

Challenge #8

**REDUCE POVERTY
AND INEQUALITY
AND REACTIVATE
THE SOCIAL
ELEVATOR**

EXECUTIVE SUMMARY

- Spain has made substantial progress in living conditions, with benefits for almost all of its population, thanks to the improvement of public services and the expansion of social welfare provisions, both contributory and non-contributory.
- Nevertheless, Spain still has many shortcomings and imbalances that make it the country with the third highest income inequality in the EU and the fourth highest population at risk of poverty.
- In terms of wealth, the situation is somewhat more favourable, with a level of inequality in Spain similar to the EU average. However, for some years now, there has been a worrying trend towards the concentration of wealth, with sharp intergenerational differences. So far this century, the wealth gap between 65 year olds and 35 year olds has doubled, and now resembles that of the US.
- The main causes behind this situation are the shortcomings of our labour market and the insufficient revenue-raising and redistributive capacity of our tax system and welfare state. In Spain, the poorest people pay more taxes (in relative terms) than the middle class, and social transfers are less focused on vulnerable groups than in other neighbouring countries.
- Moreover, since the beginning of the century, our social elevator has been running poorly. In Spain, being born into a low-income family conditions educational and professional development opportunities to a greater extent than in other European countries.
- Demographic ageing and technological transformation could exacerbate these negative trends over the coming decades. If we are to avoid this, Spain needs to change its growth pattern, strengthen public education, address labour market deficiencies, and tackle the housing problem, with a special focus on young people and the most vulnerable groups. It will also be necessary to undertake a gradual but far-reaching tax reform that will make the system more progressive, raise tax collection to the average of the most advanced EU countries, and reduce tax fraud and the black economy.
- This is the only way we can strengthen the welfare state and increase public spending on social protection (especially non-contributory benefits). The ultimate goal is to reduce income inequality to the level of the most advanced countries in Europe and to halve the poverty rate by 2050.

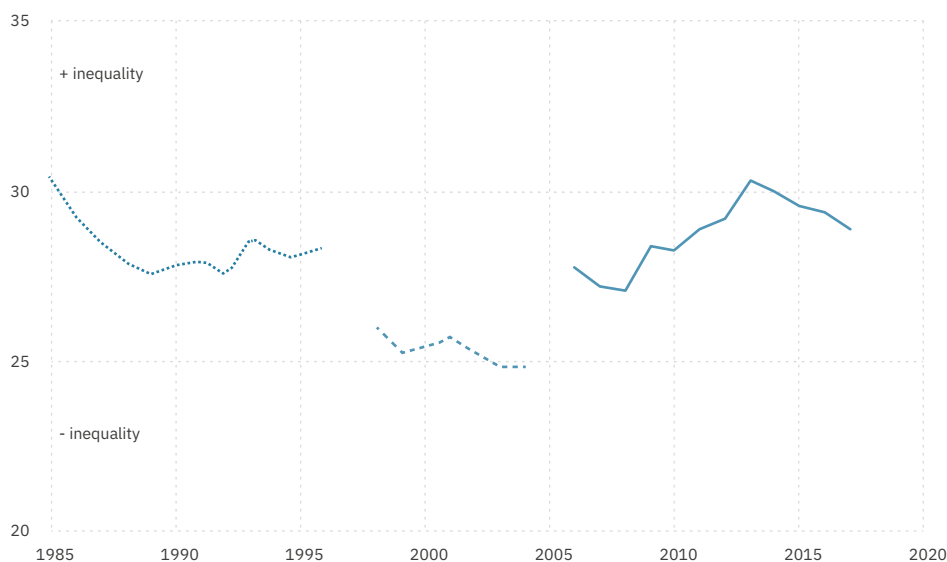
THE PAST: WHAT WE'VE ACHIEVED

Spain is one of the most unequal countries in Europe. The particularities of our growth pattern, the deficiencies of our labour market, the insufficient revenue-raising and redistributive capacity of our welfare state, and the dynamics of our real estate market have created a vicious circle in which some types of economic inequalities, far from being corrected, have been exacerbated over the last decade. This has led to a severe social fracture that is preventing us from realising our full potential as a country and is conditioning the lives of millions of people.

This does not mean, however, that Spain has not made great progress in living conditions [see chapters 1 and 9] or that important progress has not also been made in the distributive sphere. This progress began as early as the 1980s, when root and branch reforms were implemented to make the tax system more progressive,¹ increase public spending on social transfers (unemployment and pensions),² and universalise access to key services for equal opportunities, such as education and health.³ This resulted in a significant reduction in economic inequality (due to both the improvement in low incomes and lower accumulation of higher incomes)⁴ and a sharp fall in poverty, which fell by more than 10 percentage points between 1980 and 1990⁵ [Fig. 1].

In the 1990s, the **expansion of the welfare state continued**, albeit more moderately, in the 1990s. During this period, mechanisms created in previous years were consolidated and new, no less important, mechanisms were introduced, such as **non-contributory pensions** and **regional minimum income schemes**, which made it possible to regulate and expand social assistance spending that until then had been limited almost exclusively to one-off, poorly regulated benefits.⁶

Fig. 1. Inequality of disposable income as expressed by the Gini coefficient in Spain



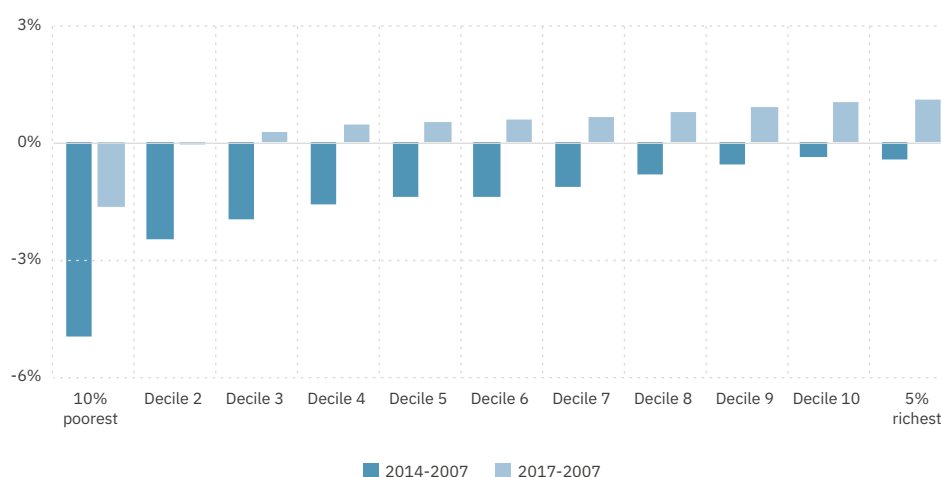
Source: Drafted by the authors based on data from Ayala and Cantó.⁷

Joining the euro and the adoption of the *Lisbon Strategy* at the beginning of the 21st century gave the social agenda new impetus in Spain. Resources for the fight against social exclusion were increased and coordination between different levels of government was improved, following the *National Action Plans for Social Inclusion*.⁸

Unfortunately, **the Great Recession of 2008 halted this progress and led to a rapid and significant increase in inequality and poverty in Spain.**⁹ In the crisis years, the rise in unemployment and part-time employment and the fall in labour income¹⁰ led to a sharp increase in income inequality¹¹ [Fig. 2], and wiped out much of the progress made in previous decades [Fig. 1].¹² **In that period, one in six middle-income households fell into the lowest income group, and one million people crossed the poverty line.**¹³ Our redistributive system managed to mitigate the most negative impacts of the crisis by half between 2012 and 2015.¹⁴ Even so, public intervention was insufficient, and inequality and poverty increased in Spain more than in the rest of Europe during those years.¹⁵

When the economy started to grow again, from 2014 onwards, income inequality started to fall again, but at a moderate pace. Spain was unable to recover the peak levels of equality reached at the end of the 20th century. Persistently high levels of unemployment and underemployment (unwanted temporary contracts and part-time work), low wages for younger people who had entered the labour market during the crisis, and a falling wage share in national income until 2018,¹⁶ prevented a more equitable distribution of economic growth [Fig. 2]. By 2019, half the population still reported difficulties making ends meet, and one in three people were unable to meet unforeseen expenses.¹⁷

Fig. 2. Average annual growth rate of disposable income by income decile in Spain



Source: Drafted by the authors based on data from the Life Conditions Survey (INE).¹⁸

Despite these difficulties, some important redistributive advances have also been made in recent years. One of them is the approval of the **Minimum Living Income** in 2020, a welfare income guarantee that represents a significant step forward in non-contributory benefits and which, when fully developed, will bring us a little closer to the least unequal countries in Europe.¹⁹

Today, **our welfare state has reduced inequality by over 37% as a result of the tax and benefits system**; this is less than in other EU countries, but over 11 percentage points higher than it was in 1980 [Fig. 3]. It also has also reduced poverty by more than 37%, while in 1980 that figure was 30% [Fig. 4].

Fig. 3. Reducing inequality in Spain as a result of the tax and benefits system

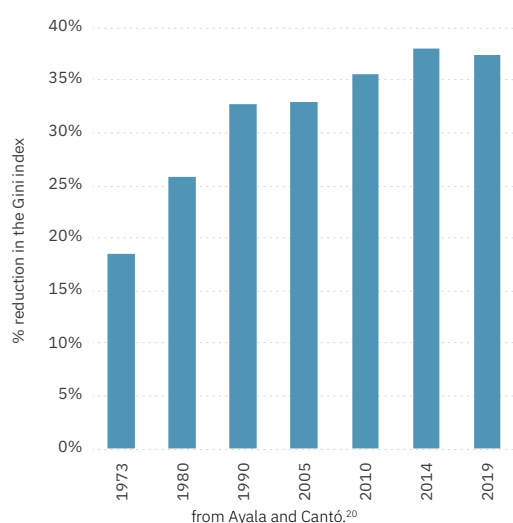
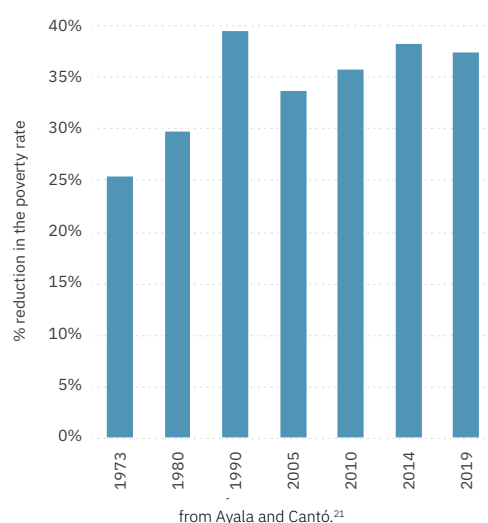


Fig. 4. Poverty reduction in Spain as a result of the tax and benefit system

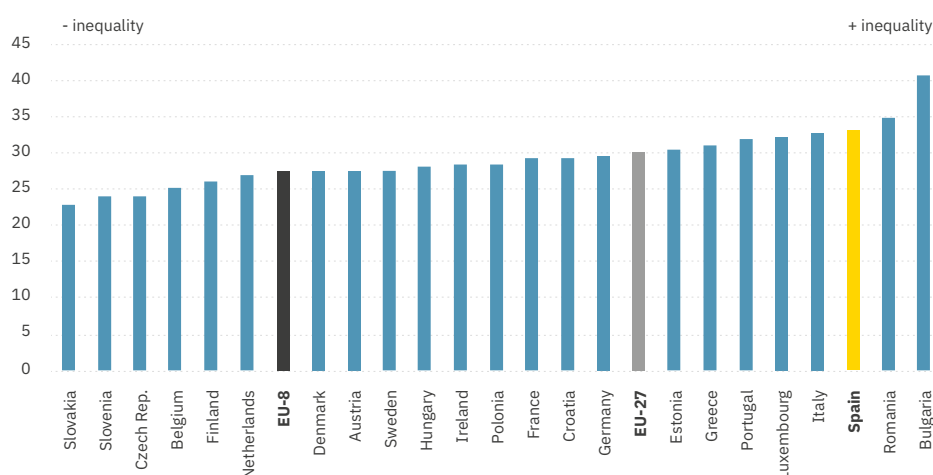


As we will see below, there is **still a long way to go**. But it is important to keep in mind the many achievements to date, which show that, we put our mind to it, Spain can make great strides towards equality and equity.

