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Restructuring of Welfare States. Quantitative and Qualitative Changes: the case of Spain

Reestructuración de los Estados del Bienestar. Cambios Cuantitativos y Cualitativos: el caso de España

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ABSTRACT - This paper examines a possible paradigm shift from protective welfare states to investment welfare states, using Spain as a case study. Methodologically, a historical-institutionalist approach to paradigm change was adopted, and three dimensions of analysis were studied: problems to be solved, objectives to be achieved and policies to be used. The main findings indicated there has been a quantitative change in Spain that recommodifies living conditions, and a qualitative reorientation is underway that individualizes risks and social protection.

Keywords - Restructuring of welfare states. Paradigm shift. Investment welfare state. Spain.

RESUMEN - En este trabajo se examina el posible cambio de paradigma desde el Estado del Bienestar Protector hacia un Estado del Bienestar Inversor, tomando a España como estudio de caso. Metodológicamente se adopta un enfoque histórico-institucionalista sobre el cambio de paradigmas, y se aplican tres dimensiones de análisis: problemas a resolver, objetivos a conseguir y políticas a emplear. El principal resultado es que en España se ha producido un cambio cuantitativo que remercantiliza las condiciones de vida, y está en marcha una reorientación cualitativa que individualiza los riesgos y la protección social.

Palabras clave - Reestructuración de los Estados del Bienestar. Cambio de paradigma. Estado del Bienestar Inversor. España.

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This paper examines a possible paradigm shift from protective welfare states to investment welfare states, using Spain as a case study. Since the mid-1990s, there has been more retrenchment than expansion of welfare states in the EU15. A structural modification has also occurred that is resulting in a paradigm shift from a type of welfare state that protects individuals from cradle to grave to one that seeks to convert expenditures in social protection into investments in citizens, so that they can protect themselves from the market by activating their capabilities, rendering them personally responsible in the face of risk.

A paradigm in social policy is a framework of ideas that defines not only the nature of a problem and how to analyze and communicate it, but also the objectives and type of instruments that can be used to achieve them. However, in the social sciences, paradigms are not usually changed through a "scientific revolution" in the style of Thomas Kuhn but entail simultaneous continuities and changes that over time produce a structural change. It can be argued that since the second half of the 1990s, two changes have taken place at the same time in Spain: one that is quantitative and reduces the protective intensity of the welfare state, and another that is qualitative, in the direction of an investment welfare state (re-commodification with activation). In this paper, the general context of the paradigm shift process will first be described. Then, the methodological framework and analysis dimensions will be described: What problems need to be solved? What values orient the objectives? What types of policies have been put in place to achieve them? Third, data will be presented to exemplify the case of Spain (within the framework of the EU15), which shows that spending on social protection has decreased and the influence this has on increased poverty and income inequality despite growth in employment. At the same, it indicates a reorientation of social policies toward a possible paradigm shift. Finally, the results will be discussed, and conclusions drawn.

General context of the paradigm shift process

Welfare states underwent expansion between the 1950s and the end of the 1970s, through the application of Keynesian-based economic policies and the development of social policies of a protective nature. From the end of the 1970s into the early 1980s, reforms sought to protect the jobs of heads of families, in the understanding that this would protect all their members through policies that would discourage women and young, disabled or elderly people from entering the job market. The reforms also focused on transfers to maintain the income of the unemployed. The electoral victories of Ronald Reagan in the USA and Margaret Thatcher in the United Kingdom in the early 1980s, along with the theoretical incapacity of Keynesian economic thought and the rise of monetarism by Milton Friedman, paved the way for a change in economic and social policies. The privatization of public companies went hand-in-hand with making labor markets more flexible. Nation states opened up to globalization, deregulating international mobility of capital, but placing barriers on labor mobility, as in the Schengen Agreement, in 1985. From the early 1980s to the mid-1990s, it can be said that the success of neoliberal ideology to dismantle welfare states was incomplete, despite major efforts in this direction. Since the first decade of the 21st century, the financial foundation of welfare states has been weakened due to regressive tax reforms and persistent unemployment, sub-employment and various forms of unconventional work. In relative terms, spending on social protection has been reduced. One part of the problem stems from the weakening of the employment-protection link to finance social rights. Another part of the problem results from the substantial reduction in the tax contributions of capital. In order to attract it (direct foreign investment) and prevent its flight (exit option), there has been a proliferation of interstate fiscal competition to make investments more attractive in terms of taxation, environment and the framework of labor relations; in addition to capital hidden in tax havens. Post-industrial societies are capital-intensive and operate with less labor due to technological changes, and capital can be relocated and dedicated to financial speculation. According to Palier (2010), the process occurs in four stages: 1. Before retrenchment (1975-1989): Increase in social contributions for insiders and getting rid of unproductive workers; 2. First wave of retrenchment

(1989-1994): Increasingly fewer people are working, who have to compensate for those who have increasingly less work; revenues fall and costs rise; 3. In the mid-1990s, institutional reforms occurred that were expanded in the 2000s: changes in financing mechanisms (less social contributions and more taxes) and actors (privatization and third sector); 4. Paradigm shift: private pension funds, activation of the inactive population, defamiliarization of care, basic safety nets, spread of privatization and competition among health systems.

