	v
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Chapter

I.	INTRODUCTION.....	1
II.	THE SPANISH WELFARE STATE.....	3
III.	FEMALE AND FAMILY CHALLENGES IN THE SPANISH WELFARE STATE.....	10
IV.	FERTILITY IN SPAIN.....	15
V.	IMMIGRATION.....	19
VI.	AGING AND MORTALITY.....	24
VII.	SUGGESTIONS.....	28
VIII.	CONCLUSIONS.....	32
	REFERENCES.....	34

LIST OF TABLES

TABLE

1. Data regarding fecundity in Spain.....	16
2. Fertility and unemployment in 1995.....	17
3. Parity distribution according to Spanish women's level of education.....	18

LIST OF FIGURES

FIGURE

1. Public social expenditure: percentage of GDP.....5
2. Share of population aged 65 or over.....26

CHAPTER 1

INTRODUCTION

“Prolonged lowest-low fertility constitutes a threat in the financial viability of the Spanish welfare state in the future” –Gosta Esping-Andersen, 1999

Currently Spain faces one of the lowest fertility rates in the world, coupled with an aging of the population in great numbers. This joint demographic challenge will have serious consequences on the Spanish welfare state in the future. Likewise, many of the reasons for the demographic crisis that Spain is undergoing has roots in the welfare state and its formation and growth after the Franco regime. Spain is known as a Southern Mediterranean welfare state, which also includes Italy, Portugal and Greece. These welfare states place great emphasis on familial care and have patriarchal divisions of labor. Many of the causes of Spain’s demographic crisis stem from the foundations of the Southern Mediterranean welfare state. In addition, Spain has a very high rate of immigration, from European Union countries, Latin America, and Northern Africa. Unfortunately many immigrants are forced to take work outside of the mainstream labor market and therefore do not pay into the system. Given the low percentage of workers paying in to the tax scheme in Spain versus the amount of people living in the country and off of the welfare state, the state will suffer in the future without proper changes. This thesis will highlight the current demographic crisis and its causes by examining the Spanish welfare state, its gender roles and why it has caused fertility to suffer,

the overall aging of the population, immigration, and possible changes to the Spanish welfare system in order to ensure its success in the future.

CHAPTER 2

THE SPANISH WELFARE STATE

Spain is classified within welfare state typology as belonging to the southern Mediterranean welfare states. The southern Mediterranean model of welfare is a cluster of four countries, Spain, Italy, Greece, and Portugal. Although Esping-Andersen accounted for only three regimes in his 1990 book, *The Three Worlds of Welfare Capitalism*, there has been a move in recent years to accept this fourth model, that of the southern Mediterranean state to the classification of regime types. Additionally, Moreno and Sarasa argue that the Spanish welfare state falls ‘via media’ between the continental and liberal regimes (2004). The ‘via media’ argument is a good starting point for understanding the welfare state in Spain, however after examining the more recent literature on the subject it is apparent that the southern Mediterranean states do fall into a unique cluster, which is known as the southern Mediterranean welfare state.

The main aspect of the southern Mediterranean model of the welfare state that differentiates it from the continental model is the central role of the family. The deep reliance on family for care interpenetrates welfare reform in all four countries (Moreno, 2006). The role of the family is characteristically weaker in northern Europe, with children moving out of their parents’ home earlier in life and elder care supplemented by the state. In the southern Mediterranean states, familialistic care is prevalent and often preferred (Moreno, 2006) therefore becoming a more privately handled issue rather than reliance on the state. In

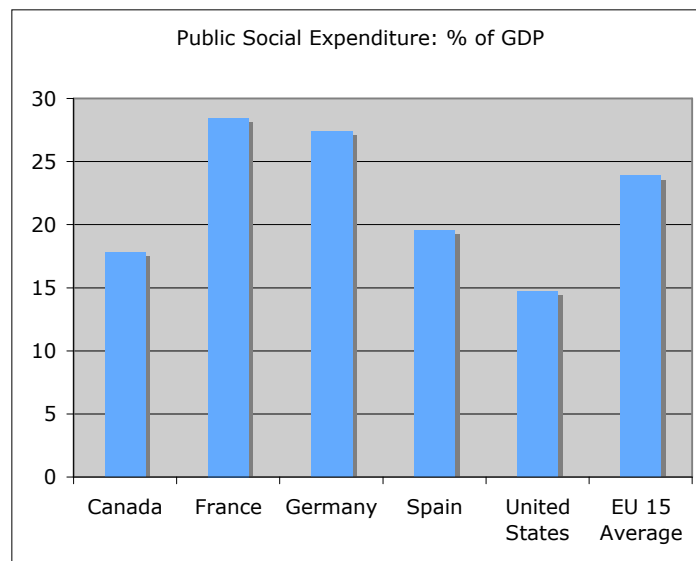
addition to the central role of the family, the universalistic nature of the health care system and the fragmented income transfer system elucidate the key aspects of the southern Mediterranean model.