THE PRESENT: UNRESOLVED ISSUES

Despite significant progress on social issues in recent decades, today Spain remains what it was at the end of the last century: **one of the countries in Europe with the highest levels of income inequality**. This is evident in virtually all available indicators that measure the differences in income that citizens derive from their labour and capital. The Gini index is one of them.²² According to the latest data, **Spain is the country with the third highest disposable income inequality in the EU-27** [Fig. 5].

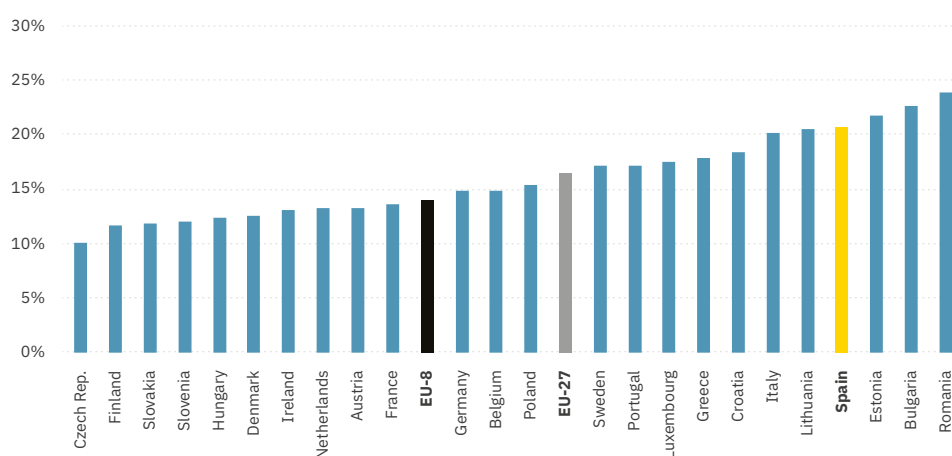
Fig. 5. Inequality of disposable income expressed in the Gini coefficient, 2019



Source: Authors' own, based on Eurostat data.²³

High inequality in turn translates into a high incidence of poverty.²⁴ In 2019, 21% of Spain's inhabitants lived on less than 740 euros per month [Fig. 6] and more than 5% suffered severe material deprivation, not being able to afford a personal computer or to keep their home at an adequate temperature [see chapter 6].²⁵

Fig. 6. Percentage of population at risk of poverty, 2019



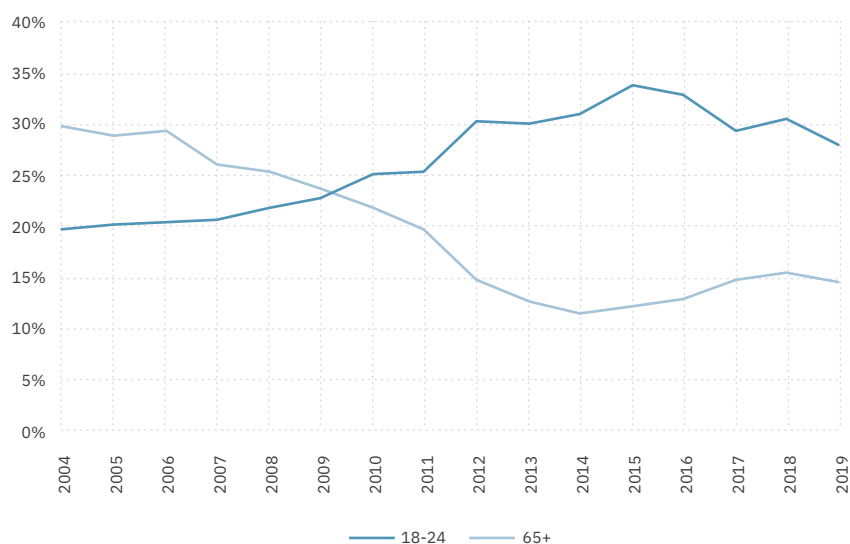
Source: Authors' own, based on Eurostat data.²⁶

These levels of poverty risk, disproportionately high for an advanced economy such as ours, are also **highly chronic**²⁷ and **especially impact the younger population**.²⁸ Over the last two decades, but especially since the Great Recession, the population at risk of poverty among over-65s and over has fallen considerably, but has grown among those under 25 [Fig. 7] as a result of youth unemployment, low entry wages, and rising housing prices.²⁹

This process has also affected households with dependent children, resulting in a significant increase in children's vulnerability. Currently, an estimated **27% of children and adolescents under the age of 18 in Spain live at risk of poverty and social exclusion, and 12% suffer from severe poverty; a proportion that is almost double the EU average**³⁰ This is one of the most serious structural problems in Spain, and a serious threat to the future, since child poverty has a high cost for society and is one of the main determinants of poverty in adulthood,³¹ generating a vicious circle due to its interdependence with other multiple aspects of social inequality.³² Child poverty is also a burden for the reduction of school drop-out rates and the improvement of educational results,³³ and affects equal opportunities among the young.³⁴ All this is reflected, of course, in the access to quality jobs,³⁵ thus affecting the welfare of a significant number of citizens.³⁶

Another worrying trend is that poverty is no longer only associated with unemployment, but has spread **to those still working**. In fact, it **already affects 13% of those in full-time employment in Spain, the second highest rate of “working poor” in the EU**.³⁷ Even having a job is no guarantee of protection against poverty and social vulnerability.

Fig. 7. Percentage of population at risk of poverty by age group in Spain

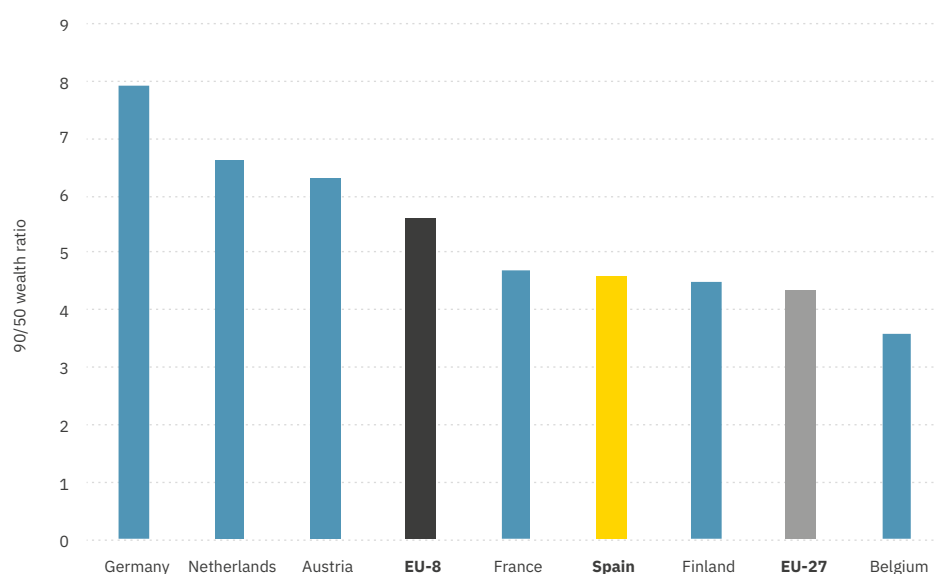


Source: Authors' own, based on Eurostat data.³⁸

In addition to income inequalities, **there are also significant differences in wealth among citizens.** If we understand wealth as the sum of the value of assets owned (homes and other buildings, and financial investments, mainly) minus debts, the latest available data reveal that, in 2017, **the richest 10% of the Spanish population accumulated more wealth than the remaining 90%,** hoarding assets worth 1.3 million euros. In contrast, the poorest 25% had debt worth an average of 200 euros more than their assets.³⁹

Although this is a big difference, **Spain has a moderate level of wealth inequality in the European context,** similar to the EU-27 average and lower than the likes of Germany, the Netherlands and Austria [Fig. 8].

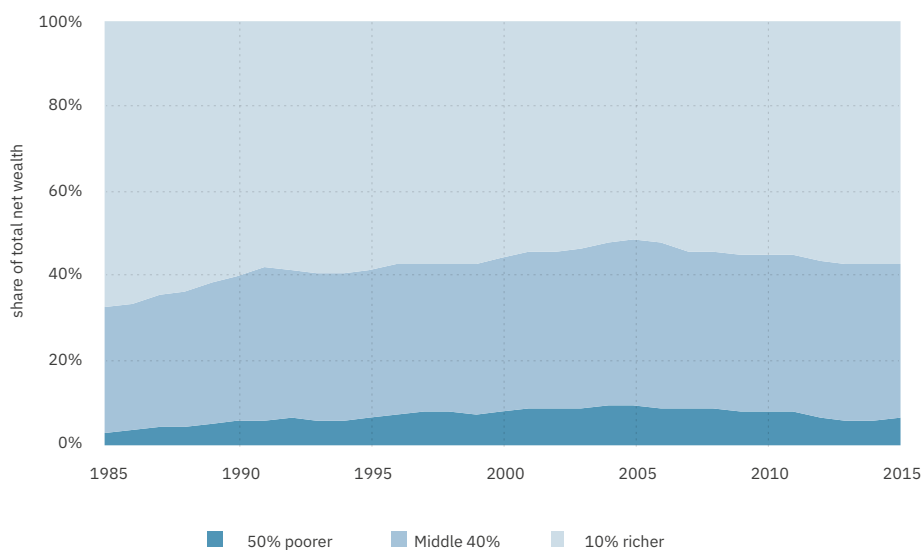
Fig. 8. Wealth inequality, 2017



Source: Drafted by the authors based on data from HFCS.⁴⁰

This is not to say, however, that this issue is of minor importance. Although wealth inequality remained relatively moderate between 1980 and 2007, mainly due, as we shall see below, to the high percentage of households in Spain with home ownership and rising house prices,⁴¹ we observe **a change in the trend towards greater concentration of wealth from 2007 onwards,** which threatens to continue into the future [Fig. 9].