In this process, the idea of social investment reappears as a narrative against the neoliberal and Keynesian policies of the mid-1990s and since then has spread to the narratives of international actors, such as the OECD, World Bank and European Union, and is shared by both center-left and center-right governments. It has driven the narrative of the European Union since the Lisbon Summit in 2000 and is the central pillar of the new outlook or paradigm in relation to social policy. The main assumption of the paradigm of social investment is that less emphasis should be placed on "social protection" and more on prevention and being proactive. In terms of the state's intervention this mean increasing investments in children, human capital and people living from their work through constant learning (Jenson, 2012; Van Kersbergen and Hemerijck, 2012; Hemerijck, 2013). Putting this direction of social policy into practice is associated with terms in the literature such as Active Social State (Vielle, Pochet and Cassiers, 2005), Enabling State (Taylor-Gooby, 2008), Schumpeterian State (Jessop, 1994), Productive Welfare (Holliday, 2000; Hudson and Kühner, 2009), New Welfare State (Bonoli and Natali, 2012) and Social Investment Welfare State (Morel, Palier and Palme, 2012), which is the term used by the author of the present article.

Toward a paradigm shift?

Among the explanations of institutional change to explore paradigm shifts, the most recognized theory is by Hall (1993). According to this author, a policy paradigm is an interpretative framework of ideas and standards that specify not only policy objectives and the type of instruments that can be used to achieve them, but also the nature of the problems and how to analyze and communicate them. However, in the view of Schmidt (2008), the theoretical tradition of old institutionalisms has not seriously considered the role of ideas in change processes. The vision of "discursive institutionalism" proposed by Schmidt argues that institutional change can emerge after a cognitive or normative change in the values or subjective beliefs of the actors. The emergence of new ideas challenges the cognitive scheme and can lead to a paradigm shift. Bonoli and Palier (2001) apply a series of indicators for institutional change analysis which, apart from their quantitative nature, enable understanding the orientation of objectives, instruments and techniques. It involves: a) a combination of formulas for financing the system (contributions, general taxes, co-payments, rates, etc.); b) the form that management of supply takes on (public, private, third sector, local authorities); and c) the type and mode of access to resources (related to revenues, through verification of means, based on citizenship and contributions). On the other hand, change in framework spoken of by Hall, is the change of structure referred to by Streeck and Thelen (2005) that will occur without disruptions or predictable trajectories regarding the direction of the change. They argue that paradigm shifts can occur incrementally with transformative accumulation in the form of layering.

Therefore, in a synthesis of the literature examined, three dimensions of analysis for studying paradigm shifts are proposed. The first is to consider that the "ethos" of social policies is justified by the diagnosis and response given to social risks and the problems that must be solved in societies at any time. In the second, social policies pursue certain values and objectives, where the ways in which they are analyzed and communicated articulate narratives. The third considers the instruments, means and techniques used for managing the supply of welfare.

Frame 1: Restructuring of the Protective Welfare State into the Investment Welfare State

Dimension	**Investment Welfare State** Welfare State. Providence State. Benefactor State. Entitlement State	**Investment Welfare state** Social Investment. Welfare State. Active Social State. New Welfare. Enabling State. Schumpeterian State. Productive Welfare.
Nature of the problems Origin of the risks	- Industrial societies - Market malfunctions - National states - Old social risks (illness, old age, unemployment)	- the state plays a positive economic role - Unemployment is due to lack of adequate skills for occupying job positions - Social policy is a precondition for economic growth - predistribution - Human capital investment policies are necessary to increase productivity and job creation (activation, early childhood education and family policies)
Values and objectives Way of thinking and communicating (narratives)	- Collective-public responsibility - Universalist vocation - Emphasis on rights (decommodification) - Need for protection against market forces Individuals are not personally responsible for risks. Political, social and economic integration - Redistribution for achieving equality - Assistance for marginalized groups - Socialization of risk - Full male employment	- Equity for achieving equal opportunities - Individual responsibility (psychologicalization and focus on competencies) - Recognition of diversity (gender, ethnicity) - Reformulation of the welfare state - Reorientation of social expenditures from consumption to production - Paradigm of intervention based on activation and employability - Decent, quality jobs. Entrepreneurship - Fight "for" inclusion and social cohesion - The community is a sphere in the provision of services and an expression of needs and solidarities - There are no rights without obligations (contractualization) - Less spending on pensions and more on women and children
Policies, instruments, means and techniques.	- Weberian bureaucratic state - Paradigm of intervention based on activation and employability - Centralized action at the national level - Policies and programs for risk groups - Universal, uniform and anonymous redistribution	- Empowerment of the state - Management of government through networks and partnerships (New Public Management) - Monetary policies to reduce public deficits - Deregulation and flexicurity of the labor market - Active labor market policies: education and childcare, education and training throughout life (vital cycle) - Family policies: parental permissions, family services (care, preschool) - Decentralization of management (responsibilities shifted to regions and cities) and supply (pluralistic state: state-market-family-community) - Permanent austerity - retrenchment (calibration and re-commodification) - Increased privatization (health, pensions) - Increased conditionality and new access conditions (category, circumstance and management)