Esping-Andersen classifies the southern nations as a subset of the continental model (1999), yet specific facets of the welfare state in Spain, Italy, Greece and Portugal warrant an individual model that classifies the unique behavior of these states, especially the treatment of the family as the nucleus of the welfare system. The influence of Catholicism is a clear, yet not altogether comprehensive explanation for the treatment of the family. The traditional reliance on traditional family is rooted in the Catholic religion (Ferrera, 1996). Throughout the democratization of these countries, the role of the family has not changed, but rather remained the center of life due to the passiveness of governments in the area of work and family policy. Additionally, the families in the southern Mediterranean states are overwhelmingly patriarchal and filled with uneven distributions of care and household work. Whereas the Nordic countries have enacted legislation to defamiliarize care, both for children and the elderly, southern Mediterranean states have not yet followed suit, especially with the limited resources available to women who work in southern European states.

In addition to the complexity of the family situation within the southern Mediterranean model, the concept of universal health care system is unique among continental European welfare states (Ferrera, 2005). Within the southern model health care is based on universalism instead of corporatism (Ferrera, 1996). This created a path shift from the continental model (Ferrera, 2005) and is an important and costly aspect of the southern Mediterranean welfare regime. Following the Bismarkian regime set in place in other parts of Europe, the southern Mediterranean states modeled their systems accordingly (Guillen,

2006). Spain's health care system was originally put in place in 1944 with most doctors working as state employees. After a major overhaul in 1986, the health service extends to 99 percent of the population with 92 percent of funds coming from taxation (Mangen, 2001). There are, however, privately owned hospitals that are funded by social security, and the option exists for citizens to seek private care. The meeting of public and private care often reinforces class divisions; those that can afford to pay for private, specialized care pay out of pocket and poorer citizens do not (Mangen, 2001). Despite the fact that within Spain there are knots to work out of the health care system, it still subscribes to the southern Mediterranean model of a universal health care. In general, Spain spends about nineteen percent of its GDP on social expenditure, as can be seen in Figure 1.

Figure 1



Source: INE 2005

A major economic principle of the southern Mediterranean model is the highly fragmented income transfer system. There are two distinct groups within the southern model, those that are highly protected and those that are completely unprotected (Moreno, 2006). There is neither a middle ground nor a minimally protected group. This system clearly does not follow the Nordic model of universal inclusion, nor does it adhere to the continental model, which has a smaller spread of differences (Ferrera, 1996). Rather, white-collar workers, insider industrial workers, and public employees enjoy job security and generous short-term replacement benefits. The large numbers of unprotected workers, many of whom are women and young people suffer severe hardships without the benefits awarded to the state incorporated workers. This polarization of social insurance causes those that cannot establish a formal contract in the labor market to join the large numbers of the working poor. Workers that are left out often work part time or have disjointed work schedules. Since women often seek part time employment due to the amount of work done in the home, they must rely on the traditional male breadwinner to supply a steady income and insurance. With the evolution of the family in the southern states and the increasing numbers of sole providers this reliance on the traditional male breadwinner model is not feasible.

The differences in wages between insiders and outsiders in the labor market is linked to the insider/outsider phenomenon that exists in most southern Mediterranean welfare states. In the insider/outsider scheme, there are those that are on the inside of the welfare state, enjoying generous pensions, and those that are on the outside, struggling economically and socially. The insiders in are industrial workers belonging to the primary labor market and the outsiders are women, young people looking for first time jobs, the unemployed, and the self-employed. The design of unemployment programs has greatly affected the insiders and

outsiders in the system, because two years of contribution is necessary to benefit from unemployment insurance (Ferrera, 2000). Within this system, insiders could respond to job openings while outsiders were kept on the outside, because employers defer to insiders before looking to the outside market when hiring new employees. This affects the dynamics of wage policies because wages become the independent variable, independent of inflation and the economy in general making insiders further benefit from the market system. This insider/outsider phenomenon is a challenge to the southern Mediterranean welfare state. To combat the high rates of unemployment and growing women's labor force the system must be changed to accommodate more outsiders into the labor market.

Regionalism is another key aspect of the southern Mediterranean welfare state model, and affects Italy and Spain more than the other countries. Luis Moreno comments on this by saying, "Welfare state expansion in Mediterranean countries cannot only be understood in the context of centralized state structures. As a matter of fact, the growth of 'institutional stateness'—defined as state penetration of the welfare sphere in the framework of multi-level governance—is an observable trend in Mediterranean countries, mainly in Italy and Spain" (2006:13). To understand the welfare state in Spain, an understanding of the differences among regions and the regionalism that affects the nature of welfare in the countries is extremely helpful.

Spain is made up of seventeen autonomous regions and communities that wield great power within the economy and the welfare state. Regionalism entails decentralization in planning and policy implementation (Amba and Moreno, 2002). The high degree of regionalism prevents workers from moving to other parts of Spain that might have a better job market or working benefits. This is called a "dilemma of nationalities" (Moreno, 2002)

meaning that the linguistic and ethnic differences that exist across the various regions of Spain prevent people from seeking the best possible opportunity.

