

# Welfare state, life cycle and demography



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## Credits

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**Social Observatory  
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# Letter from the Chairman



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## Isidro Fainé

Chairman of the "la Caixa" Banking Foundation

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It is my pleasure once again to present this *Dossier* for the Social Observatory of the "la Caixa" Foundation, which continues its outstanding task of disseminating the most cutting-edge reflections for greater insight into the key areas of inequality that make themselves felt in Spanish society.

If we consider that society remains united thanks to mutual dependence between generations, and that the ongoing improvement in life expectancy and the drop in the fertility rate have altered the age structure in a probably irreversible way, we will all agree that the topic selected for this *Dossier* could not have been more timely. In this regard, it is very good news that intergenerational justice forms part of today's socio-political debate. Taking the welfare state as the basic context, it seems logical to wonder about the impact of the policies that are implemented over the whole of the life cycle.

Welfare state policies are manifested to a large extent through intergenerational transfers, both economic and of time in the form of care. For this reason, in the *Dossier* special attention is given to both types of transfer, with gender also being spotlighted as a key issue. This constitutes a step forward, by linking the welfare state to the life cycle and demography. The analyses presented here show the equality or inequality of the relationships between generations, most of all at the extremes of the life cycle. Clearly, people's consumption needs and earning capacity vary over their lifetime, and there should be compensatory adjustments between cohorts to balance them.

It is important to bear in mind that the life cycle is not the same for both genders; thus the *Dossier* takes into account the time transfers carried out by women, especially in the context of beginning-of-life and end-of-life care. In addition, the analysis of the fertility rate affords a more comprehensive overview of the differences between genders and generations. At present in Spain the average age for having the first child stands at 31, which results in one of the lowest fertility rates in the world, and this in turn threatens the sustainability of the welfare state.

Thanks to the diversity and complementary nature of its different sections, this *Dossier* succeeds, once again, in showing the big picture that characterises the work produced by the Social Observatory of the "la Caixa" Foundation.

# Summary

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The economic and technological transformation of recent decades has brought with it the expansion of the welfare state and the range of social benefits. At the same time, the steady increase in life expectancy and the fall of the fertility rate have altered the population pyramid. As a result, the present welfare state has to face a growing imbalance in resources between different age groups. In this context, the present *Dossier* highlights the need to assess the impact of welfare policy on the whole of the life cycle.

The article by Gemma Abio, Concepció Patxot, Elisenda Rentería, Meritxell Solé and Guadalupe Souto shows that it is only during working age that resources are produced. In contrast, during childhood and old age consumption outweighs economic activity, thus generating what is known as the life cycle deficit. To finance this deficit, the resource reallocation mechanisms come from savings, families and the public sector.

The article by Alícia Adserà and Mariona Lozano describes the gap in Spain between desired and actual fertility, as women continue to state that they want two children on average, while the fertility rate of the country is 1.2 children per woman. The main factors responsible for this gap are the adverse conditions in the labour market, the difficulties in creating a home, the increasing instability of couples and lack of support to facilitate reconciliation of work and family life.

The interview with Antonio Cabrales focuses on some characteristics of the welfare state that need to be transformed in order to adapt to the new demography. The growing automation of some productive sectors of the economy is bringing about changes in the structure of employment, causing not only a loss of jobs but also a polarisation of the labour market. The education system should play a key part in mitigating the collateral damage of this transformation.

The two books featured in Maria Cubel's review offer complementary perspectives on the role of family policy during economic downturns. *An intergenerational audit for the UK* (2020) provides a quantitative analysis of the impact caused by the coronavirus crisis on living conditions in an advanced Western economy, the United Kingdom. *Handbook of Family Policy* (2018) describes the main types of family policy in different countries and different periods.

Lastly, the best practices presented in this *Dossier* exemplify the importance of transfers of resources in guaranteeing the well-being of the population. Within the "la Caixa" Foundation, the CaixaProinfancia programme seeks to foster the socio-educational development of children and teenagers from families in a situation of relative or extreme poverty, with the aim of improving their opportunities and thus breaking the intergenerational transmission of poverty.