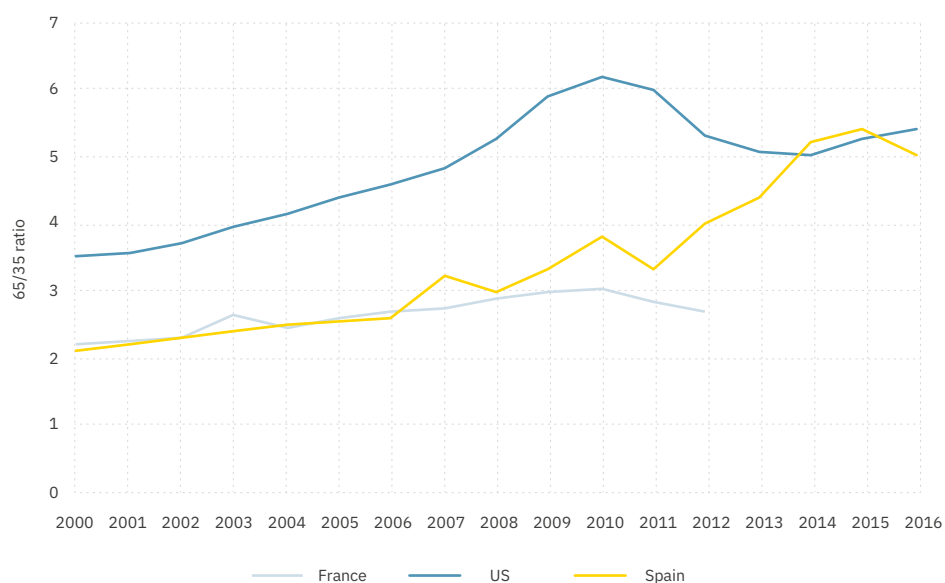
Fig. 9. Distribution of wealth by income level in Spain



Source: Drafted by the authors based on data from Martínez-Toledano.⁴²

There has also **been a marked increase in intergenerational wealth inequality**. Between 1999 and 2015, the average wealth of 65 year-olds in Spain more than doubled compared to the average wealth of 35 year-olds. Today, **people aged 65 have five times more wealth than people aged 35**. This generation gap is common in advanced economies (people accumulate assets over the years), but in Spain it has accelerated to the point where it has reached the level of extremely unequal countries such as, for example, the United States. [Fig. 10].

Fig. 10. Average wealth ratio of people aged 65 and 35 in Spain



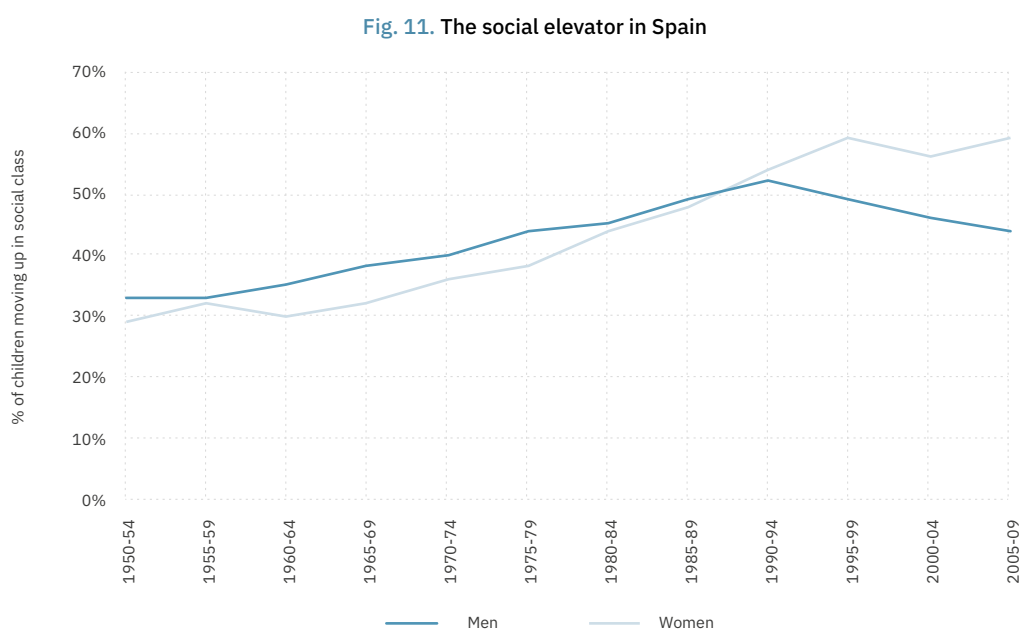
Source: Drafted by the authors based on data from Martínez-Toledano and *Survey of Consumer Finances*.⁴³

The effects of inequality

The impacts that inequality has on a country are not easy to gauge given the enormous complexity of the causal processes involved and their great variability depending on the context in which they occur.⁴⁴ A certain wage differential between workers with different productivity levels can provide an incentive to improve human capital and thus economic growth in the long run.⁴⁵ However, **an excessive level of inequality has very severe negative effects, not only on individuals at the bottom of the income distribution (the poorest), but also on society as a whole.** Indeed, there is ample empirical evidence to suggest that inequality can harm economic growth⁴⁶ by increasing financial instability,⁴⁷ discouraging innovation,⁴⁸ and impeding the upgrading of labour force skills, which in turn hinders productivity gains.⁴⁹ Numerous studies have also shown that greater inequality is associated with greater instability and lower political participation,⁵⁰ higher crime⁵¹ and violence,⁵² more corruption,⁵³ less trust in institutions,⁵⁴ lower well-being⁵⁵ and less social cohesion.⁵⁶

Excessive inequality also tends to erode two of the main pillars of any liberal democracy: intergenerational social mobility and equality of opportunity. Absolute social mobility is often referred to as the "social elevator", and its study allows us to establish whether the next generation reaches a better, equal or worse socio-economic position than that of their parents. Equality of opportunity refers to the possibility for everyone to attain a certain level of education, occupation and income regardless of the socio-economic position of their parents.

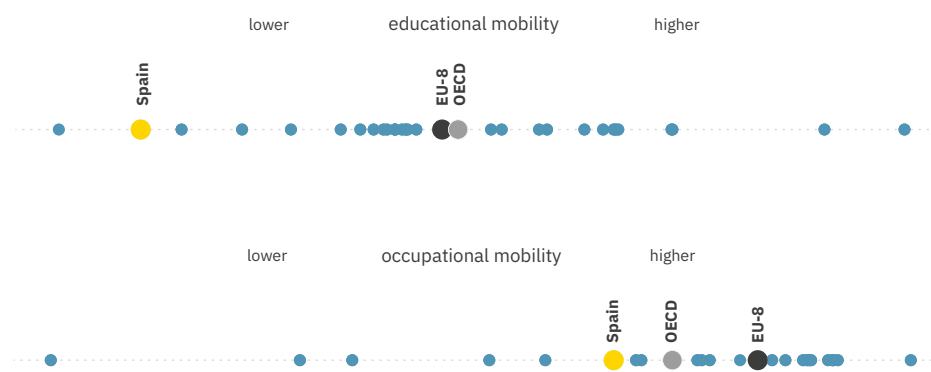
In the past, Spain managed to install a powerful **social elevator** that allowed many people to progress and achieve a better social position than their parents had.⁵⁷ From the mid-1990s onwards, however, this social elevator became rusty and has run increasingly poorly, in particular for men⁵⁸ [Fig. 11]. Today, **Spain suffers from low and poorly distributed intergenerational social mobility**,⁵⁹ which mainly affects the less wealthy autonomous communities and young people from poorer households.⁶⁰



Source: Drafted by the authors based on data from Marqués.⁶¹

In addition to low intergenerational mobility, there is another major problem: **the lack of equal opportunities.**⁶² Data show that **equality of opportunity in the fields of education and employment in Spain is one of the lowest in the EU**⁶³ [Fig. 12]. Of particular concern is the persistence of intergenerational transmission of educational disadvantage: 45 per cent of those born into households with basic education remain at the same level, and only 32 per cent of children from families with basic education go on to higher education.⁶⁴

Fig. 12. Educational and occupational social mobility



Source: Author's own based on data from the OECD.⁶⁵

This inequality of opportunity most affects people in the poorest quintiles. Being born into a low-income family in Spain is associated with poorer income⁶⁶ and career outcomes,⁶⁷ and significantly reduces the likelihood of good health.⁶⁸ So much so that **in cities such as Madrid and Barcelona, average life expectancy in wealthier neighbourhoods is between 7 and 11 years higher than in the poorest neighbourhoods.**⁶⁹

These gaps in opportunities and outcomes mean that the problems associated with poverty and inequality impact generation after generation from the same households, becoming entrenched and magnified over time, which in turn is an obstacle to improving human capital, productivity and the well-being of the country as a whole. **If Spain wants to converge with the EU-8 by 2050, it will have to correct this situation and guarantee equal opportunities for all. Doing so will not be easy, but it is perfectly possible.** Spain has already made significant progress on this front in the past and can do so again. Many of the necessary instruments and conditions already exist. The key, as we will see below, is to address the causes of the problem in a comprehensive and sustained manner.

Pathways to improvement: ways to reduce inequality in Spain

The high levels of inequality in Spain are caused by a multitude of factors, many of which respond to **global trends** that have affected most advanced economies in the West.⁷⁰ One of the most important of these has been **the internationalisation of production processes and the emergence of transnational value chains**, which have given rise to a new economic order in which Europe's middle and working classes have benefited less.⁷¹

Another important factor has been **technological change**. Over the last two decades, digitalisation has been transforming the structure of the European labour market and the type of income it produces. Demand for medium-skilled labour has fallen, while demand for low and high-skilled labour has increased,⁷² contributing to wage polarisation⁷³ [see chapter 7]. In the case of Spain, the effects of these global trends have been compounded by a series of **idiosyncratic factors** that have aggravated the problem of poverty and inequality. **These factors are serious problems for Spain, but also clear avenues for improvement that, if well exploited, could help us build a fairer and more equitable society over the coming decades.** Here we highlight four.