Another aspect of the evolving welfare state in Spain and within the southern Mediterranean model is the effect of Europeanization on welfare. Luis Moreno weighs in on membership in the European Union for the southern states, saying “Certainly EU membership of the Mediterranean countries has brought about not only economic prosperity but also a realization that the preservation of social Europe can consolidate their own ways of living and their cultural expectations” (2006:17). The southern Mediterranean model has prospered due to the European Union and member countries have changed fiscal policy according to the Economic and Monetary Union guidelines. Part of the Europeanization of the Spanish welfare state has been the upgrading of benefits to approximate standards achieved in older members of the European Union. After the 1995 Toledo Pact, the retirement age was raised in Spain, and the level of contributions was raised in order to receive pensions (Guillen, 2006). These changes were made in order to restrain the public spending on retired persons in hopes of saving money and meeting all of the Economic and Monetary Union requirements. The welfare state remains patriarchal, with the greatest economic benefits given to those who remain in the system full time, reinforcing the gender roles within the family that the Spaniards have followed for decades.

Due to the traditional roles of the family that are still heeded in the southern countries, there is a higher prevalence of poor households in the southern model versus the other three welfare regimes (Ferrera, 1996). This stems from the reluctance and inability to rely on the public sector for care of the elderly and young children. Rather, families are faced

with extreme challenges; whether or not to work and pay high prices for care, or to exit from the workforce and provide the care internally.

CHAPTER 3

FEMALE AND FAMILY CHALLENGES WITHIN THE SPANISH WELFARE STATE

The current second demographic transition has a large effect on women in the home and the workplace. The second demographic transition is the aging of the population due to greater longevity and a decline in the fertility rate. There was a spectacular boom in fertility in the 1960's and 1970's that fell considerably in the 1980's and has yet to rise. This change includes a new role for women in Spanish society, which is based on the movement towards individualization, the emancipation of women, the acceptance of unconventional marriage, and has resulted in Spain having the lowest fertility in the world along with Italy since 1993 (Garcia, 2006).

Due to the reliance on familial care and the women in a household to provide such care, as well as the precarious job market and cost of housing, women and couples wishing to start families face serious challenges. This stems from the reign of the Dictator Franco, a deeply religious Catholic with strict notions of women's work versus men's work. When Franco came to power, he passed legislation that would compensate women for staying home and caring for their husbands and children. This was incorporated in the *Fuera Del Trabajo*, a labor act created in 1938, which advocated the 'return' of women to the household (Arriba and Moreno, 2002). It was in this legislation that a family subsidy was added to the social security scheme in Spain. Women then left the labor market almost completely and became caretakers of children and the elderly instead of becoming active members of the market.

Currently, there are a variety of new social risks that affect women and young people entering the labor market. Women are the most affected by these new social risks because of the precarious balance a woman must maintain between the amount of work done inside the home and being gainfully employed outside of the home (Moreno, 2004). Luis Moreno describes the Spanish ‘superwoman’ that embodies the necessary tasks to hold it all together: “The older cohort of women, now aged between 40 and 64, who could only undertake demanding professional activities in the labor market if they were prepared to combine them with traditional unpaid caring work in households, typifies the Spanish ‘superwomen’” (2004:4). Given the effects of Europeanization and the evidence of best practices elsewhere in Europe, young women are less willing to take on all of the work of a ‘superwoman,’ preferring instead to enter the workforce and not have children or to incorporate outside care into their family life if they decide to work and start families. In the 1980s and 1990s Spanish ‘superwomen’ cared for families and the elderly inside the home, allowing the government to increase spending on welfare not directly related to the home, since those duties were taken care of by women for free (Moreno, 2004). Despite current attitudes of women choosing family over work, or vice versa, Spain is the country with the lowest expenditure for families and young children in the European Union (Moreno, 2004).

Couples choose to postpone having children or to stop after one child for various reasons. Women with high levels of education have access to more demanding jobs and decide not to have more than one child (Moreno, 2004). Also, Moreno describes what he deems as parents going for the “quality” of the family life over the “quantity” of family members (2004:5). With more women entering the labor market and couples getting married later in life the fertility rate has declined rapidly.

Families have looked to other arrangements to manage the balance between home life and paid work. For example, many women now rely on an outside relative to care for children. The transfer of care to another family member has emphasized the family solidarity that exists in the southern Mediterranean states (Moreno, 2004). Aside from care being outsourced to either immigrants or family members, there is still a disparity of household work done between women and men. Women are less willing to be the “superwomen” of their parents generation and men must learn to be active working members for household work, despite that it is unpaid. Finally, the issues of maternity leave and paternity leave is evolving in Spain to accommodate families. For insiders, women’s leave is sixteen weeks fully paid, and fathers can take up to four of those weeks (Moreno, 2004). In the past men have been reluctant to utilize family leave (Moreno, 2004). These welfare policies will continue to evolve based on the Open Method of Coordination and the best practices exhibited by Spain’s co-members in the European Union.

The transition to setting up an independent household in Spain is later than in other countries. Young people spend more years within the education system, often repeating years of university to delay entrance into the unstable labor market. This is called “postponement syndrome” (Esping-Andersen et al, 2002) where the transition to having an independent household depends on the welfare state typology, and in this case the southern Mediterranean states have some of the oldest people making the transition to setting up an independent household. Esping-Andersen et al comments on the Spanish youth by describing them as “vulnerable and insecure” as well as saying that they “refrain from taking certain risks” (2002:8) when examining the transition from living with parents and relying on familial care to becoming financially independent.

