

COVID-19 socio-economic responses in Spain

ESPN Flash Report 2020/27

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Description

The Spanish government has approved a series of measures to address the economic and social implications of the COVID-19 pandemic, and to slow its spreading. These measures aim at preventing the financial strangulation of firms and job destruction, as well as reducing the impact of the crisis on families and vulnerable groups.

The global COVID-19 pandemic has huge socio-economic implications. The measures adopted by public authorities to slow down its spreading are further aggravating this impact. To fight the illness, prevent job destruction and protect workers, the Spanish government has approved a series of measures.

On 10 March, it adopted Royal Decree-Law (RDL) 6/2020 establishing that workers forced to stay at home because of the illness would be considered temporarily incapacitated by a work-related condition (thus entitled to 75-100% of their salary as from the first day of their leave). The already existing suspension of evictions for vulnerable households with a mortgage was also extended for four more years.

On 12 March (after regular schooling had been cancelled), it approved RDL 7/2020 guaranteeing access to a balanced diet for children receiving free school lunches.

On 14 March, it declared a state of emergency to stop the spreading of the illness. Following that decision, on 17 March, it passed RDL 8/2020 introducing a series of far-reaching measures of three main types:

a) Guaranteeing liquidity to companies:

- A line of State credit of up to €100,000M was established, and the financing capacity of the Instituto de Crédito Oficial (Institute of Official Credit) to provide fast-track loans to small-

medium enterprises (SMEs) and self-employed workers was expanded.

- Deadlines for firms to pay their taxes were made more flexible.

b) Preventing job losses:

- The requirements for applying a Programme of Temporary Adjustment of Employment (ERTE) were relaxed.
- Workers affected by an ERTE now receive unemployment benefits (up to 70% of their base salary) from day one, regardless of previous contributions and without reducing their accumulated entitlements.
- Enterprises will not have to pay 75% of the social contributions of workers covered by an ERTE (100% for firms with less than 50 employees) if they rehire them once the state of emergency is over.

c) Reducing the impact of the crisis for workers:

- Employees affected by an ERTE, self-employed workers, and employers whose income decreases significantly, can postpone the payment of their mortgages.
- The supply of basic utilities (gas, electricity, water, and telecom services) is guaranteed for one month, regardless of accumulated

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debts. Those already entitled to pay a social tariff will have their status automatically renewed until 15 September.

- Additional funding (€300M) is provided for regional social services to support families in need, elderly people receiving home and/or residential care, and the homeless.
- Municipalities are allowed to use their budget surpluses to finance social services (up to €300M).
- A special unemployment scheme was created for self-employed people forced to go out of business.

On 28 March, dismissals resulting from the COVID-19 pandemic were banned (RDL 9/2020), and on 29 March, additional measures were adopted strengthening the lockdown of the economy, introducing a ten-day period of compulsory paid leave for all workers in non-essential sectors (they will have to negotiate with their employers how to recuperate the hours lost before the end of the year) (RDL 10/2020).

Additional measures were later adopted to help tenants (RDL 11/2020) and SMEs affected by the economic downturn (RDL 15/2020). These allow them to reduce (by up to 50%) or postpone the payment of their rent for the duration of the state of emergency (with different conditions depending on the type of landlord, and for a maximum of 4 months). A new unemployment subsidy was created for domestic workers who lose their job during the state of emergency (up to 70% of their regular income and a maximum of €950/month), as well as a €430 one-month-subsidy for workers with no entitlement to other kinds of benefits and whose short-term contracts end during the state of emergency. Employers and self-employed workers are also entitled to postpone temporarily the payment of their contributions to

and debts with the Social Security system, as well as the reimbursement of loans obtained from certain public financial institutions.



Outlook and commentary

This package of measures aims to tackle the consequences of the COVID-19 pandemic and the confinement measures adopted to slow down its spreading. Clear lessons have been learnt from the 2008 financial crisis, when well-run profitable companies went bankrupt due to a lack of liquidity and/or credit, resulting in millions of jobs lost. The German Kurzarbeit programme has been explicitly referred to as a key inspiration for making the ERTE scheme more flexible during the state of emergency. In an interview published on 3 May, the Minister for Labour and Social Economy declared that between 3.5M and 4M workers had already applied for this scheme (Rodríguez de la Paz, 2020).

The overall objective of these measures is to ensure that this temporary shock to Spanish society does not produce structural damage to the economy, resulting in massive unemployment and a significant loss of human capital. The conclusion that a disproportionate share of the cost of the 2008 crisis was borne by the most vulnerable groups of the population also guided the efforts to protect workers and their families.

These initiatives have been passed after a process of consensus-building with employers and trade unions, enabling the earmarking of up to €200,000M (nearly 20% of the Spanish GDP) as a socio-economic "shield". Around half of that amount is made up of public funds (mostly in the form of business loan guarantees).

The main critics of these initiatives argue that not enough attention

has been paid to self-employed workers (an increasingly important group), to precarious workers (a very significant group in an economy characterised by a strongly dual labour market) not covered by the ERTE scheme (among them domestic workers), and to those whose unemployment benefits expire in the middle of this special period (Cáritas, 2020; CCOO-UGT, 2020). There have been renewed public calls for the development of a Minimum Income Scheme (MIS). These criticisms were partly addressed by RDL 11/2020, and the government claims to be studying the introduction of a new type of national MIS.

The Autonomous Communities have also developed measures to strengthen their MIS, guaranteeing access to food and basic utilities, boosting home-based day-care, residential long-term care services, and care for people with disabilities (SIIS, 2020).

Further reading

Cáritas (2020) Press release: *Caritas urges the Government to go beyond the measures of the Royal Decree to "not leave anyone behind"* (19-03-2020), <https://bit.ly/3ap1flb>.

CCOO [Workers Commission]/UGT [General Union of Workers] (2020) *Press release* (26-03-2020), <https://bit.ly/2yfbryH>, <https://bit.ly/2UEs26I>.

Rodríguez de la Paz, A. (2020) *Interview with the Minister for Labour and Social Economy*, La Vanguardia (03-05-2020), <https://bit.ly/3aTqIbn>.

SIIS (2020) #COVID19 *Social Services*, <https://COVID19.siiis.net/>.

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