Source: Prepared by the author

Nature of the problems and origin of the risks

There is a complementarity between the architecture of protection systems and the risks they cover. In industrial societies, the problems that protective welfare states had to tackle were due to market malfunction. Labor-intensive economies, based on electromechanical technology, with full male employment and Keynesian consumption, within the framework of the nation state, delimited a certain range of capital-labor distribution agreements. The main social risks societies had to address were disease, old age and unemployment. However, the Fordist accumulation model crisis, the ICT-based third industrial revolution and globalization-Europeanization (Moreno and Palier, 2005; Radaelli, 2003) disrupted the diagnosis of the problems (Campbell and Pedersen, 2001) and the profile of the new social risks (Taylor-Gooby, 2004; Bonoli, 2007); possible dismantling of the welfare state was also balked at (Pierson, 2006) or its survival was advocated (Kuhnle, 2000), but curtailing of rights and inequitable trends were also highlighted (Clayton and Pontusson, 2006).

In the 1980s, the conviction spread among European governments that more liberalizing reforms that prioritized economic growth over equality were necessary and that the escalation of poverty would not excessively delegitimize governance. Even center-left parties were open to criticisms of the protective welfare state by neoliberals, who argued that it is too costly and ineffective, limits economic growth, leads to overly rigid labor markets, and that contributions to social security systems are too high, which hinders competitiveness and job creation; excessive government regulation and high taxes on corporate profits inhibit investment; the generosity of the welfare state is unsustainable and must be cut back for its survival; social spending needs to be reduced to save the system; labor laws and the power of unions harm job creation; civil servants and other insiders are overprotected; lastly, they undermine personal and collective independence (Palier, 2010).

In Europe, the economic recession of the early 1990s, characterized by the persistence of public deficits and unemployment, was combined with globalizing pressures resulting from the convergence criteria for adopting the euro, signed in Maastricht in 1992. These criteria would have negative consequences on the fight against social inequality and poverty because, to fulfill them, social spending was reduced in relation to the growth of wealth. From the standpoint of the social investment paradigm, the diagnosis is that a state solely directed toward protecting old social risks is insufficient for responding to new social needs and may be dysfunctional and economically unsustainable. These suppositions found certain receptivity among European governments and predisposed them to rethink the size and duties of the state in view of the positive economic role it plays. Unemployment is viewed as a consequence of lack of adequate skills for occupying job positions, and social policy is a precondition for economic growth. Some authors (Hacker, 2011) argued that public policy should place greater emphasis on predistribution (policies that ensure adequate wages for the working class) and less on redistribution. Social policy as productive orientation involves a change from ex-post redistribution, for offsetting (repairing) market failures, to ex-ante investment (preparing) through predistributive policies. It is also argued that human capital investment policies are necessary for increasing productivity and job creation, as major objectives of the knowledge economy.

Values and objectives. Way of thinking and communicating them (narratives)

Paradigm shifts may occur due to a change of objectives through the ideas and narratives of the actors. One of the main objectives of protective welfare states has been to achieve equality. These states also had a universalist vocation and emphasized rights. Individuals were not considered personally responsible for risk and social policies had to compensate for market deficiencies (Boyer, 2005). A relatively uniform occupational structure in terms of wages and labor conditions, where there were not many clear winners or losers, facilitated the socialization of risk based on the value of solidarity (Antón, 2009).

Investment welfare states do not guarantee employment but focus more on measures that will enable citizens to enhance their competencies for obtaining a job. The main change in the narrative is related to the redirecting of social spending from consumption to production, through interventions based on activation and employability. It is premised on the reorientation of employment policies from welfare to workfare, shifting the emphasis from passive policies to active policies. Workfare policies, which had spread across English-speaking countries, were reformulated on the continent as active policies. The narrative of active policies is complemented by the objective of making the labor market more flexible (reduce labor and social costs), facilitating competitiveness in a globalized context and reducing excessive protection of employment and unemployment (Barbier, 2001; Serrano, 2004).

Since the 2000 Lisbon Summit, the European Union has been strengthening its role as a think tank, and new ideas about welfare states have been propagated. In 2004, the narrative was already being shaped by the European Social Model on the recommendation of the Council regarding employment policies. The regulatory focus of social policy has shifted from redistribution in protective welfare states to employability. Employability means people having dynamic and up-to-date competencies and demonstrating suitable and willing behavior oriented to the demands of the labor market. The social investment paradigm argues that equity must be promoted to achieve equal opportunities. In addition, there must be reciprocity between rights and obligations, with individual responsibility (psychologicalization and focus on competencies). The fundamental change lies not in eradicating, but rather reformulating the welfare state. There is a promise of decent, quality work and entrepreneurship is encouraged. The fight for social inclusion and cohesion is reaffirmed, whereas the community is considered as a sphere in the provision of services and the expression of needs and solidarities.