The cost of housing is a major impediment to raising a family within the Spanish welfare state. The housing situation is dire in major cities, with the cost of purchasing an apartment far beyond the minimal salary of a young working person. Therefore, young people stay in their parents' homes until they marry, which in Spain are often at an older age. The majority of women are getting married between the ages of 27 and 29, compared with younger ages in the past (INE, 2006). As women are getting married and moving out of their parents' homes for the first time in their late twenties, the age of beginning families falls later than it has in the past.

Regarding housing, the price of buying a home has more than tripled in the last fifteen years, increasing more than the inflation rate (Bernardi, 2005). Renting in Spain is not a viable option because the public renting sector is nearly non-existent and the private renting sector does not offer an alternative to buying because prices are equally high (Bernardi, 2005: 129). The money necessary to purchase a home is not available as people are entering the work force later in life they have less money saved or able to place as a down payment or secure a mortgage. These housing difficulties are "exacerbated by the lack of public policies favoring young people's social independence, such as housing allowances and income-maintenance allowances" (Jurado, 2001 in Bernardi, 2005:129). If the housing market was improved and young people were able to move into their own space earlier in life it may positively affect the fertility crisis in Spain.

According to Becker's theory of marriage (1981) couples will only marry if it is profitable for both parties. With economic independence there is a reduced need for women to marry immediately after finishing school. Marriage in Spain has become more of an individual choice than an economic and social need (Garcia 2006:80). Additionally, there

now exists the differentiation in the minds of the Spanish between marriage and having children. While Franco remained in power, women were treated as wives and mothers, not contributors to society through work. Women are changing this place in society by showing that they are capable of financial independence regardless of marriage status. Many women are also having children as single working mothers.

One of the largest challenges to women when thinking of having children is the knowledge that there exists a choice between work and family. While women are studying for longer periods and entering the work force pledging commitment to their chosen career, the opportunity cost of leaving to have a child may be too high (Garcia, 2006). As women have a larger choice of lifestyles within the current Spanish society there are fewer incentives to leave the workforce and have children, especially since women can become more independent financially if they have full time careers.

Women in Spain seek more family balance within the home as they are part of dual earner households. Women with full time employment outside of the home are still doing much more of the work inside the home than men. There is a positive correlation between the education level of both partners and the equality of work done within the home (Garcia, 2006), but this is a minority of couples in Spain. As women have greater choices and independence, working outside the home as well as inside the home is not an attractive option and many women choose a career. This also has roots in the family policies of companies, which do not provide enough maternity leave or compensation for women wishing to assume their positions after giving birth.

CHAPTER 4

FERTILITY IN SPAIN

Fertility in Spain is at “lowest low” (Esping-Anderson, 1999) levels, well below the replacement rate for the population. Spain is the country where the ‘child gap,’ the number of children women have versus the number they wish to have is the greatest. In 1995, the average number of children desired for women aged 18-49 was about 2.2 whereas the total fertility rate was about 1.2 (Bernardi, 2005). This means that the child gap is about one child per Spanish woman. There are numerous reasons why the child gap is so large in Spain, and most of them are related to the opportunity cost of having children.

Women in Spain have gained liberties at an exponential rate since Franco died in 1979. Many more women are staying in the education system to achieve university and post university degrees. After they exit the education system, which is much later for some Spain youths given the precarious job market, women enter the work force and want to be committed to their careers. Thus, women are not having the number of children they would like to have because of the delay in setting up an individual household coupled with the extreme opportunity cost of having a family. Table 1 shows statistics regarding fertility in Spain.

Table 1: Data Regarding Fecundity in Spain

Crude birth rate in Spain	10.74 per thousand
Global birth rate	41.95 per thousand
Average number of children per woman	1.346
Average age of woman at first birth	29.33
Average age of women giving birth	30.9
Percentage of births by unmarried mothers	26.57%

Source: INE 2006

The birth rate in Spain is significantly lower than the global birth rate, and the average number of children per women, 1.346, is well below the replacement rate, 2.2 children per woman. Women are having children at older ages because of the delay to financial independence, and the average age of a woman having her first child is over 29. Finally, the percentage of births by unmarried mothers, 26.57%, warrants policy for single mothers who need to work and care for their children.

There is a very interesting pattern in Italy and the Nordic countries where women with increased labor market participation have more children (Garcia, 2006). In the Nordic countries in particular there are policies in place to encourage women to have children without such a high risk of losing a job or becoming financially insecure. This has also been shown in Italy, also a southern Mediterranean welfare state. If Italy can increase their rate of working mothers, so too can Spain pass legislation to ensure a woman's job after she takes time to have children.

Many OECD countries currently show positive correlations between female employment ratios and fertility. This may be because as females are unemployed they postpone and space births, decreasing overall fertility (Da Rocha and Fuster, 2006) and looking for work. In Spain from 1976-1995 the fertility rate decreased and births were postponed while female unemployment increased, suggesting that labor market frictions

affect the timing of births and fertility rates in Spain (Da Rocha and Fuster, 2006). There is also a negative impact on fertility regarding male unemployment. Ahn and Mira (2001) find that there is a hazard on marriage in Spain that correlates to unemployment. Many births in Spain are within married couples and if men are less likely to get married while unemployed then it will result in fewer births. Table 2 shows fertility and female employment rates for four countries.

