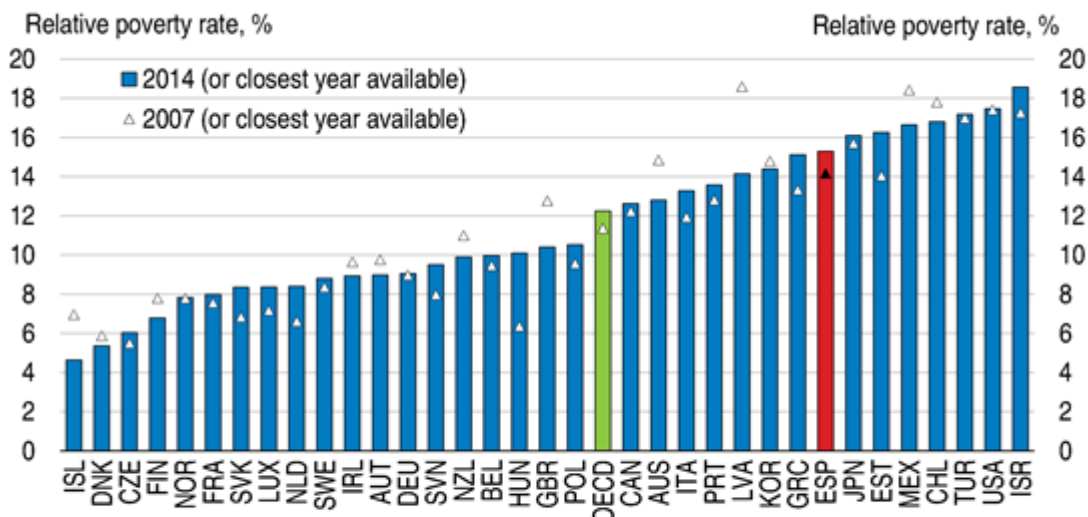


# Reducing poverty durably is a key challenge in Spain

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Poverty has risen in Spain in the wake of the crisis (Figure 1), mainly due to lack of quality jobs that provide enough hours of paid work to support decent incomes (OECD, 2017). The risk of poverty is concentrated on jobless households and households with only temporary workers (OECD, 2015). As employment has grown strongly over the past three years, poverty is likely to have declined. However, the level of poverty is also likely to remain high as the unemployment rate still stands at around 19% and a quarter of those who are employed are on temporary jobs. The risk of poverty is particularly intensified among jobless households with children.

Figure 1. Poverty increased during the crisis



Note: The relative poverty rate is defined as the share of people living with less than 50% of the median disposable income (adjusted for family size and after taxes and transfers) of the entire population. The OECD aggregate is calculated as an unweighted average of the data shown.

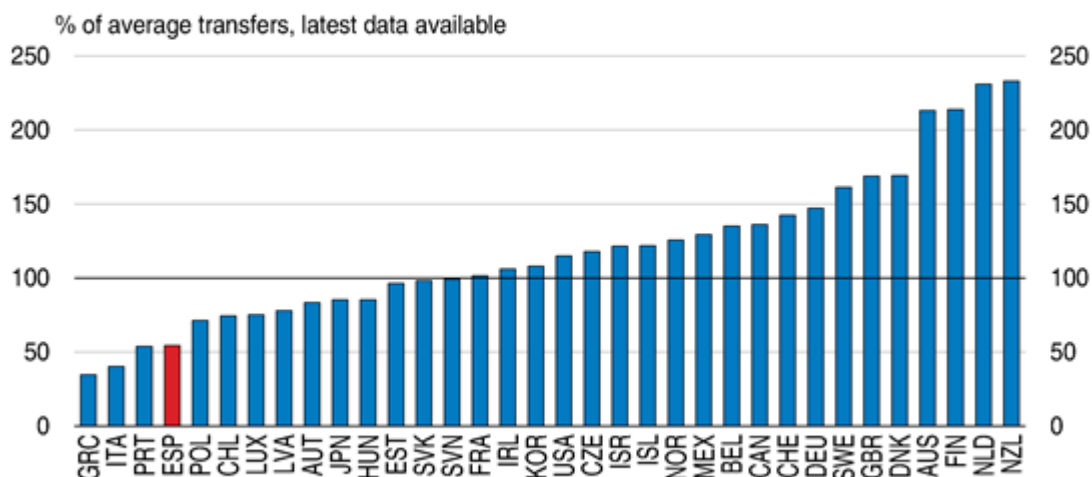
Source: Provisional data from the OECD Income Distribution Database.

The tax and transfer system could do more to relieve poverty. Total social spending as a percentage of GDP is higher in Spain than the OECD average. However, social benefits are

poorly targeted with relatively well-off households benefiting more than the poor. Cash transfers are particularly low at the bottom 20% of the income distribution (Figure 2), as less than half of the unemployed are covered by unemployment benefits and minimum-income safety nets are weak (OECD, 2017).

Figure 2. Transfers for the poor are very low

Cash transfers to working age individuals in 20% lowest income group



Note: Public social cash transfers at the household level, adjusted for household size.

Source: Calculations based on the OECD Income Distribution Database.

A substantial number of unemployed people have exhausted their unemployment benefits as their unemployment spell gets longer or are not entitled to them at all. This is particularly the case for those who separate from temporary contracts due to very short contribution periods in the social security system. The 2017 OECD Economic Survey on Spain recommends extending the coverage of the standard unemployment benefit by reducing its minimum required contribution period, in line with many other EU countries (OECD, 2017).

The minimum income support provided by safety nets is weak and its coverage is very limited. Social protection in Spain consists not only of the unemployment insurance system managed by the central government, but also of minimum income support schemes run by the central and regional authorities. Only 1.5% of households received minimum income support in 2014 from the regional schemes. The *Renta Minima de Insercion* (RMI) is the

most common income support scheme for those who are not eligible for unemployment benefits, aimed at alleviating poverty by means of cash benefits for basic living needs. For those who do receive the RMI, the benefit amount is low compared with similar social assistance in other OECD countries, in particular for those with children due to weak top-ups for children. The Economic Survey recommends increasing the amount and coverage of the regional minimum income support programmes, in particular, for families with children (OECD, 2017).

While improving the coverage of social protection, the benefits should be strictly conditional on active job search. This would not only provide immediate income support but also allow benefit recipients to stay connected to the labour market, as long as relevant employment support measures are put in place. From this perspective, the Economic Survey also discusses the importance of improving the efficiency of public employment services by: employing profiling tools and specialisation of counsellors; increasing resources and staff-to-job seeker ratios; and improving co-ordination to provide integrated support for jobseekers via a single point of contact for social and employment services and assistance (OECD, 2017).

## References

OECD (2015), *In It Together: Why Less Inequality Benefits All*, OECD Publishing, Paris.

OECD (2017), *OECD Economic Surveys: Spain 2017*, OECD Publishing, Paris.