In the last two decades, there has been greater recognition of individual liberties (right to abortion, gay marriage) and diversity, although accompanied by less redistribution and limited possibilities of representation (Fraser and Honneth, 2003). New social policies have been developed, such as activation and training, family policies, human rights and no discrimination, at a low cost and with high legitimacy. On the other hand, it is recommended to change intergenerational and gender redistribution patterns: spend less on pensions and more on women and children (Esping-Andersen y Palier, 2010). In investment welfare states, meritocracy is also extolled.

Policies, instruments, means and techniques

Industrial societies have co-existed with a Weberian bureaucratic state in terms of the definition, management and provision of welfare. Protective welfare states were monopolies and there was no room for commercial and nonprofit initiative in many fields; they were characterized by centralized, hierarchical, uniform operation in the provision of rights. There was collective assurance, funding was through social contributions and taxes, and access was based on citizenship and taxpayer rights (Boyer, 2005).

One of the most striking aspects of globalization in the Europeanization process is the change that occurs because of the transfer of sovereignty upwards and the implementation of legislation downward. Protective welfare states (national) have been unable to achieve their objectives in centralized and universalist environments and have transferred obligations to regional and local levels, as more preferable spheres for combating unemployment, poverty and social exclusion. Decentralization toward regions and cities received a major impetus from the European Employment Strategy and through approval of the Open Method of Coordination and the European Inclusion Strategy at the Lisbon and Nice Summits, in 2000.

From the perspective of the social investment paradigm, the state must be empowered, and government management is proposed through networks and partnerships, with New Public Management procedures. Monetary policies are used to reduce public deficits and promote deregulation and flexicurity of the labor market. Active policies are advocated in education and childcare, lifelong training (vital cycle) and family policies and services. Decentralization of management (responsibilities shifted to regions and cities) and pluralistic supply (state-market-family-community) are also proposed. Within the context of permanent austerity, retrenchment continues to be applied, but in the form of recalibration and recommodification (Bonoli and Natali, 2012; De la Porte and Jacobsson, 2012).

On the other hand, assurance becomes more individual in investment welfare states: every person is responsible for their life. To obtain many benefits (unemployment, for example) requires personal involvement, generally through a contract with certain conditions in order to receive the right to these benefits (Van Berkel and Valkenburg, 2007). In turn, co-payments and fees are spreading, category conditions are being modified (for example, redefining who is unemployed and poor, circumstance conditions are being changed (for example, increasing the age for the right to a contributive pension, or new procedural conditions are being introduced, such as taking training courses to receive government assistance (Clasen and Clegg, 2007).

The shrinking of the public sector has been matched by an expansion of the private sector: commercial for-profit as well as social initiatives. The expansion of the private sector (for-profit) has occurred in the profitable areas of social protection (health, pensions); in turn, inclusivity deficits from traditional public policies for personal Social Services have opened up unprofitable spheres not served by the public sector, which can be provided more economically by the third sector and social economy. With respect to financing, the trend is to reduce direct taxes and increase indirect ones.

Quantitative cuts and paradigm shift: the case of Spain

Over the last 20 years in Spain, there has been a decrease in the protective intensity of the welfare state along with a qualitative change aimed at making individuals responsible for their welfare. According to the sequence proposed by Palier (2010), the reforms were grouped into three successive waves. The first occurred from the beginning to the end of the 1990s, the second from the end of the 1990s until the outbreak of the crisis, and the third from 2008 until the present.

