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Spain

Additional Material from Chapter 3: Income Inequalities during the crisis and fiscal consolidation



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

www.oecd.org/social/inequality-and-poverty.htm

In Spain, the crisis was particularly severe on employment, although GDP also fell considerably. The crisis had a strong impact on public finances. Public expenditure increased in the first years of the crisis but fell with the introduction of fiscal consolidation measures in 2011. Public revenue fell very strongly, in 2013 it was more than a fifth lower than the pre-crisis level. Household disposable income decreased considerably, especially after 2009.

Macro and aggregate statistics, Spain 2007-2013

Cumulative percentage change between 2007 and 2013 (2007 = 0)						
	GDP	Employment rate	Public expenditure	Public revenue	HDI	
2008	1	-2	5	-12	-2	
2009	-2	-9	13	-20	-3	
2010	-2	-10	11	-17	-8	
2011	-3	-12	5	-21	-13	
2012	-5	-15	7	-23	-	
2013	-6	-17	-1	-22	-	

Note: GDP: Gross domestic product by volume; Employment: employment rate of working-age population; Public expenditure: does not include general economic, commercial and labour affairs; Public revenue: only includes taxes and social contributions; HDI: mean household disposable income.

Source: OECD data from National Accounts Statistics, Labour Force Surveys and Income Distribution Database (IDD).

Tax-benefit measures implemented in Spain included fiscal stimulus measures in 2008-2010 and fiscal consolidation in 2010-2013. Fiscal stimulus measures included the introduction of a new tax credit, in 2008; rising benefit amounts above inflation; and a new benefit for long-term unemployed, in 2010. Fiscal consolidation measures included rolling back the fiscal stimulus measures; raising income tax rates in 2011 and 2012; freezing benefit amounts; reducing unemployment insurance benefit replacement rate, in 2013; updating pensions below inflation; reducing public sector wages; and increasing VAT rates.

Overall, simulation results suggest that tax-benefit measures had a negative impact on the incomes of working-age families, mainly due to benefit cuts. The burden was higher on the unemployed – mainly due to the cut in the unemployment insurance replacement rate – and, to a lower extent, to families earning above the average wage – due to higher income tax rates.ⁱ

Simulated effects of tax-benefit reforms on family disposable income, Spain 2007-2013

Cumulate and annual percentage change of simulated family disposable income (2007 = 0)

	Total	Months in unemployment					% of AW										Pensions	VAT
		0-12	13-24	25-36	37-48	49-60	0-20	21-40	41-60	61-80	81-100	101-120	121-140	141-160	161-180	181-200		
Total	-4	-9	-11	-6	-6	-12	-2	-1	-1	0	-2	-2	-2	-3	-3	-3	(-)i	(+)5
Taxes	-1	-3	-3	0	0	0	0	0	0	-1	-2	-2	-3	-3	-3	-4		
Benefits	-3	-6	-8	-6	-6	-12	-2	-1	0	1	1	0	0	0	0	0	(-)i	
2008	0	2	1	-1	-1	-4	-1	0	0	1	2	2	2	1	1	1		
2009	1	2	3	2	2	0	-1	0	0	0	0	0	0	0	0	0		
2010	42	-1	0	-1	-1	345	0	0	0	0	-1	-3	-2	-2	-2	-2		
2011	-7	-2	-2	-3	-3	-87	0	0	0	-1	-1	-1	-1	0	0	0	(-)i	(+)2
2012	-1	-2	-2	-2	-2	-2	0	0	0	0	-1	-1	-1	-1	-1	-2	(-)i	
2013	-2	-7	-11	-1	-1	-1	0	0	0	0	0	0	0	0	0	0		(+)3

Note: See Read Me.

Source: OECD Tax Benefit Model, OECD VAT database, Adiego et al (2012), Adiego et al (2014).

ⁱ The large increase in 2010 for those in unemployment for 49 to 60 months is due to the introduction of a temporary unemployment benefit for people who exhausted unemployment insurance and unemployment assistance. In 2011, this benefit was reformed and made conditional on training. Since unemployment benefits conditional on training attendance are not simulated by the OECD tax-benefit model, it is excluded from the simulations from 2011.