Table 2: Fertility and Female Unemployment Rates in 1995

	Fertility	Unemployment
United States	2.02	4.5%
Sweden	1.74	5.9%
Italy	1.17	12.6%
Spain	1.18	27.5%

Source: Da Rocha and Fuster, 2006

The positive correlation between female employment and fertility in European countries is a phenomenon showing that as women are in the labor force they also choose to have families, especially given job security and state sponsored public childcare and pronatal policies. In Spain, the emergence of an independent female in the labor market is relatively new, and usually combined with a high level of education.

Education may be the single greatest factor in the decline in fertility in Spain. The percentage of women with a university degree has more than tripled in the last 20 years, from 10 percent to 35 percent in 2002 (Bernardi, 2005). Table 3 shows the relationship between education and the amount of children women have.

Table 3: Parity distribution according to Spanish women's level of education

Parity	Level of Education		
	Low	Medium	High
0	6.3	9.2	20.8
1	13.9	20.1	18.6
2	47.3	52.4	42.7
3	22.5	15.8	13
4+	10	2.6	5
Total	100	100	100

Source: Fertility Survey 1998/99 (Bernardi, 2005)

Table 3 shows that the highest level of education in women is also the largest percentage of women without children. Likewise, those women having 3, 4 and more children are often the least educated. Educated women probably take longer to set up an independent household, as well as wait to be established in a career before having children.

CHAPTER 5

IMMIGRATION

Spain has transitioned from being an emigrating country to a country that receives multitudes of immigrants. This increase in immigration is caused by a services based labor shortage that stems both from the rising prosperity of Spain and the aging of the population. As the workforce gets older and there is less than replacement rates for new workers, there is a gap in the labor force that can only be filled by immigrants. The large number of immigrants in Spain can somewhat be explained by the fact that Spain is a desirable country to émigrés politically since it has not adopted harsh anti-immigration policies (Encarnacion, 2004). Many of the jobs with vacancies are those that Spanish nationals do not want to do, including agricultural work and working in the service sector, especially domestic service and catering (Corkill, 2001).

Regarding the roots of the immigration explosion in Spain, David Corkill in his article in *Ethnic and Racial Studies* entitled, “Migrants and the labor market in Spain and Portugal” explains:

Both ‘push’ and ‘pull’ factors have been at work in shaping the new international migration patterns. Principal among the ‘push’ factors has been the growing social and economic crises in South America, and both war and religious conflicts in the Maghreb and sub-Saharan Africa. The ‘pull’ factors include growing prosperity enjoyed by Spain since EU accession, traditionally liberal immigration regimes, job opportunities, and a desire to send remittances home to their families (2001:831).

The combination of unsteady conditions in the immigrants' home countries and the opportunity seen in Spain makes Spain the country with the second largest rate of immigration behind the United States (INE, 2005). If immigrants continue to arrive in Spain as they have in the last decade, the welfare state will suffer due to an overuse of services by both legal and illegal immigrants. In order for the welfare state to continue and prosper in the future the immigration population must replace the workers that pay into the system. If fecundity rates rise of highly educated couples, there is the assumption that they will raise highly skilled children who could take the place of the aging skilled labor force in Spain today. Currently, however, the labor shortage comprises both skilled and unskilled jobs.

In order to fill the labor shortage, it is estimated that about 300,000 immigrants would be required annually, bringing the immigrant population to about 15 million in the next fifty years (Corkill, 2001). These staggering numbers do help in the demographic crisis that Spain is facing, but immigration is not a sufficient cure because many of the workers are outside of the system, meaning non contributing members of the welfare state, and much of immigrant labor is unskilled, leaving a shortage in the skilled labor force. Spaniards with skill sets migrate to other European Union countries where they are able to make higher wages creating a severe shortage in professional workers in Spain. With fertility rates of educated women the lowest in Spain, the state will have to make policies to either retain skilled workers from Spain or attract highly skilled immigrant laborers.

Immigrants in Spain come from all parts of the world, and in very large numbers. There were 400,000 non European Union immigrants in 1990 in Spain, compared with 938,783 in 2000 (Corkill, 2001). The pace of the growth of the immigrant population is remarkable, with more women coming as immigrants than ever before. Spain's legal resident

foreign population in 2000 is chronicled as follows: Moroccans were by far the largest non-EU contingent (194,099), followed by the Chinese (30,958), Ecuadorians (28,773), Colombians (24,650), and Argentineans (18,639) (INE, 2002). Spain is seen as the entrance to Europe for Moroccans and Africans and with the close proximity between Spain and Morocco many immigrants come as tourists and stay for years. The shared Spanish language and relaxed entrance into Spain attracts the large number of South Americans. Currently in Ecuador, people are its largest export, many of them going to Spain to try and make a better living.