Nature of the problems and origin of the risks in Spain

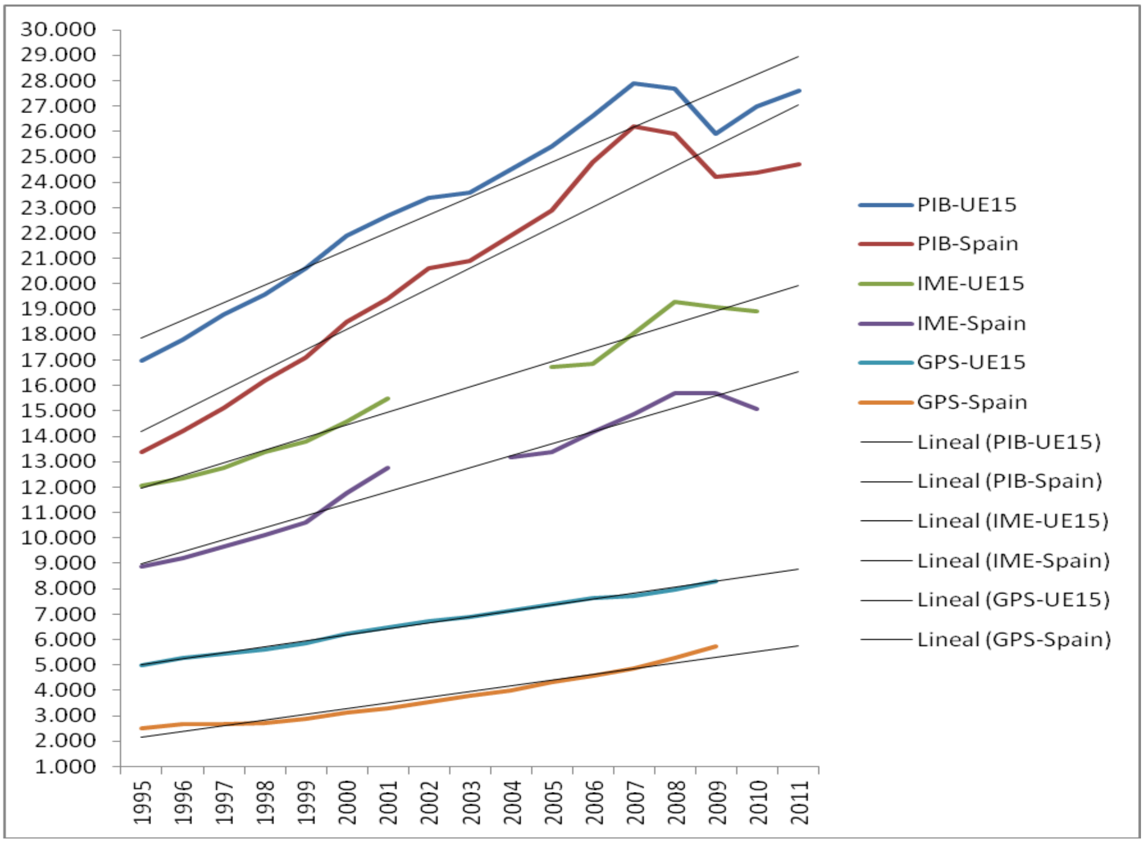
Since the mid-1980s, the expansion of social-democratic characteristics (health, education and social services) has been combined with cuts (pensions and unemployment). During the first wave of reforms in the 1990s, the cuts started to accentuate. Contribution to pensions increased (Toledo Pact, 1996) and unemployment benefits were reduced (Labor reform, 1994). These traits of a more liberal nature were consolidated not only by making the labor market more flexible and reducing contributory benefits (with a strong impact on reducing public social expenditures), but also by developing social security policies (Non-contributory Benefits and Minimum Integration Income).

In the second wave of reforms from the end of the 1990s to the crisis of 2008, liberal labor market policies (Labor reform, 2002) and social security protection (Active Integration Income) continued. However, social-democratic traits from the 1980s regained strength, expanding universal coverage (Law for the Care of Dependent Individuals, 2006; Reforms of the social services laws of certain Autonomous Communities of Spain). However, this last universalism, conceived during a time of prosperity, was cut short by the outbreak of the crisis and gave rise to the third wave.

Since the mid-2010s, the speed and intensity of cuts in benefits and rights has kept on increasing. Cuts are important from a liberal point of view, as well as for social-democratic gains. Rising pension costs (longer contribution time), less costly manpower (cheaper dismissal) and increased matching contributions to obtain social security benefits (Minimum Income Integration, unemployment) indicate more extensive liberalization, whereas cuts in health, education, social services and care of dependent individuals exemplify the deterioration resulting from policies to cut social-democratic benefits. Based on Eurostat data, it can be argued that the welfare states in the EU15 have contracted in the last 15 years.

Graph 1 shows that the rate of growth of GDP (Gross Domestic Product) has been higher than the rate of growth of Equivalent Average Net Income (EAI), and that the latter has been higher than the rate of increase in Social Protection Expenditures (SPE). In other words, despite the nominal growth in GDP and Equivalent Average Net Income, real income (in work and transfers) has shrunk and the protective intensity of social protection has decrease, i.e., there has been a redistribution of wealth mediated more by the market than by the state. It can be seen by the distinct slope of the straight lines that the one for GDP of the EU15 and of Spain are much higher than SPE slope. The growth in EAI is higher than SPE, but lower than GDP. In other words, besides resulting in a more dominant role played by the market than the state in the redistribution of welfare resources, the growth in average income has been less than the growth in wealth.