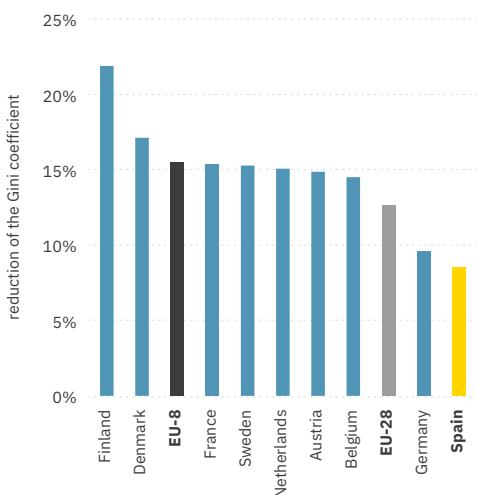
I. Modernising our productive apparatus and our labour market

As we have already seen, the Spanish economy is characterised by a **low level and growth of productivity** and a sectoral composition heavily skewed towards labour-intensive activities [see chapter 1]. These characteristics, together with the peculiarities of our regulatory framework, mean that employment in Spain is very sensitive to fluctuations in economic activity, making for a **very precarious labour market**, with low wages, very high levels of unwanted temporary and part-time work, and an abnormally high structural unemployment rate for a developed economy [see chapter 7]. When a crisis arises, many Spanish households suffer very pronounced losses of income, and a significant number of them (especially those belonging to the lower-middle class) fall into poverty or even social exclusion.⁷⁴ On the contrary, in phases of economic expansion, income differences are reduced at a rate below increasing income, which leads to a perverse dynamic that pushes Spain towards greater inequality. Correcting this dynamic will allow us to mitigate or even prevent an important part of inequality, as it involves implementing measures that can directly influence the "primary" distribution of income (*pre-distribution*) and make *ex-post* redistribution measures less necessary.⁷⁵

II. Harnessing the full revenue-raising and redistributive potential of our tax system

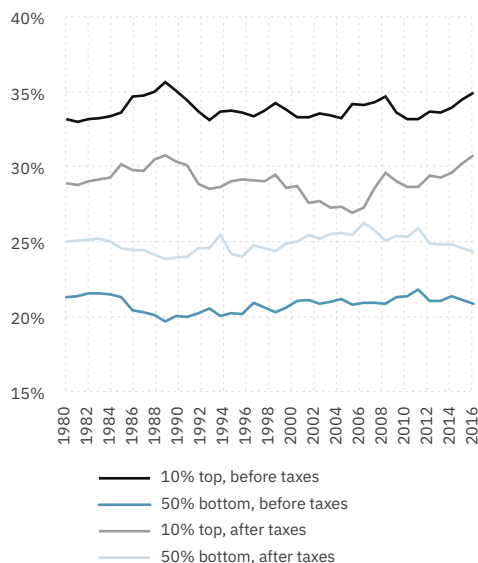
Our tax system collects less and redistributes income and wealth poorly compared to other European countries [Fig. 13]. This problem improved greatly during the 1990s and early 2000s, but worsened again from 2008 onwards, when the share of after-tax income held by the richest 10% rose again, while that of the poorest 50% fell [Fig. 14]. This indicates that taxes and social transfers (discussed in the next section) did not exert sufficient corrective action either during the Great Recession of 2008 or during the subsequent recovery.

Fig. 13. Redistributive effect of direct taxes, 2018



Source: Drafted by the authors based on data from Euromod.⁷⁶

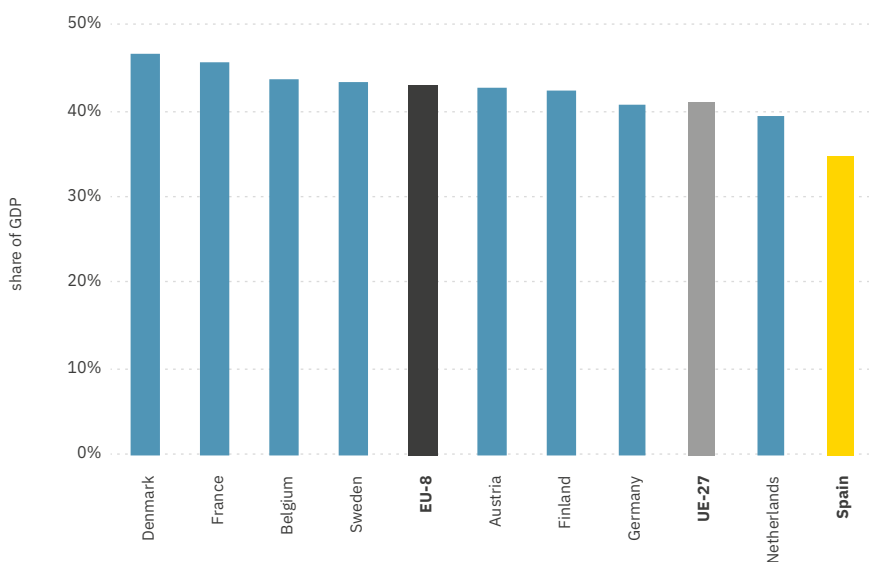
Fig. 14. Weight of wage segments in national income



Source: Drafted by the authors based on data from World Inequality Database.⁷⁷

The low revenue-raising capacity of our tax system is mainly due to a combination of two factors. Firstly, the characteristics of the productive apparatus and the high weight of the black economy in Spain [see chapter 1]. Secondly, **the design of the system itself, whose shortcomings have prevented it from increasing the size of its revenues and its progressivity.** In 2019, Spain's tax revenue was 35% of GDP compared to an average of 41% for the EU-27 and 43% for the EU-8 [Fig. 15].

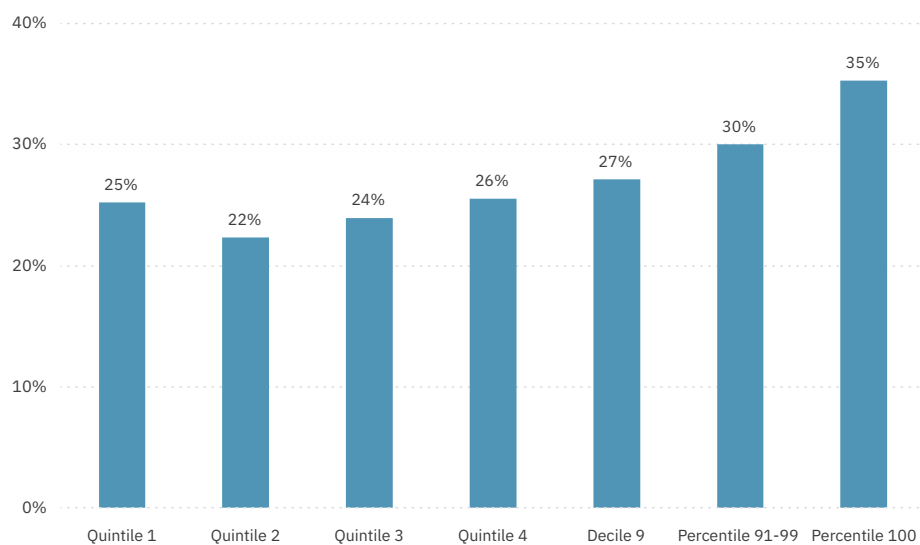
Fig. 15. Tax collection, 2019



Source: Authors' own, based on Eurostat data.⁷⁸

The Spanish tax system is progressive in that the average effective rate increases with the gross income of taxpayers, and the taxes and social contributions paid by taxpayers as a whole manage to reduce income inequality (as measured by the Gini index) by around 3.5%.⁷⁹ This progressivity, however, is very imperfect, especially at the lower end of the income distribution. So much so that, **in Spain, the poor pay more taxes (relative to their income) than the middle class**, an effect that also occurs in other countries such as the UK and Ireland, and which is mainly due to the effect of social contributions and indirect taxes [Fig. 16].

Fig. 16. Taxes paid as a share of gross income by income quintile in Spain, 2017



Source: Drafted by the authors based on data from López Laborda *et al.*⁸⁰

Below, we look at some features of our main taxes, which contribute to limiting revenue collection and the overall progressivity of the tax system.

Personal Income Tax (IRPF),⁸¹ which has marginal rates similar to those of other countries and **is the figure with the highest collection capacity, is the main source of progressivity in our system.** Despite this, **its redistributive effect falls below the EU average**,⁸² and its collection volume⁸³ is affected by the existence of certain tax benefits (despite their reduction in recent years⁸⁴), the systems for quantifying income from economic activities⁸⁵, and the capital gains tax.⁸⁶

As far as **Value Added Tax (IVA)**, the second most important tax revenue figure in Spain, is concerned, its revenue is reduced by the differentiation of rates that currently exists (general rate versus reduced and super-reduced rates).⁸⁷ Moreover, like other consumption taxes, it is considered a regressive tax, as it taxes consumption ignoring household income levels.⁸⁸

Thirdly, in terms of revenue collection, **Corporate Income Tax**⁸⁹ revenue has fallen substantially since the 2008 crisis, **and is now half of what it was in 2006.**⁹⁰ The lowering of its tax rate from 35% to 25% in recent years, to bring it into line with the EU average, may have contributed to this decline,⁹¹ but it has not been the only factor. The characteristics of our productive network (with a predominance of SMEs, which suffer sharp falls in profits in times of crisis) [see chapter 1] and the relocation of companies and tax bases are also key.⁹²

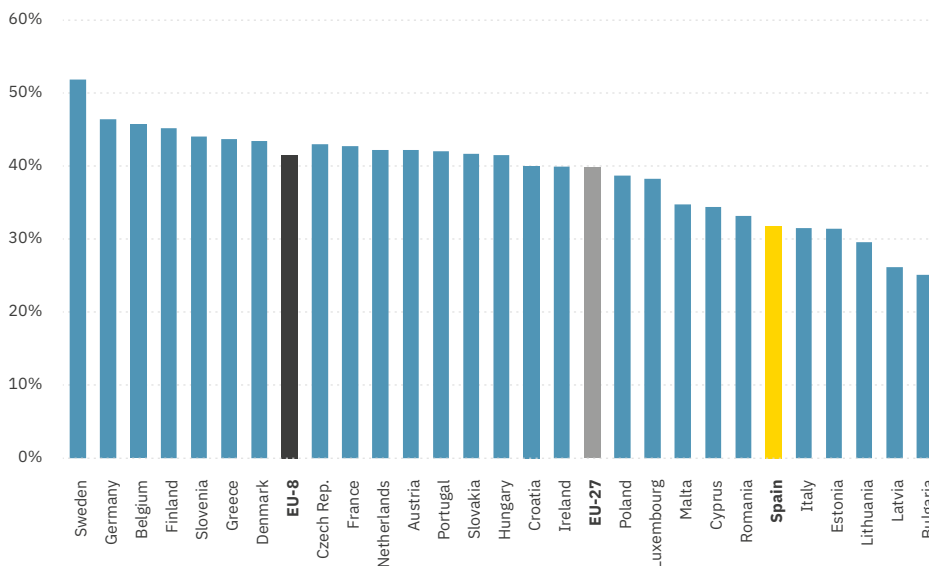
Finally, it is worth mentioning that the **Wealth Tax** and the **Inheritance and Gift Tax**, which, although of a lower collection amount, are relevant for the progressivity of the tax system. The lack of coordination between the different Autonomous Communities, as well as the tax benefits introduced by them, however, significantly limit their scope.⁹³

Overall, the elements described above mean that, **although the Spanish tax system today has a ratio between direct and indirect taxes similar to the EU average,**⁹⁴ **its revenue-raising and redistributive capacity is considerably lower than that of its European neighbours.** This situation is a problem, but its detection is **an opportunity to mitigate the problem of inequality in Spain.** Bringing the tax collection capacity of our tax system into line with the EU-27 average would enable us to implement social policies that would significantly reduce inequality and poverty.