Interestingly, immigrants often take specific jobs based on their country of origin. This is reinforced through networks of immigrants helping others from their country get jobs and have access to information about employment (Corkill, 2001). African immigrants tend to work in construction and agriculture, while Latin American and Asian women work mostly in domestic services. Eastern Europeans such as Poles, Lithuanians and Romanians have “carved out niche roles in Spain’s construction industry, the former often working as foremen on sites” (Corkill, 2001:832). When immigrants arrive in Spain they look to people in the community from their native country to help them find work, and this has led to segregation of immigrant groups comprising specific aspects of the Spanish economy.

With the immigrants’ desire to prosper in Spain and the refusal of Spaniards to do the work that immigrants often take, immigrants are an increasingly important component of the Spanish economy. Key economic sectors in Spain, such as agriculture, textiles, construction and services rely on low-skilled, cheap labor and this labor force is predominantly immigrant based (Corkill, 2001). Omar Encarnacion explains, “The Spanish immigrant population is heavily concentrated in domestic service, agriculture, construction and retail, for which there

is no available Spanish labor, despite the country's chronic unemployment problem" (2004, 177). This has led to a dual labor market in Spain based on the dichotomy between the demand for skilled, educated professionals, often from Northern Europe, Asia, and Eastern Europe (Corkill, 2001) versus the other immigrant populations and their roles in other sectors.

The dual labor market phenomenon negatively affects the Spanish welfare state. The immigrants do alleviate some of the empty gaps in the economy created by the demographic crisis, especially the domestic care offered by immigrant women to dual earner households. The tax scheme, however, still suffers because immigrants are "outsiders" in the "insider/outsider" phenomenon so prevalent in the southern Mediterranean welfare state. The temporary contracts that immigrants and women work under exclude them from the key benefits of a full time employee and create little financial independence. This social exclusion is especially prevalent in the in access to housing, which is also seen in the Spanish youth's delay in the transition to setting up individual households.

Social inclusion of immigrant populations is an enormous challenge to the Spanish government. There have been many rounds of trying to cap the illegal immigrant population, both by the conservative Partido Popular and Center-Left Socialist Party. Since the border requirements have been historically relaxed and the numbers of immigrants growing each year Spain must enact legislation to ensure that immigrants pay into the welfare state. Additionally, there is a large amount of prejudice of Spaniards towards Moroccans in accordance with the European anti-Islam sentiments. If the Spanish continue to be nationalistic in terms of shunning immigrants that feel or want to be included as Spanish citizens, the demographic crisis will have grave effects on the welfare state. It is documented

that immigrant populations are having many more children than Spanish women, and there are large numbers of children of immigrants in schools. As education is state sponsored, the government must devise other ways to have the immigrant populations on the same level of the Spanish in terms of tax paying and seen as equals in Spanish society.

Although replacement migration is an attractive answer to the demographic crisis in Spain, a 2000 United Nations report shows that it is only a short to medium-term option to reduce declines in the support ratio of workers to pensioners (Grant, et al, 2006). The United Nations report surveyed the role that migration could play in increasing a country's future population size and changing its age distribution. The result of the report shows that replacement migration is not a long-term solution to the demographic crisis for three reasons. The first is that the levels of migration needed to offset aging are extremely large and often unfeasible. The second reason is that there is not enough evidence of replacement migration to contribute to the welfare state economically. The third reason is the delay in incorporation of immigrants to host cultures (Grant et al, 2006). Despite Spain's high numbers of immigrants the demographic crisis will continue.

CHAPTER 6

AGING AND MORTALITY

The Spanish population, like that of numerous countries, is undoubtedly aging. The aging of the population increases the dependency ratio for young people as well as the amount of money the state pays to support retirees. Spain has such quantities of citizens over the retirement age that if this trend continues; it will not be able to persist supporting its elderly population within the next fifty years. Dependents are those who depend on the state or family for care, most often considered children, but in many countries are the elderly as well. The Spanish welfare state assumes that families have unlimited access to care for their dependents (Garcia, 2006) because of the paternalistic nature of the welfare state.

The aging of the population affects the welfare state in two specific ways: by increasing the dependency ratio it discourages young people from having children, and it places strain on the welfare state because it is supporting many past retirement age with depleting funds.

The decline in mortality has roots in both health and socio-economic development (Chesnais, 2001). Health developments include heavy investment in hospitals by post industrialist countries as well as the decline in the price of medicines. In terms of socio-economic status, nutrition and education have been the two largest factors in the decline in mortality (Chesnais, 2001). In Spain specifically, after Franco's regime there was an influx in access to nutritional information and the international press, which in turn changed the

nutritional standards for many Spaniards. Likewise, the access to foreign goods and medicines increased after the fall of Franco and citizens could have healthier diets and give better food to their children. Regarding the aging of the population and its causes, Soars posits:

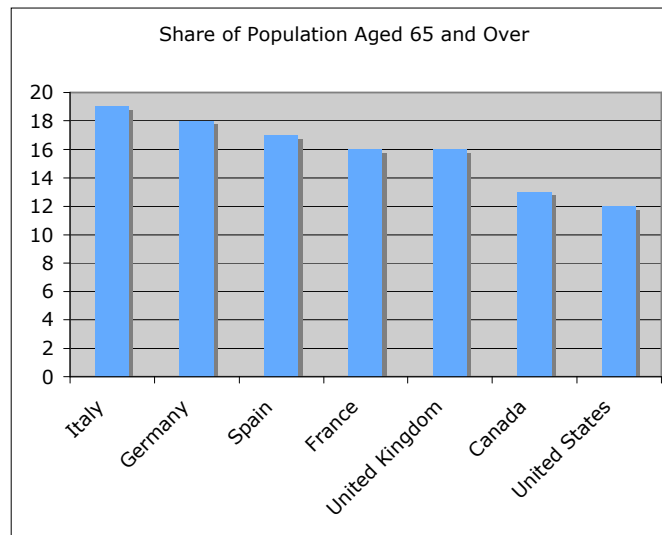
Both mortality and fertility are usually regarded as being intrinsically linked to economic development. According to this view, gains in income per capita improve nutrition and demand for health services, which reduces mortality rates...although correct, this view misses an important dimension of the demographic changes observed in the recent past. Due to improvements in public health, pharmaceuticals, and medical techniques, there has been an important dimension of reduction in mortality rates that is not related to income (2007:19).

Spain is party to both of the reasons Soars discusses for the increase in life span. Economically the welfare state has provided services in the form of pensions to keep the retired population comfortable, and medical advances in Spain have undoubtedly helped those past retirement age live longer. These retired people become dependent on the state, as they get older, as well as dependent on their children for care. With elderly parents to care for, young people in Spain postpone having children because they have their hands full in terms of family care. Many elderly parents, do, however, provide childcare for their working children, but as people have children later in life and the aging population continues to get older this will not be as feasible.

The increase in the dependency ratio puts strain on the welfare state. The dependency ratio is the ratio between those older than 65 to aged 15-64 (Bernardi, 2005). The concern regarding the dependency ratio is the rapidity in which it is increasing. Many state institutions are unequipped to adjust to the rate of population aging. The aging of the population along with low fertility puts the viability of the welfare state at risk, as there will be fewer people working but they will have to pay for the generous pensions of larger

segments of older retired people (Esping-Andersen, 1999). Additionally, with a larger portion of the population classified as elderly, it is expected that the evidence of chronic disease will rise and put the viability of the health system under stress (Bernardi, 2005).

Figure 2



Source: INE 2006

Figure 2 shows that many countries in Europe have high dependency ratios, compared with the United States in Canada where the population over 65 comprises less of the population. A major concern regarding the aging of the population and the low fertility rate is the inevitable labor shortage that will occur in the future. Immigration counters some of the labor shortage, but unfortunately many of the immigrants in Spain are classified as unskilled laborers. In the study *Labor Force Changes in the Euro Area*, it was discovered that, “About every two working people in the euro area will be responsible for supporting one ‘old’ person. In contrast, the U.S., which likewise is experiencing a demographic shift, will have a dependency ratio of only 34.6 or approximately three workers for every ‘old’ person” (European Central Bank, 2006). The study also finds that by 2020 the labor force

will be declining. Spain is not the only country facing a demographic crisis, but it is one of the most severe due to its lack of work and family policy. The mortality age will continue to rise as medical breakthroughs and education and nutrition evolve, and Spain and Europe must plan accordingly for the large numbers of retired persons that will be living off of the pensions provided by the welfare state.

CHAPTER 7

SUGGESTIONS FOR THE FUTURE

Many countries have started to create incentives to reverse the decline in fertility, whereas others are trying to increase the working years of an adult's life. Popular are monetary incentives for families to have second and third children, as well as family/work reconciliation policies that allow parents to have both their careers and families. Spain is quite behind when it comes to incentives to have children and work and family policy, if women choose to have children, they make an exit from the work force rather than take maternity leave and return (Garcia, 2006). Additionally, there is no state funded childcare for infants 0-3 because the state relies on the family to provide care for all dependents. There are numerous possibilities for the Spanish welfare state to improve its standing in regards to the demographic crisis, yet they will challenge the foundation of the welfare state and must be accepted and implemented by companies and individuals alike.

The first step in amending the demographic crisis in Spain is admitting that fertility and aging should be included in public policy. Bernardi says, "Fertility policy, is therefore, justified, because an increase in the birth rate could in the long run partly re-equilibrate the dependency rate, alleviate the financial burden of the pension and health systems, and guarantee the reproduction of the skilled labor supply" (2005:125). Of course, the counterarguments of immigration and lengthening the working life of an individual provide

some alleviation of the demographic crisis but not enough to sustain the welfare state in the future.

Policy to promote births can come in the form of policies related to the tax-transfer system, intergenerational transfers, employment, housing, gender equity, organization of the workplace, education and human capital formation, family and children's services including health services, community development and child development policy (McDonald, 2007: 241). If Spain were to take on one or two of these forms of providing incentives to women for having children, the fertility crisis could be helped.