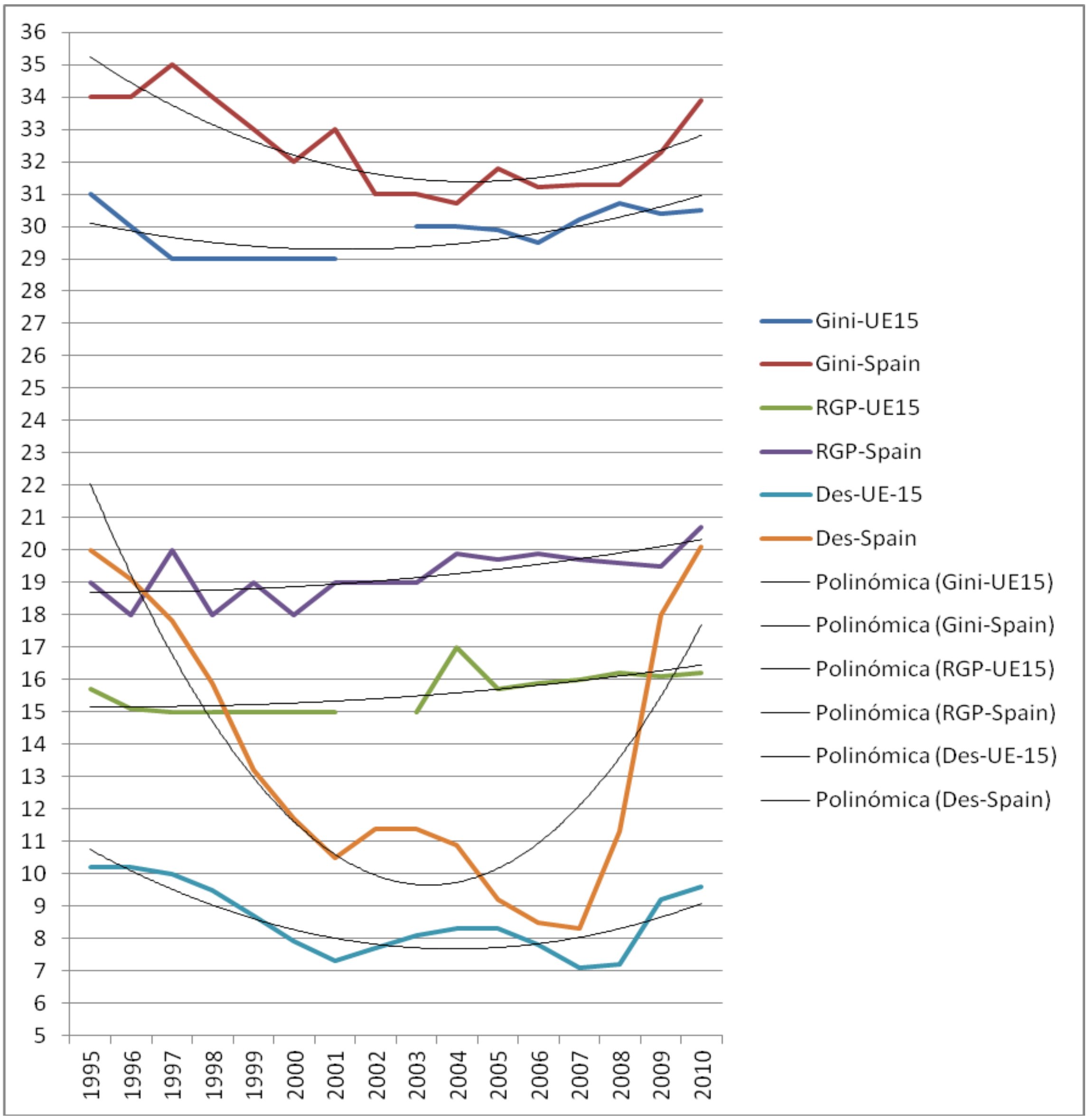
Graph 1: GDP (Gross Domestic Product, in Purchasing Power Standards per inhabitant[(1)]: (PPS/i). EAI (Equivalent Average Net Income in PPS/i) SPE (Social Protection Expenditures in euro/inhabitant)



Source: Prepared by the author with data from Eurostat. (1) Purchasing Power Standards (PPS) are types of exchange conversions that transform economic indicators into a common artificial currency unit equal to the purchasing power of the different domestic currencies. In other words, PPS eliminates differences in price levels among countries.

Graph 2 shows the progression of inequality in the EU15 and Spain over the last 15 years, based on the Gini coefficients of risk of poverty (GRP) and unemployment (UNE). During this period, despite GDP growth, GRP has tended to grow. Together with Graph 1, one can see the causal relationship found by Adelantado and Calderón (2005) between volume of social protection expenditures, income inequality and risk of poverty: if spending on social protection is reduced, the consequence, as has been the case, is greater income inequality and risk of poverty. Income distribution (Gini) tends to be positively associated with level of employment, and inversely, the higher the rate of unemployment, the greater the income inequality. Thus, in the early 2000s, the Gini index and unemployment rates were at their lowest, but GRP continued to increase, which would likely indicate an occupational structure with a predominance of low-paying jobs.

Graph 2: Gini Index, GRP (Risk of Poverty) and UNE (Unemployment) in %



Source: Prepared by the author with data from Eurostat

Since the mid-1990s until the mid-2000s, employment dropped considerably. However, income inequality (Gini) and risk of poverty did not stop growing and has continued since the mid-2000s. The first steps made by Spain toward globalization when it joined the EU in 1986, such as dismantling of tariffs to enter the European Market and the conditions for fulfilling the convergence criteria for adopting the euro (1992), undoubtedly reduced the country's capacity to tackle old social risks (pensions, unemployment and health). Moreover, sociodemographic changes, especially population aging and the mutation of family structures, along with ethic and religious diversification, apart from preventing old social risks from being covered, gave rise to new ones.