III. Strengthening our social transfers system

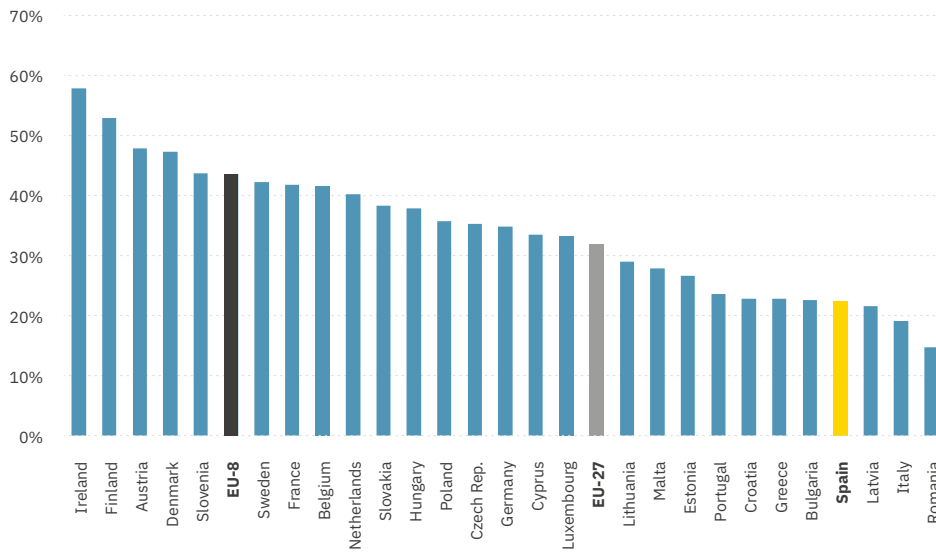
A third way to reduce the levels of inequality and poverty in Spain is to strengthen the capacities and efficiency of our social transfer system. In Spain, redistribution through taxation represents a low percentage of the total redistributive effect. The rest is achieved through the provision of public services such as education and health, and, above all, through the payment of cash benefits such as contributory and non-contributory pensions, unemployment benefits, study grants, minimum incomes, and other benefits.⁹⁵ These payments play a key role in alleviating poverty and inequality,⁹⁶ as they benefit lower-income population groups the most.⁹⁷ However, **the data suggest that the effect is smaller in Spain than in most European countries** [Figs. 17 and 18].

Fig. 17. Reduction in inequality (Gini) explained by social transfers, 2019



Source: Authors' own, based on Eurostat data.⁹⁸

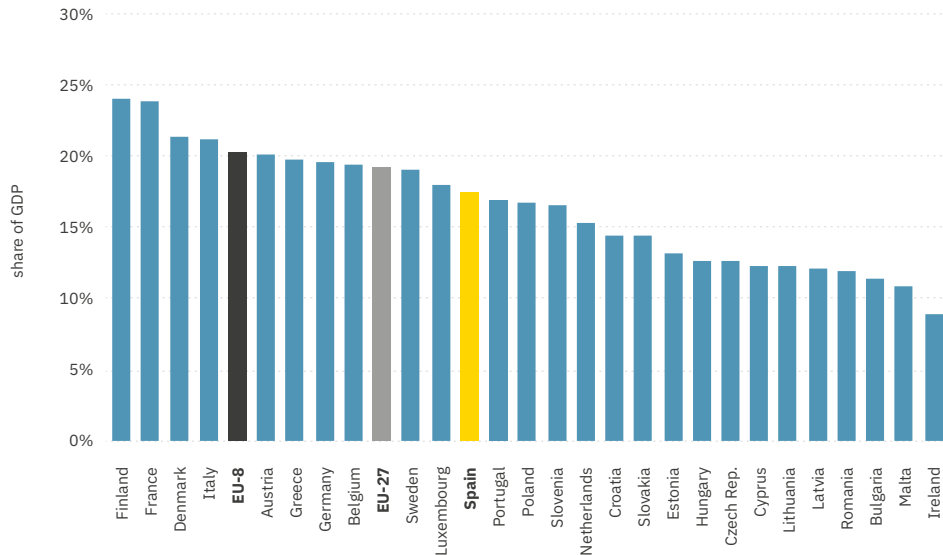
Fig. 18. Poverty reduction explained by social transfers (excluding pensions), 2019



Source: Authors' own, based on Eurostat data.⁹⁹

Why? There are two main reasons for this. On the one hand, **the lack of funding, which in turn is conditioned by lower tax revenues.** In 2019, Spain spent 17% of its GDP on social protection expenditure, compared to 19% for the EU-27 and 20% for the EU-8 [Fig. 19].

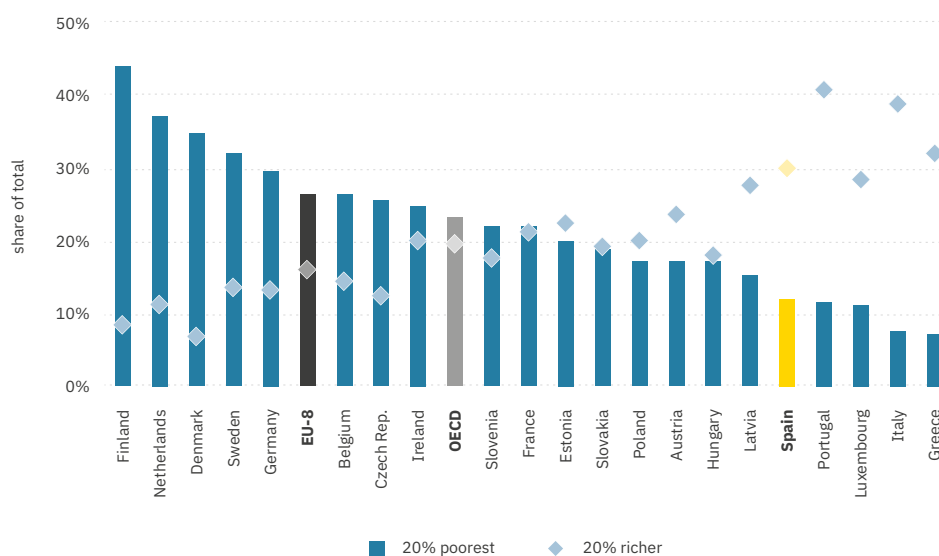
Fig. 19. Public expenditure on social protection, 2019



Source: Authors' own, based on Eurostat data.¹⁰⁰

On the other hand, **the very design of the social protection system**, which gives less relative weight to those transfers that most directly benefit the poorest groups (e.g. housing, child or social inclusion benefits) and to non-contributory benefits (only 20% of the total), which is particularly problematic given the high levels of underemployment and unemployment in Spain.¹⁰¹ The result is a system in which **the richest quintile receives more public transfers (30%) than the poorest quintile (12%).** In the OECD, only Portugal, Italy and Greece have more regressive systems in this respect¹⁰² [Fig. 20].

Fig. 20. Share of public transfers by income group, 2016



Source: Author's own based on data from the OECD.¹⁰³

IV. Improving property market dynamics

A fourth way to reduce inequality and poverty in Spain is to improve housing market dynamics. The different ways in which people access housing in Spain have a direct and very notable influence on inequality in terms of income, wealth and well-being. **The first major fracture** in this respect **is between those who own the home in which they reside and those who do not**. In Spain, 76% of inhabitants live in an owner-occupied home; 7 points higher than the EU-27 average. Of these, 38% have outstanding payments. In contrast, more than 20% live in rented accommodation, often having to spend a very high proportion of their income on monthly rent,¹⁰⁴ which makes it much more difficult for them to save and accumulate wealth and thus to prepare for retirement or to cope with eventual hardship, such as job losses or recession [see chapter 6].¹⁰⁵

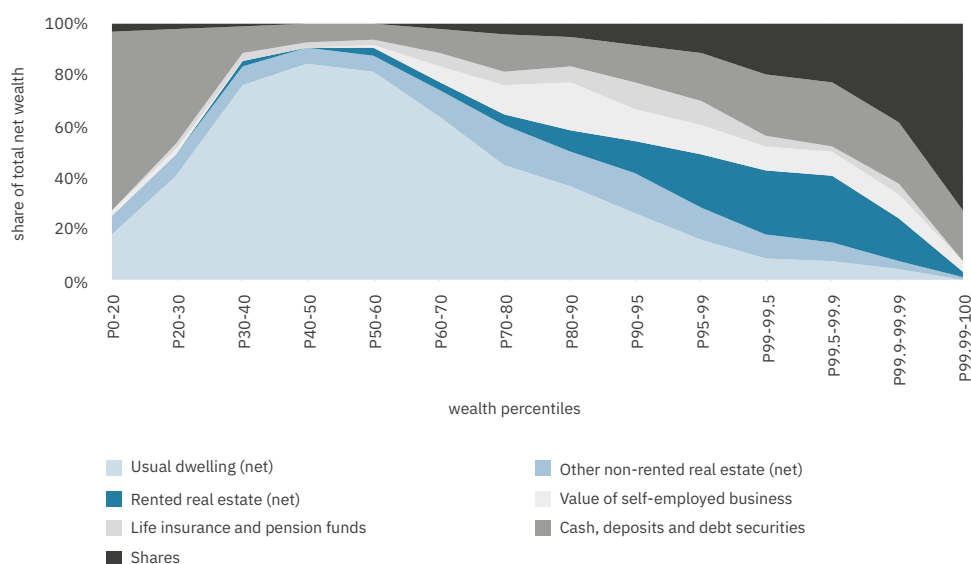
Among the **poorest households**, the percentage of those renting is substantially higher than average. In Spain, 43% of the population below the poverty line live in rented accommodation and only 15% have subsidised or low-cost rent.¹⁰⁶ This reality, together with the high prices paid in some large cities, means that rent has become the main cause of evictions (67% in 2019)¹⁰⁷ and that **the risk of social exclusion in Spain is three times higher in households living in rented accommodation than in owner-occupied homes**.¹⁰⁸

Among those living in owner-occupied homes, there are also notable differences, with the key distinction being between those who have inherited their home and those who have purchased it. The former can devote the bulk of their income to expenses such as education and health, to savings, or to building up their wealth. In contrast, most home buyers must dedicate a significant part of their income to the monthly mortgage payment and have savings to pay for the deposit. This mortgage pressure is particularly high among households in the lowest quintiles¹⁰⁹ and often results in situations of stress, vulnerability and severe deprivation that affect not only the economic situation of households, but also their professional performance and health status [see chapter 6]. These dynamics mean that income and wealth differences are greater, especially among the young and older population.¹¹⁰ In fact, it is estimated that **inheritance accounts for**

almost 70% of wealth inequality in Spain, a higher percentage than in other European countries and similar to the US.¹¹¹

Housing also directly impacts wealth inequality through changes in property prices. Although housing is the main economic asset of the Spanish population,¹¹² there are notable differences in the wealth composition of households [Fig. 21]. Poorer households channel their minimal savings into maintaining a cushion of money, either in cash or on deposit in a bank. The middle class, having a greater volume of wealth, opt for the purchase of their main residence, albeit generally by taking out a mortgage. In contrast, the wealthiest groups (the richest 10% and, even more so, the 1%) diversify their asset portfolios in such a way that, although they tend to own the home in which they reside, they also invest in other rental properties and financial assets such as company shares or investment funds. Compared to other countries, in Spain, the use of housing as a second residence and investment asset by higher income households is particularly high.