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See more data at  
[www.socialobservatorylacaixa.org](http://www.socialobservatorylacaixa.org)

# General context indicators

Selection made by  
**Anna Villarroya,**  
lecturer in Applied Economics  
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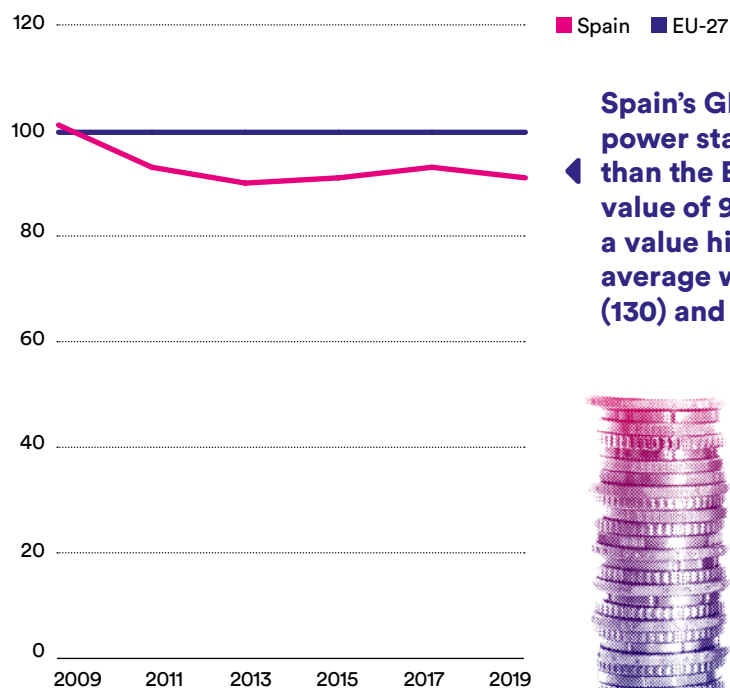
This section provides a general context for the rest of the data and indicators presented in the Barometer. Thus, from a series of basic indicators and synthetic indicators on social, demographic and economic issues, the section offers a global and time-series view of the situation of Spain within the European and international context.

## Global view



### 1. Level of economic development

Gross domestic product per capita in purchasing power standards  
Spain and EU-27 (since 2020) = 100



Spain's GDP per capita in purchasing power standards for 2019 was lower than the European average, with a value of 91. Among countries with a value higher than the European average were Ireland (193), Denmark (130) and the Netherlands (128)



Source: Eurostat, 2021.

The figures are expressed in purchasing power standards, which enables the elimination of differences in price levels between countries and therefore allows a comparison of GDP that affords a more accurate reflection of the economic capacity of the citizens of each country. The volume

of GDP per capita in purchasing power standards is expressed in relation to the European Union (EU-27) average, which takes the value 100. Therefore, if the index of a country is higher than 100, the level of per capita GDP of that country is higher than the European Union average and vice versa.