Diagnosis. Values, objectives and narratives in Spain

The diagnoses that have been performed to define the problems to be solved by the welfare state in Spain correspond to the dangers already pointed out by the Lisbon Council regarding job creation weaknesses in Europe: insufficient job creation in the services sector, major regional imbalances, high long-term unemployment rates, lack of equilibrium between labor supply and demand, insufficient percentage of women in the labor market, and population aging.

The aim was to consolidate the European Employment Strategy in the face of a series of challenges related to economic globalization (Economic and Social Council, 2001): adjustment of macroeconomic policies and achievement of full employment by 2010, based on an average employment rate of 70% of the working-age population and a frictional employment rate of 3% to 4%; consolidation of a more competitive European market than that of the United States, where human capital and the new innovation and knowledge economy are developed; modernization of social protection systems; and promotion of dynamic employment protection mechanisms.

There has been a consolidation in the narratives of these policies around the European Social Model in the recommendation by the European Council on employment policies in 2004 (Martínez López, 2011): improve the adaptability of workers and companies, while promoting security and flexibility in the labor market, creating more and better jobs and improving productivity; encourage people more to join and remain in the labor market and make working a real option for everyone, establishing global active aging strategies (fight against early retirement, more flexible organization of work, enhancement of skills, and provision of training), guaranteeing personalized services to all job seekers and making work more lucrative; increasingly and more effectively invest in human capital and lifelong learning, with better distribution of the costs between governments, companies and individuals, by providing training, especially for low-skilled or older workers, reducing dropout rates and tailoring higher education to the labor market.

In other words, it has been diagnosed that the protective welfare state is too large, labor markets are too rigid and social security contributions are too high, and that this undermines competitiveness and job creation; excessive government regulation and high taxes on corporate profits hinder investment; the generosity of the welfare state is unsustainable and must be cut back for its survival; social spending needs to be limited to save the system; labor laws and the power of unions inhibit job creation; civil servants and other insiders are overprotected.

Policies, instruments, means and techniques in Spain

The content of public policies reflects the consolidation of these narratives. During the last 15 years, the waves of reforms have sought: to increase individual contributions to social security (Toledo Pact, 1996; Reform of the pension system, 2011); make the labor market more flexible and reduce unemployment benefits (Reforms of 1994, 2002 and 2012); combat tolerance of tax fraud and introduce regressive tax reforms in terms of direct taxes (reduction of marginal types of income tax, reduction of corporate taxes, reduction in wealth and inheritances), and indirect taxes (increases in VAT, excise duties, co-payments and fees in public services, such as transportation, health, justice, education and social services), as well as address the underdevelopment of environmental taxes.

In this period, there was also an expansion of social security protection (Rural Employment Plan [1986], Minimum Integration Income [1989], Old Age Security Law [1990], Active Integration Income [2006]) and a meritorious attempt to introduce universalist policies such as the Law for the Care of Dependent Individuals (2006), but which was halted before completion of its planned implementation in 2014. The content of these policies has been rejected by trade unions through numerous general strikes (1988, 1992, 1994, 2002, 2010, 2012 in March and November). Despite this, they have not been able to maintain the social dialogue and negotiate the reforms (except for the agreement with the PSOE for the reform of the pension system in 2011). The trade unions have lost credibility as legitimate interlocutors, and the balance has tilted toward the strengthening of corporate power. At the same time, the quality of democracy has deteriorated, as shown by the constitutional reform achieved through a pact between the PP and PSOE for budgetary stability in April 2012, without being submitted to a referendum.

In relation to social inclusion, five National Action Plans for Social Inclusion have been formulated in Spain that grant broad powers to the Autonomous Communities in important areas to combat poverty and exclusion, and cities are responsible for coordination and management. Since the end of the 1990s and the start of the 2000s, most of the autonomous governments have promoted social inclusion plans to fight against poverty and social exclusion in their regions. Renes and Chahin (2007) believe that the inclusion plans, which are first carried out at the national level, then at the regional level and, last, at the local level, reflect the need – given the uncoordinated initiatives that have thus far prevailed among entities dedicated to social endeavors – for coordinated plans and projects for joint treatment of an area. The idea, therefore, would be activation of the social fabric so that, ultimately, it will spur the activation and participation of individuals.

Discussion and conclusions

In the mid-1990s, experts talked about a possible dismantling of the welfare state, in addition to discussing the recommodification, cost containment or recalibration strategies, undertaken by welfare states to adapt old protection structures to new social risks. Some studies claimed they would survive and others pointed to their retrenchment. There was growing evidence of cuts, but it was not simply a matter of less of the same. Since the start of the 2000s, many authors have been interested in the change of direction welfare states have taken and ponder the interpretation of the context for defining the problems to be resolved, the values and objectives being pursued, and the different instruments, means and techniques used for the management and provision of welfare.