Fig. 21. Composition of household wealth in Spain, 2015



Source: Drafted by the authors based on data from Artola Blanco *et al.*¹¹³

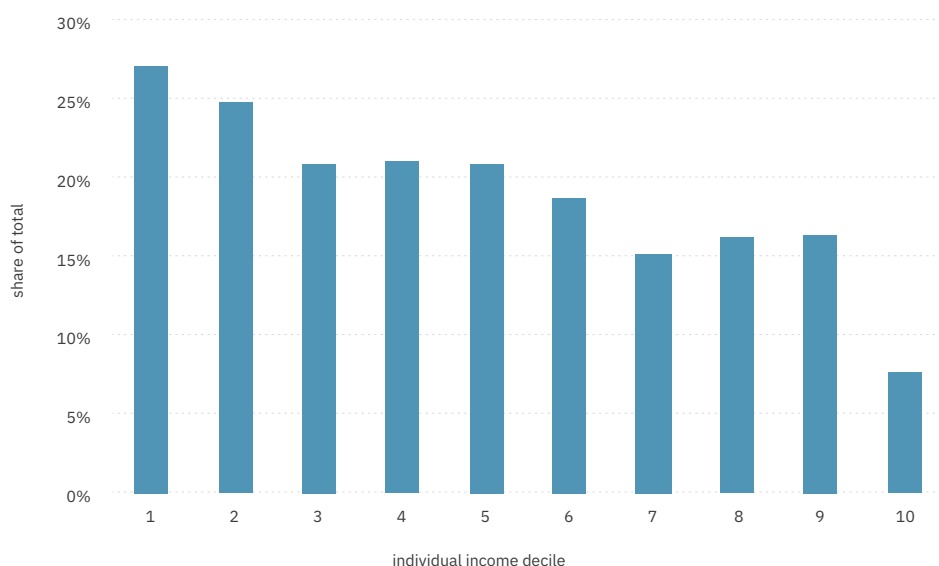
These differences in the composition of wealth mean that house price fluctuations have a very different and direct impact on the wealth accumulated by households. Thus, between 1980 and 2007, the increase in the relative price of property assets (those that have a greater weight in the portfolio of the poorest 90% of the population) meant that the wealth concentrated in the hands of the richest 10% of the population fell, making Spain a slightly less unequal society. The end of the housing boom in 2007, however, reversed this trend; the fall in house prices and the greater ability of the richest 10% to adjust and diversify their savings saw wealth inequality rise again in Spain and in the rest of Europe, a trend that, as we shall see, continues today.

THE FUTURE: A MORE UNEQUAL SOCIETY?

The short term: inequality in times of the coronavirus

The coronavirus pandemic has had a very asymmetric impact on Spanish households that **will almost certainly lead to an increase in income inequality in Spain in the short term.**¹¹⁴ The lockdown in spring 2020 has already set the wheels of this process in motion, affecting citizens very unevenly. While some households kept their incomes intact and some even increased their savings, others suffered a severe reduction and were forced to dip into their savings or borrow to pay the bills.¹¹⁵ This situation was especially common among households in the lowest income quintiles, whose members work mostly in those sectors most affected by the closure of non-essential activities (e.g. non-food retail, and hotels and restaurants) [Fig. 22].¹¹⁶

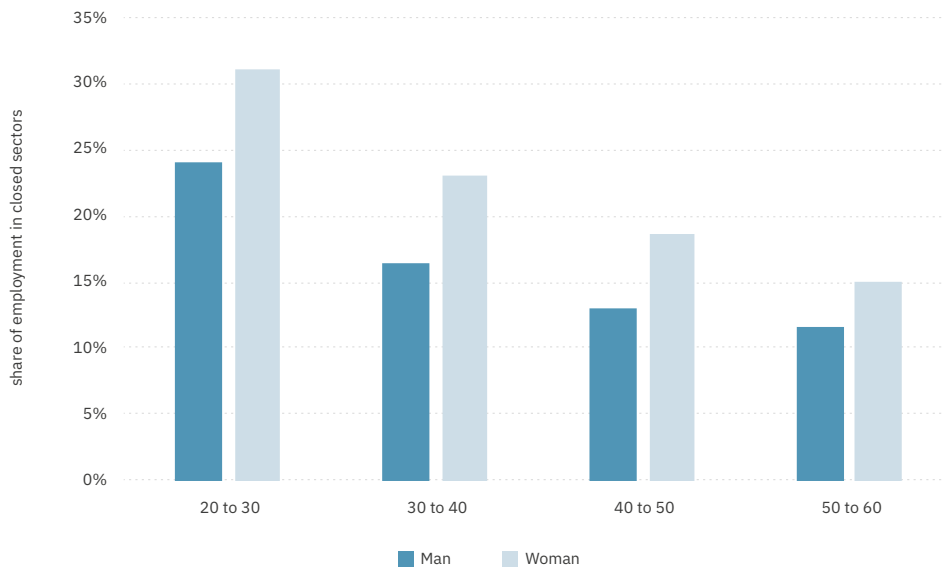
Fig. 22. Workers in sectors affected by the closure of non-essential activities by income decile in Spain



Source: Drafted by the authors based on data from the MCVL-CDF.¹¹⁷

The lockdown was particularly tough for younger generations (20-30 years), those of immigrant origin (especially those from countries with lower per capita income),¹¹⁸ and women,¹¹⁹ who, due to their over-representation in the sectors most affected by the closure of activity, were affected more severely by 5 points than men in all age groups [Fig. 23].

Fig. 23. Working population affected by closures by sex and age in Spain

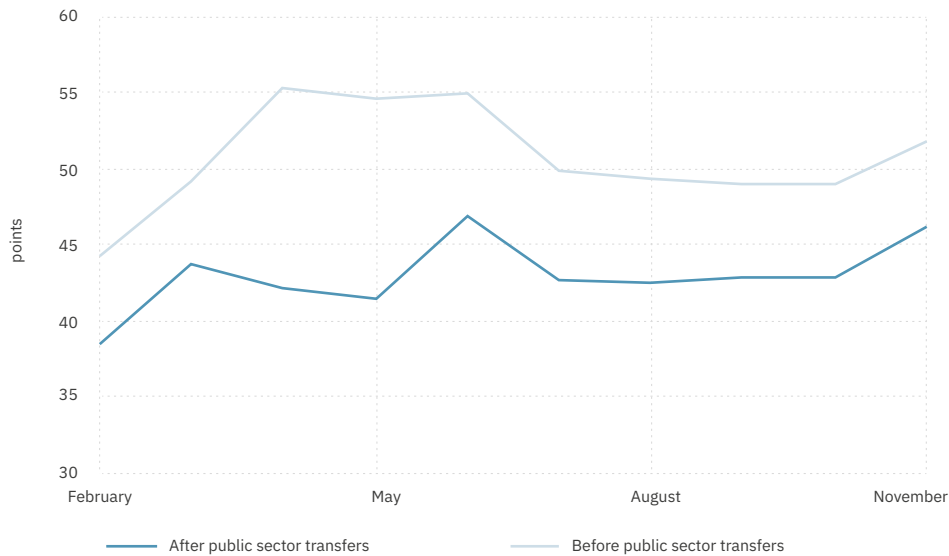


Source: Drafted by the authors based on data from the MCVL-CDF.¹²⁰

The response of the benefit system, with the addition of new emergency assistance, served to mitigate the asymmetric impact of the pandemic, reducing the proportion of people with no income by more than 20 percentage points and the proportion of people on low incomes by more than 10 percentage points, thus limiting the increase in inequality to almost 13% at the worst point of the first wave of the pandemic¹²¹ [Fig. 24]. Even so, some studies estimate that lockdown caused a 10% drop in the lowest incomes in Spain¹²² and **an increase in income inequality of 1.7 Gini points**¹²³ (or up to 30% more).¹²⁴ This represents a slightly larger increase than during the first year of the Great Recession in 2008.¹²⁵ During the summer, inequality remained stable, but increased again in autumn, coinciding with the second wave.

One of the groups most affected by the coronavirus has been **schoolchildren**. It is estimated that after the closure of the schools, some 3 million pupils (more than 30% of the total) were left without access to any learning activities.¹²⁶ Most came from disadvantaged households, which have fewer digital means and fewer socio-cultural resources, both of which are necessary to maintain the normal pace of learning from home.¹²⁷ It is likely that subsequent years will not fully redress the learning inequalities generated during lockdown, which could lead to a general deterioration in learning achievement and a possible increase in dropout and failure among secondary school students from vulnerable families [see chapter 2].

Fig. 24. Monthly evolution of the Gini index in Spain, 2020



Source: Drafted by the authors based on data from CaixaBank Research.¹²⁸

What happens next? The major pandemics of the last two decades (SARS, H1N1, MERS, Ebola and Zika) were followed by a spike in income inequality of 1.5 Gini coefficient points in most of the affected countries, mainly as a consequence of job losses and reduced income from other sources (e.g. reduced remittances).¹²⁹ **The coronavirus pandemic will most likely have a similar effect in Europe.** This would have a particularly pernicious effect in Spain due to the magnitude of the economic crisis and the greater relative weight in our production of some of the economic sectors most affected by the virus (e.g. tourism services).¹³⁰ Some experts estimate that 2021 could end with up to 700,000 more people below the poverty line.¹³¹ It is therefore reasonable to assume that **the Spain of 2023 will be more unequal than that of 2020.**

The medium and long term: what might happen if major changes are not made

Although there is much uncertainty about the intensity and duration of the current crisis, Spain is expected to reach pre-pandemic levels of growth and employment by 2023, in part thanks to the boost from European recovery funds [see chapter 1]. In any case, **the fact that the economy is recovering does not mean that the gaps caused or widened by the coronavirus will close**, just as the inequality generated during the Great Recession of 2008 was not fully corrected during the growth phase of 2013 - 2019. In fact, all indications are that, without far-reaching reforms and more ambitious redistributive policies, **inequality in Spain could stagnate at current levels or even increase between now and 2050.**¹³²

In the absence of major productivity gains and a significant increase in employment rates, the Spanish economy could experience very low growth over the coming decades, resulting in lower wages, lower public revenues and a reduction in the equalising effect of social transfers and public services [see chapter 1], in other words, more inequality. If the projected productivity gains are achieved, but are not accompanied by the improvements in education and social mobility described above, inequality could also increase, as a result of the rising incomes of professionals in the most competitive and leading sectors.

The evolution of our tax system, of our public services, and of labour regulation will also determine economic inequality over the long term. If we do not manage to increase the revenue-raising capacity of the State, make the tax system more progressive, protect social benefits and strengthen instruments such as collective bargaining over the coming years, it will be very difficult to achieve a fair distribution of the benefits derived from the aforementioned productivity gains and to prevent inequality from continuing to grow.