Spain does offer some assistance to mothers for having children, yet the current policies are not sufficient. Although school is public, the hours are often incongruent with a typical working day and a mother must arrange childcare in addition to school. Maternity leave is available to women and men, but taking the leave as a father is looked down upon in society and reinforces the paternalistic nature of the welfare state. Additionally, the parental leave available in Spain is shorter than in other countries and welfare state typologies, especially the Nordic countries. The eligibility of the parental leave is the main issue regarding leave policy in Spain (Bernardi, 2005). Those employed without contracts are not able to take leave, therefore eliminating the guarantee of replacement in the job if time off is taken for maternity or paternity leave. The combination of women and men outside of the system is greater than those within it, and therefore more flexible maternity leave may not be the most successful policy change for Spain. Any change, however, is positive compared to the lackluster policies that exist today.

If the state shares the cost of having and raising children, the welfare state will be more successful in the future. The Spanish welfare state can share the cost of children by

giving families other options to the familialistic care that is so prevalent in Spain. Some working mothers, fathers, and grandparents cannot and choose not to exit the labor force to provide in home care to dependents. Instead, the Spanish welfare state can open more public childcare centers and employers can give childcare allowances in order to retain employees.

Public childcare in Spain is a new concept to the generations of families that have provided care in the home without any monetary incentives, simply because familial care was the norm and expected. Currently, there is more demand for public, market and familial childcare options for Spanish parents. The public coverage of services for children under three is minimal, with only ten percent of children from 0-2 having access to public childcare in 2001 (Bernardi, 2005). Data shows that the cost of market childcare in Spain is among the highest in Europe, especially when the relatively low salaries are also examined (Bernardi, 2005). Most private care provided by non-family members is done by immigrants in the home of the family. Female immigrants are hired to care for dependents, whether they are children or the elderly, and it reinforces the social stratification of immigrants versus full time employees with contracts. Public childcare centers apart from schools are few and far between. If there were other options for Spanish parents beyond hiring a private nanny, parents could have their children in either public or market supervised care during all hours of the working day instead of having to conform to the odd hours of a typical Spanish school day.

Another excellent option for Spanish policy regarding fertility is creating incentives regarding the notion of flexible work time for private companies. This could alleviate the stress for parents of having to be present during “normal” work hours, giving them options for exact hours of the workday as long as all work gets done in a timely fashion. Flexible

work time can increase the balance between work and life if partners choose to have flextime at different hours of the day and spend their other hours with the children or doing what is required for the success of the household. Spain could introduce tax benefits to corporations with flextime or pro-natal policies for all employees. With some companies getting tax breaks for such policies, others would follow suit.

Public policy can shape and alleviate the demographic crisis in Spain if having children is seen as less of an opportunity cost. Once the Spanish government fully understands that fertility is a public policy issue and the welfare state is amended to include pro-natalist policy the fertility rate will rise. The Nordic countries have some of the world's best family and work policies and also have high rates of fertility. Spain, too, can achieve a greater balance between work and family to counterbalance the demographic crisis.

CHAPTER 8

CONCLUSIONS

The demographic crisis in Spain is in a precarious position: it has the opportunity to better itself through policy to change the welfare state, yet this places great pressure on a challenge that is easier said than done. What Spain can do, however, is take small steps to alleviate the demographic crisis, such as passing pro-natal legislation, creating incentives for women to remain in the work force and have children, and retain the skilled workers that choose to move elsewhere. The situation is made worse by the precarious labor market, where obtaining a position with full benefits is nearly impossible for an outsider, and the housing market, where prices are too high for individuals to make the transition to setting up an independent household before late in their twenties or early thirties.

The Spanish welfare state facilitates the paternalistic patterns that exist today by assuming that all families are able to provide ample care to all dependents, whether they are children or the elderly. As time passes, the aging of the population will place strain on the pension and health care systems if more workers do not pay into the system.

What is particularly interesting in the Spanish case is that this demographic crisis is a soluble problem for many nations. Japan is experiencing a similar problem, as is Italy. Oppositely, many countries in Europe, especially the Nordic countries, have advanced work and family reconciliation policies and higher fertility rates. This knowledge, combined with the positive correlation between working women and fertility, should provide an excellent

example for Spain to follow. Without change, the Spanish population will decrease and the welfare state will suffer from lack of money, skilled professionals, and working people to propel the system.

Although there are many options regarding a policy change to improve fertility in Spain, perhaps changing the housing market would be the most effective. If the state was to give housing allowances or curtail the rise in costs of housing in accordance with inflation young people could make the transition financial independence, evading the postponement syndrome that is so prevalent in Spain today.

Likewise, the inclusion of others into the “insider/outsider” scheme of the welfare state would provide generous benefits for people who currently must leave the labor market entirely to have children. This would cause employers to offer benefits to those that have temporary contracts as well as full time employees.

In total, the Spanish welfare state should be prepared for either an overhaul or a severe decline in available money and resources. Though immigrants do ameliorate the demographic crisis, many are outsiders to the system and do not contribute to the funds that support the aging population. Rather than advocate a change of the mentality of the paternalistic welfare state in Spain, the system could absorb some of the opportunity cost of children and the elderly as dependents and allow for more financial independence. This way, adults could have choice to have as many children as they want to, rather than the amount they are able to have according to their age, lack of work or housing, or choice to stay in the labor force.

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