In this paper, the general context of the paradigm shift in welfare states was presented in the first section; in the second, the methodological framework for studying the restructuring of protective welfare states into investment welfare states, by examining three dimensions (nature of the problems and origin of the risks; changes in objectives, values and narratives; and changes in instruments, means and techniques); in the third section it has been argued that over the last fifteen years there has been a decrease in the protective intensity of the welfare state in Spain, combined with a qualitative change in the orientation of social policies toward the recommodification of living conditions, with mild activation measures. The arguments presented can be conclusively summarized into three major areas that have guided the text.

Changes in the context and nature of the problems

In the mid-1990s, the expansion of the Spanish welfare state reached its peak and counter-reforms were launched even during PSOE governments. Socioeconomic variables show that, despite nominal growth in gross domestic product, average income and social protection expenditures, there has been a decrease, in real terms, in income through work and transfers. Higher employment has increased wealth, but not improved its distribution. Income inequality and risk of poverty have tended to increase in this period. Reforms in the contributory system (pensions, dismissals and unemployment) have made access more difficult. Successive reforms aimed at making the labor market more flexible have reduced workers' rights and, in the last reform, the power of the trade unions took a severe hit. Economic growth has been coupled with lower direct taxes (corporate benefits, large fortunes and high income from work) and an increase in indirect taxes (VAT, excise taxes, fees).

Spain's incorporation into the European Community in 1986 and the signing of the Stability and Growth Pact in 1992, to use the euro as its currency, led to the adoption of new narratives and commitments. In the first wave of reforms, a trend was established that differentiated the degree of social protection according to insertion in the labor market. Contributory social security would only be for insiders, and for everyone else, welfare programs with access filtered through the technique of means testing. However, when contributory protection is limited to insiders, it also loses intensity. In addition, due to the underfunding of public education and health services, their quality has decreased, and middle-high income segments are attracted to the market that allows them to privatize their welfare.

Diagnosis and changes in objectives

Throughout this period, there has been a reduction in contributory protection and, consequently, more pressure for welfare protection. New ideas about welfare states have been disseminated in Europe during this decade: at the 2000 Lisbon Summit, the European Union reinforced its role as a think tank. Workfare policies, which had spread across English-speaking countries with good results, were reformulated on the continent as active policies. Employability is essential for integration. Therefore, employability gains ground as the objective of social policy, whereas social security assistance is linked more to labor insertion and individual responsibility. Contracts are established with counter commitments to justify the continued receipt of benefits. This change in objectives, values and narratives has been consolidated in the Spanish welfare state through a simultaneous change in reduced protective intensity (as has been seen) and the development of social security policies. At the end of the 1980s, Minimum Income Integration was developed and became widespread in Europe and Spain, spreading the right to integration which was to be protected by the welfare state. In the view of many analysts, Minimum Income Integration brought to an end the protective welfare state, but in reality, it was the start to setting in motion Active Policies and the change in direction toward investment welfare states. Minimum Income Integration has been progressively tied to Active Policies, accentuating the link between income and occupational training. Different types of protected employment have also been developed and their scope of action expanded through Active Integration Income (2006).

Reforms and changes in instruments, means and techniques

A third set of conclusions involves the change from protective welfare states to investment welfare states and is related to the processes of decentralization and demmonopolization of the state in the provision of resources for welfare, on the one hand, and changes in financing and conditions of access, on the other. The flip side to the reduction of the public sector has been the expansion of the private sector: commercial for-profit and social initiatives (laws about volunteering, NGOs, Third Sector), which have been penetrating unprofitable spheres not served by the public sector. During this period, despite growth in wealth and employment, there has been a recommodification of living conditions that affects more those who are more removed from the labor market. The consequences of the reforms since the burst of the real estate bubble in 2008 until the present has not only ushered in the kinder face of the future with active policies but has also hardened its bleaker aspects. Verification of the means to control the alleged fraud of outsiders has been strengthened, whereas labor, union, educational and health rights have been reduced. Indirect taxes have increased and funding through fees and co-payments has spread (health, justice, care of dependent individuals, vocational training and university tuitions).

The Spanish welfare state no longer flaunts its already tenuous monopolistic control of social resources and has not been able to achieve broad nationalization and universalization of services. The expansion of the for-profit private sector has occurred in the profitable spheres of social protection, which has ceased being a more cost of reproduction of the labor force, especially in terms of pensions, health, care of dependent individuals and, to a lesser extent, education. At the same time, lack of inclusivity of traditional public Social Services policies has paved the way for these services to be provided by the Third Sector and Social Economy, which may affect the working conditions of volunteers-workers and the rights of the population. With respect to financing, the trend has been to reduce direct taxes and increase indirect ones, along with a regressive redistribution of wealth. In parallel, contribution through co-payments and fees has spread, and the conditions of category, circumstance and personal requirements have been simultaneously modified for obtaining benefits. Personal requirements have become more explicit. Along with rights, duties also have a central place (individuals must prove that they are actively seeking work); in addition to the spread of signing contracts (to collect Minimum Income Integration, for example) that link the receiver to obligations that must be met individually.

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