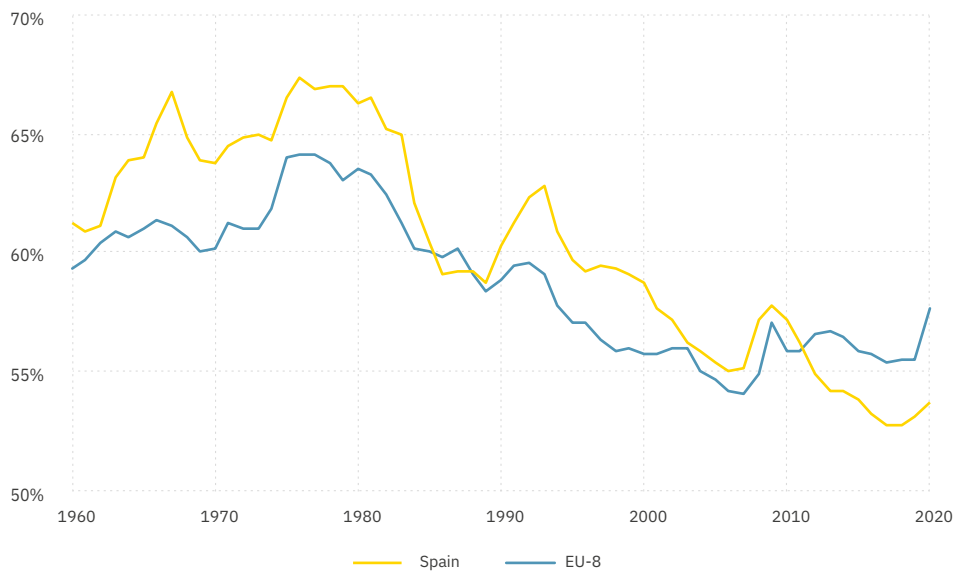
This process could be further exacerbated by **the effects of megatrends** such as demographic ageing, technological transformation or ecological transition. Over the next three decades, Spain will experience a significant increase in the proportion of its population that is elderly and in 2050, 1 in 3 Spaniards will be over 65. This trend suggests an increase in the share of retirement benefits in household income, which is expected to reduce income inequality after taxes and transfers. However, if we fail to achieve better growth and reverse the decline in the share of wage income in GDP, the financing of the public pension system as we conceive it today could be jeopardised, affecting future pension payments [see chapter 5].

Moreover, if the criteria for allocating retirement benefits remain unchanged, the increase in non-standard workers (e.g. freelancers) and the development of increasingly fragmented careers expected over the coming decades [see chapter 7] are likely to **lead to a greater proportion of people reaching retirement age without having contributed to their pension for a sufficient number of years and without accumulating sufficient personal savings capacity**, leading to a greater dispersion of income among older people.¹³³ Also, in the future, many people will continue to work beyond the current statutory retirement age, which will allow them to earn higher incomes for more years. Others, on the other hand, will not be able to do so, either because of their health conditions or because of the type of work they do. This divergence, if not well managed, could be an additional source of inequality among older people.

Problems of access to housing could also lead to an increase in inequality. The current difficulties in accessing home ownership will mean that, by 2050, more and more people will reach retirement having to pay rent or part of their mortgage [see chapter 6]. This will substantially reduce their savings cushion and deprive them of an asset that, in case of need, can be sold or monetised to cover, among other things, care services.

The other major megatrend that will influence inequality in Spain is technological change. So far this century, the digital transformation has altered much of the occupational structure in Western countries, increasing wage inequality and favouring capital income over labour income,¹³⁴ through an increase in the capital intensity of production and rising employment and wages for skilled workers [Fig. 25]. It is unclear whether this trend will continue in the future. What is clear is that, if it does, **the spread of technologies such as Artificial Intelligence and advanced robotics could lead to an increase in inequality in the short-term.**¹³⁵

Fig. 25. Adjusted labour income share of national income



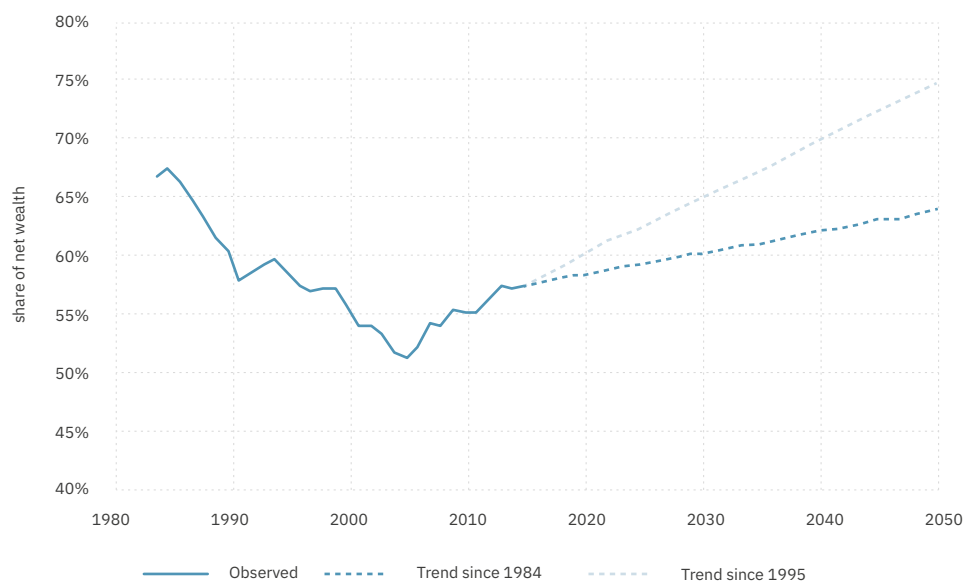
Source: Drafted by the authors based on data from AMECO.¹³⁶

Climate change and ecological transition will also be key to how inequality evolves over the long term. Firstly, because the most disadvantaged and vulnerable populations are often the hardest hit by the adverse effects of climate change. These adverse effects include issues such as food insecurity, loss of income and livelihoods, health impacts, and population displacement.¹³⁷ Secondly, because climate policies will lead to a redistribution of wealth between and within countries. An example of this is how the distributional consequences of fuel price interventions have opposite effects on oil-exporting and oil-importing countries and, within each country, affect some sectors (such as transport) more than others.¹³⁸

In short, without far-reaching reforms to lay the foundations for a prosperous, sustainable and socially inclusive economy, capable of seizing the many opportunities offered by the megatrends described above, our growth will be very moderate and **the future will replicate (or accentuate) the income and savings divergences**¹³⁹ observed in the past. This will also result in **an increase in wealth inequality**, even if residential property prices grow more moderately and in line with inflation at a national level.¹⁴⁰ This increase in inequality will be greater if household saving patterns are like those observed between 1995 and 2015, when the richest 10% of the population accounted for more than 70% of total savings, while it will be more gradual if the reference period is extended to 1984 (the share of savings hoarded by the richest 10% falls to around 60%) [Fig. 26].

In addition to this prognosis, there is also the potential effect of the growth of cities in the face of the depopulation of some rural areas expected over the coming decades [see chapter 6]. In large cities (e.g. Madrid and Barcelona), this could lead to an increase in the total weight of non-productive revenue from fixed factors such as land, commercial premises and housing (e.g. rents), and an increase in their value, which in turn would generate greater income inequality, greater inequality in the intergenerational transmission of wealth, and greater difficulty in accessing credit.

Fig. 26. Possible evolution of wealth in the hands of the richest 10% in Spain according to past savings patterns



Source: Drafted by the authors based on data from Bauluz *et al.*¹⁴¹

Another future is possible

Naturally, **none of these processes is unalterable or inevitable**. Ultimately, **the evolution of inequality over the coming decades will depend on us**; on our ability to make the changes described in the other chapters of this *Strategy* and to seize the opportunities offered by future megatrends.¹⁴²

If we can lay the foundations for economic growth driven by productivity gains and the generation of stable, quality employment, we will be able to improve the purchasing power of the population as a whole, greatly reduce the effects of economic crises on inequality and poverty, and generate sufficient public revenue to raise social spending and improve the redistributive potential of our welfare state [see chapters 1 and 7]. To do so, we must modernise our productive network, through innovation and technological diffusion in our companies, but, above all, through a notable improvement in the training and skills of our entire population, from childhood to old age. **Education and the retraining of our workforce must be the main levers to reactivate the social elevator and provide more and better economic and employment opportunities for our population as a whole** [see chapters 2 and 3].

It will also be necessary to **adjust and modernise labour regulation** so that productivity gains are shared fairly. If recent decades have shown us anything, it is that generating wealth unequally and then redistributing it is not enough. In the future, this wealth must be generated in a more balanced way. At the same time, it will be necessary to **increase the revenue-raising and redistributive capacity of our tax system and of public benefits and services**, something for which new technologies such as big data or Artificial Intelligence will be of crucial help, both in the detection of fraud and in the administrative management of aid.

If the reforms proposed throughout this *Strategy* are implemented, through a very significant increase in investment in education, a rise in productivity and greater redistributive capacity through the policies described in this chapter, **inequality could fall to the current levels of countries such as Germany, France or Sweden (below 30 Gini points), and poverty could reduce to historic lows.**¹⁴³

Our welfare state will also have to adapt to the new economic and social realities that will define the future of Spain. As we have seen, many of the dynamics that characterise our labour or housing market today will be reproduced when today's population of young population reach old age. The reforms that will be undertaken in the public pension system over the coming years will have to take into account the discontinuity of working lives and the normalisation of new forms of employment that break with the traditional paradigm of salaried staff spending several years in the same company and generating the right to receive a contributory pension in retirement [see chapters 5 and 7]. Similarly, it will be necessary to address the problems of access to housing that exist in some parts of Spain, reducing, among other things, the overburdening of many households to pay rent [see chapter 6]. This would reduce their vulnerability to a sudden drop in income or a rise in prices and, together with the necessary improvement in working conditions, would correct the current inequalities in the generation of savings and wealth.

At the same time, **the effects of new technologies on inequality can be minimised** with good public policies aimed at ensuring that the new robots and digital agents do not replace human workers, but rather empower and complement them; with intensive reskilling programmes that facilitate the reincorporation of displaced workers; and with reforms to our tax and benefit system that encourage more equitable distributions of productivity and improve the redistribution of market rents.¹⁴⁴ Indeed, if well governed, **digital transformation could help mitigate many of the inequalities that currently afflict our society**, reducing the gap in services and opportunities that exists between rural and urban Spain; facilitating access to services and productivity tools for small businesses and the self-employed; enabling potential additional sources of income for many workers; and improving the working conditions of thousands of people.