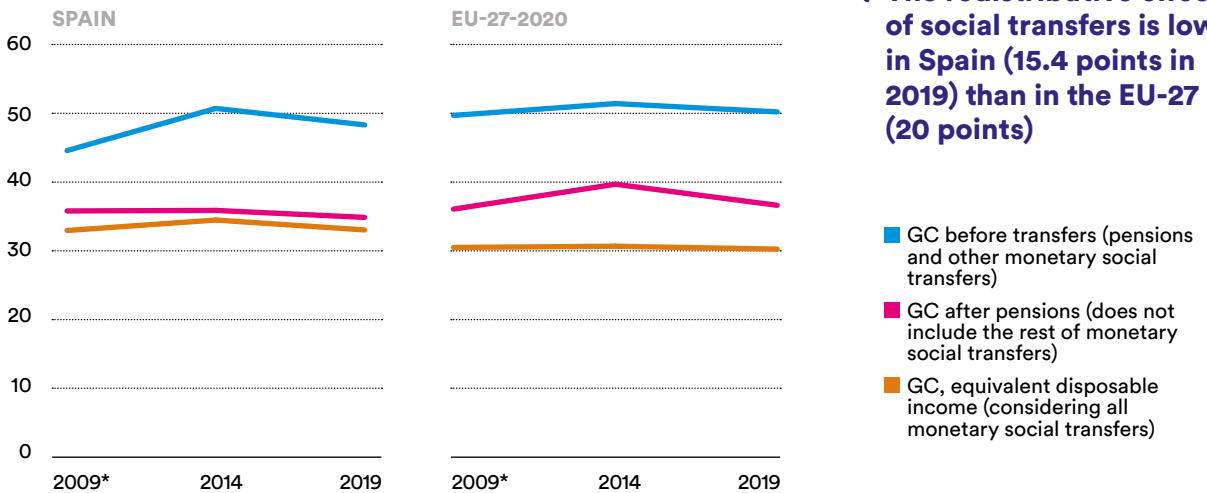


The **Gini coefficient** measures inequality in income distribution. To make it easier to interpret, its values (between 0 and 1) are multiplied by 100, thus ranging from 0 to 100. The closer it is to zero the more equal the distribution, while a coefficient close to 100 implies a high concentration of income among a small number of individuals and, therefore, greater inequality.

The **AROPE indicator** of risk of poverty and social exclusion affords a multidimensional view of poverty and social exclusion, taking into account the population that finds itself in at least one of the following three situations: 1) below the risk-of-poverty threshold; 2) suffering severe material deprivation; 3) living in a household whose members are underemployed or unemployed.

**2. Income distribution inequality**

Gini coefficient (GC)



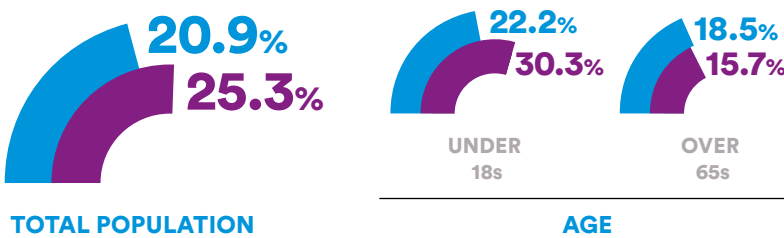
◀ **The redistributive effect of social transfers is lower in Spain (15.4 points in 2019) than in the EU-27 (20 points)**

- GC before transfers (pensions and other monetary social transfers)
- GC after pensions (does not include the rest of monetary social transfers)
- GC, equivalent disposable income (considering all monetary social transfers)

Source: Eurostat, 2021 / \* The data refer to EU-27 (2007-2013).

**3. People at risk of poverty and social exclusion**

AROPE indicator of risk of poverty and social exclusion by age groups, 2019 Spain and EU-27-2020



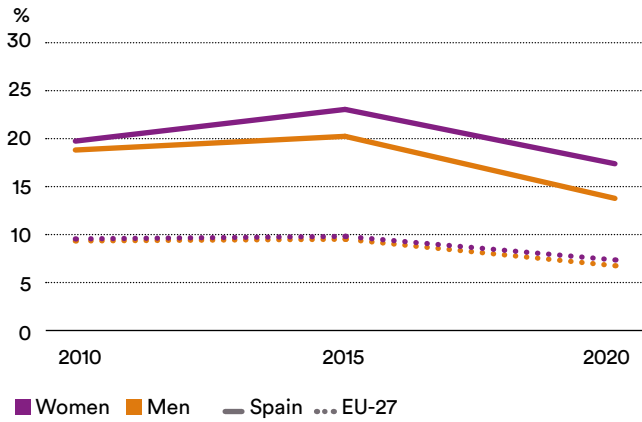
◀ **Under 18s are the age group with the highest percentage of population at risk of poverty and social exclusion, and in which the distance from the European average is greatest**

■ Spain ■ EU-27-2020

Source: Eurostat, 2021.

## 4. Social exclusion from the labour market

Unemployment rates by sex  
Annual average for the total active population  
Spain and EU-27-2020



**The unemployment rate among men has declined more than among women over the course of the period 2010-2020**

Source: Eurostat, 2021.

# 38.3%

38 of every 100 young (under 25) Spaniards were unemployed in 2020, much higher than the European average (16.8%).

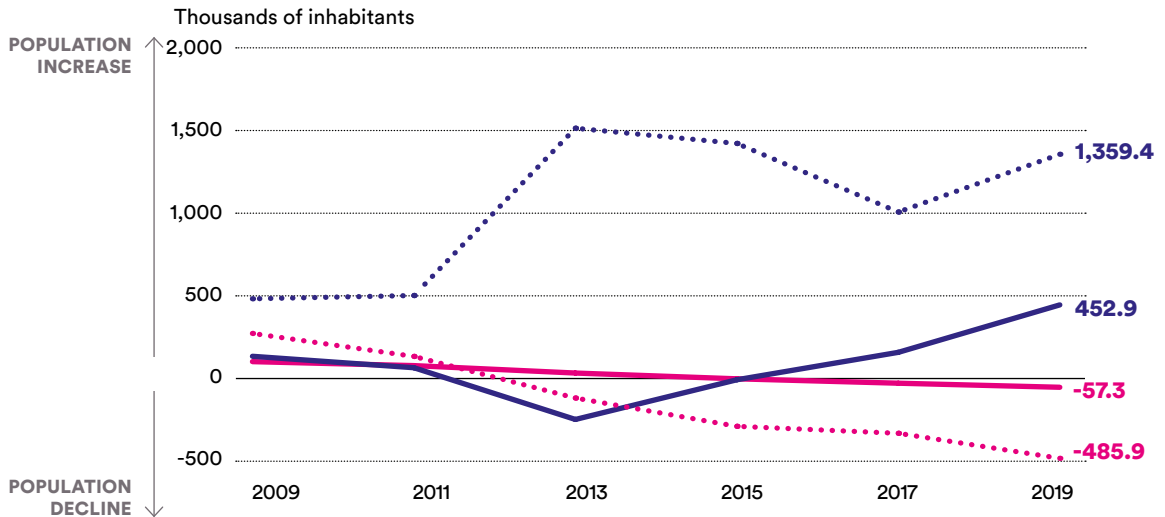
**Long-term unemployment rate (in relation with the total active population), 2020:**



Source: Eurostat, 2021.

## 5. Population growth or decline

Population change due to natural causes (births and deaths) and due to migratory movements (arrivals and departures)  
Spain and EU-27-2020



**In 2019, the Spanish population rose by 395,554 people. Without taking into account migratory flows, the population would have fallen by 57,355 people**

■ Population change due to natural causes  
■ Population change due to migratory movement  
— Spain ... EU-27

Source: Eurostat, 2021.



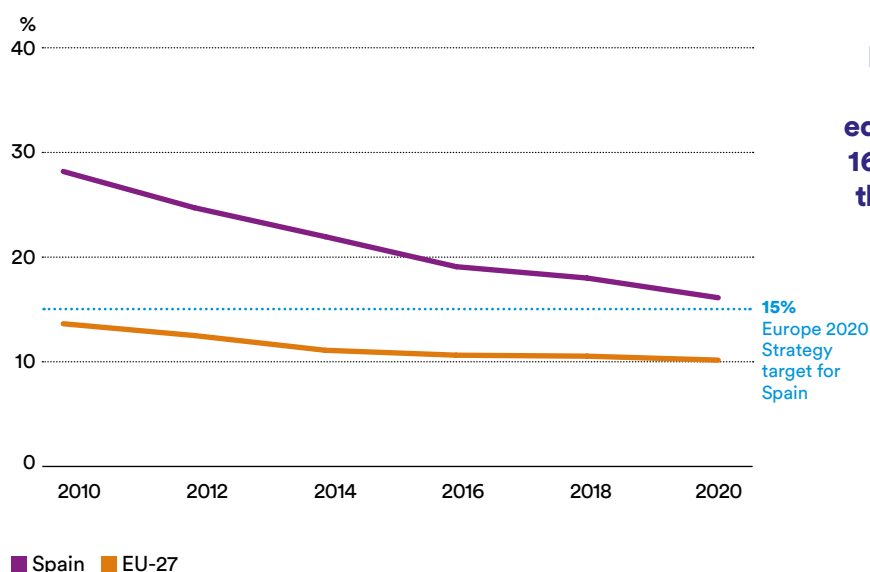


The **rate of early leavers from education and training** reflects the percentage of people aged 18 to 24 whose maximum education level

is the first phase of secondary education and who are not following any kind of education or training.

## 6. Limitations to human capital formation

Rate of early leavers from education and training  
Spain and EU-27-2020



### Early leavers from education by sex

# 11.6%

Percentage of women aged 18-24 who were early leavers from education and training (EU-27: 8.1%), 2020

# 20.2%

Percentage of men aged 18-24 who were early leavers from education and training (EU-27: 12%), 2020

Source: Eurostat, 2021.