Similarly, **the green transition need not become a source of inequality in Spain.** There will be transition costs in the short term; of that there is no doubt. But there are instruments, already in place in several countries, aimed precisely at avoiding the regressive effects that certain measures can have, such as increasing green taxation, and at guaranteeing a socially just green transition. In the medium term, the development of the circular economy, renewable energies and sustainable mobility could lead to a better distribution of economic and employment opportunities across the territory, a reduction in the gender gap, the replacement of thousands of brown economy jobs with more stable and secure ones, the mitigation of pollution and extreme events (which tend to

affect the most vulnerable groups more), and a reduction in energy bills for many households [see chapter 6]. These improvements could lead to reduced inequalities in health and living conditions, and greater educational and economic equity.¹⁴⁵

Moreover, **the world is changing and our welfare state must change with it**. Spain should therefore study, debate and evaluate new collective protection mechanisms to help extend or reinforce existing ones. There are numerous proposals which, although still embryonic, are already present in the social debate in our neighbouring countries. One of the most prominent is **universal public inheritance**. As we have seen, intergenerational wealth inequality is one of the greatest challenges facing European society. Inheritance is playing an increasingly crucial role in wealth inequality. This unequal distribution of inheritance has a decisive impact on equality among younger generations. A novel proposal to help prevent this phenomenon from worsening in the future is the possible creation of a universal public inheritance; a financial endowment that all young people in the country would receive once they reach a certain age. This endowment could be used to buy a first home, to finance the creation of a business, or to complete training. It may sound utopian right now, but it may become a reality in some countries over the coming decades. Spain should therefore explore this possibility taking into account the levels of inequality existing at the time of its implementation, as well as its effect in addition to other social measures.¹⁴⁶

A second idea that should be explored is the development of a **public investment fund** that would allow the provision of long-term, "patient" financing to sectors where returns on investment are more uncertain, such as the most innovative and cutting-edge sectors. Such funds complement private investment and help diversify collective protection mechanisms against economic fluctuations and global disruptions.¹⁴⁷ A well-capitalised public investment fund in Spain, with specific missions, could channel the role of the state as an entrepreneur in those areas where we face the greatest idiosyncratic challenges.¹⁴⁸

In short: although rising inequality is a structural trend influenced by a multitude of factors, there are ways to mitigate or even reverse it over the coming decades. This is essential if we are to build a fair and cohesive society.

How can this be achieved? A number of measures are suggested on the following pages.

WHAT NEEDS TO BE DONE TO REDUCE INEQUALITY AND POVERTY

By 2050, **Spain will need to significantly reduce its levels of income inequality and poverty and mitigate opportunity gaps in areas such as education in order to reactivate the social elevator.** Doing so will be essential if we are to remain a cohesive, prosperous and competitive country.

To achieve this, we will have to carry out a **profound transformation of the productive system**, resolve the deficiencies of our **labour market**, solve the problem of access to housing and modernising our system of lifelong learning and retraining, following the ideas set out in the previous chapters of this *Strategy*. Of all these measures, the importance of improving human capital and generating **quality employment** in Spain is vital. Without these structural changes, the problem of inequality and poverty in Spain cannot be solved. In addition, **the governance and the revenue-raising and redistributive capacity of our tax system and our welfare state** will have to be improved, as this is a fundamental equity tool, the potential of which has not yet been fully exploited in Spain. The proposals detailed below focus on improving the revenue-raising and redistributive capacity of our system, thus complementing the other measures detailed in the previous chapters aimed at reducing poverty and inequality, particularly those related to the transformation of the labour market.

It is difficult to achieve that which cannot be measured. It is therefore essential that, over the coming years, Spain reaches a consensus, through social dialogue, on a **dashboard of quantifiable indicators and a list of specific goals** that will make it possible to monitor progress and guide the ambition of the reforms. Here we suggest a few, in addition to those already mentioned on economic growth, education, the labour market, and access to housing in previous chapters:

Goal 46. Reduce income inequality to converge with the current EU-27 average in the medium term and that of the EU-8 countries by 2050.

Goal 47. Reduce the proportion of people living at risk of poverty from 22% today to 18% by 2030, to 10% by 2050.

Goal 10. Minimise the weight of students' social background on educational attainment to reach the EU average by 2030 and converge with the EU-8 by the middle of the century.

Goal 48. Progressively increase revenue collection in our tax system from 37% of GDP today to 43% by 2050.

Goal 49. Increase public spending on social protection to converge with the EU-8 average.

Goal 6. Reduce the weight of the informal economy to levels at least similar to those of EU-8 countries by 2050.

Table of indicators and objectives

Indicators	Place	Average 2015-2019 or latest data available*	Targets		
			2030	2040	2050
46 Gini Index (income inequality) ¹⁴⁹	Spain	34	32	31	29 ¹⁵⁰
	EU-27	30	–	–	–
	EU-8	27	–	–	–
47 Population at risk of poverty (% of total) ¹⁵¹	Spain	22%	18%	15%	10%
	EU-27	17%	–	–	–
	EU-8	14%	–	–	–
10 Importance of socio-economic differences on the probability of repetition at equal skills levels ¹⁵²	Spain	3.9*	3	2	1
	EU-22	2.0	–	–	–
	EU-8	1.5	–	–	–
48 Tax revenue (% of GDP) ¹⁵³	Spain	35%	37%	40%	43%
	EU-27	41%	–	–	–
	EU-8	44%	–	–	–
49 Public expenditure on social protection (% of GDP) ¹⁵⁴	Spain	17%	18%	19%	20%
	EU-27	20%	–	–	–
	EU-8	21%	–	–	–
6 Shadow economy (% of GDP) ¹⁵⁵	Spain	20%	15%	12%	10%
	EU-27	17%	–	–	–
	EU-8	11%	–	–	–

Achieving these goals is feasible, but to do so **Spain** will have to undertake **far-reaching reforms and launch ambitious initiatives on a multitude of fronts. A number of these are recommended below:**

Front 1: Increase the revenue-raising and redistributive capacity of our tax system

For decades, Spain has had a significant public revenue-public expenditure gap, which limits the redistributive capacity of the welfare state. To correct this situation, Spain will have to make a **series of changes to its tax system, progressively over time**, which will also affect the taxes transferred to the autonomous communities and local administrations. In addition to helping to solve the problem of insufficient revenue, these changes should be aimed at improving the equity of the system, both vertically (increasing its redistributive scope) and horizontally (ensuring equal tax treatment in identical circumstances), adapting or anticipating the socio-economic effects of megatrends such as technological change, climate change and demographic ageing.

Under these premises, between now and 2030, it will be necessary to:

- Broaden tax bases, the main cause of the low revenue-raising capacity of the tax system. This will require greater scrutiny of tax benefits, retaining only those that follow principles of effectiveness, efficiency and equity. From a criterion of horizontal equity, the current systems of objective assessment by modules or coefficients in personal income tax,

which do not have equivalents in the benchmark countries, should move towards taxation systems based on real income, maintaining the simplicity and ease of management that they entail. The digitisation of the tax administration can contribute to this goal.¹⁵⁶

- Rationalise corporate taxation and promote its harmonisation at international level. The reform should mitigate, insofar as possible, the distortions caused by Corporate Income Tax (CIT) tax benefits that end up skewing the burden towards small companies and traditional and less mobile sectors. At international level, efforts should be made to achieve an equitable allocation of revenue between countries. If no agreement is finally reached in the OECD (BEPS Inclusive Framework),¹⁵⁷ Spain should promote, within the EU, the implementation of the Common Consolidated Corporate Tax Base system, in addition to a multilateral solution to tax large digital services companies and the implementation of a minimum effective rate in the CIT.¹⁵⁸
- Deliver comprehensive reform of income, wealth and inheritance and gift taxes to remove tax incentives for investment in real estate-related assets, raising the effective taxation of capital to bring it into line with other EU countries¹⁵⁹ and boosting its contribution to the progressivity of the system.¹⁶⁰ Likewise, the role of wealth tax and inheritance and gift tax in the regional treasuries should be reconsidered in order to avoid undesirable tax competition strategies, which undermine the revenue-raising and progressive scope of these taxes and the principle of equality that prevails in Spain.
- Amend excise taxes, raising tax rates on alcohol, tobacco and petroleum-based fuels to converge with those in the main EU countries; and creating a framework of incentives and fiscal instruments to promote a green, efficient and socially just transition,¹⁶¹ through instruments such as climate rent [\[see chapter 4\]](#)
- Reduce tax fraud and the weight of the black economy to at least bring it into line with the most advanced EU-8 countries [\[see chapter 1\]](#). Continued strengthening of instruments in the fight against the shadow economy, tax avoidance and evasion, and the increasing use of tax havens,¹⁶² should be a priority line of action.¹⁶³ This strategy is required not only for reasons of revenue adequacy, but also for reasons of equity, efficiency and competitiveness, and public morality. To reduce fraud and encourage voluntary compliance, it is essential to increase the resources of tax administrations and to improve the efficiency and co-ordination between them. Exchanges of information, both between public administrations and between countries, should also be enhanced and tax amnesties should be prohibited by law.
- Improve tax education and information for citizens. This policy would have two components: an educational component, which proposes the inclusion of content related to the functions of the tax system and tax social awareness in secondary education; and an informational component, which proposes a combination of informational policies and behavioural interventions to increase tax morale and compliance [\[see chapter 1\]](#).¹⁶⁴
- Establish a medium- and long-term action plan for taxation based on the recommendations of the committee of experts for the reform of the tax system.

In addition, **by 2050**, it will be necessary to:

- Reconsider the bases and rates of taxation on labour through Personal Income Tax (IRPF), adapting them according to the effects of technological change on the labour market and wage inequality over the coming decades.
- Similarly, if technological change is relatively beneficial to the owners of capital, as has been the case over recent decades in many advanced economies, capital taxation must be updated to tax capital returns more heavily. For example, the tax burden on non-productive revenue associated with technological change (e.g. those arising from the exercise of market power by digital platforms) could be increased, something that would not necessarily be a source of inefficiency, given the non-productive nature of this revenue.

Front 2: Extend social benefits and adapt them to new labour and demographic realities

Social benefits are the cornerstone of the welfare state and the most important redistributive tool our country has. It is therefore essential to ensure universal and quality access to them over the coming decades, in line with the recent creation of the Minimum Living Income (IMV).¹⁶⁵ To achieve this, it will be necessary to gradually and continuously adapt the benefit system, with the aim of moving towards a welfare state model that is more focused on people's needs than on their work history [see chapter 7]. To achieve this, it will be necessary to:

- Increase public spending on social protection to converge with the EU-8 average by 2050. Funding must be sufficient in all the autonomous communities, without any of them being weighed down by their lower tax collection capacity.
- Ensure that the IMV and other non-contributory benefits act as a powerful redistribution mechanism for groups with limited contribution histories, and integrate these benefits with accompanying measures to ensure the full inclusion of these groups in society.
- Extend the coverage and amount of non-contributory benefits in the framework of the IMV and beyond, adapting them to the needs of specific groups, such as families with dependent children. By design, the IMV will have a limited redistributive effect, although it will play a key role in reducing extreme poverty. Other instruments will therefore be needed to expand income coverage. In this regard, it is proposed, for example:
 - To reform family benefits, which in Spain have very little effect on income redistribution. The economic support policies for households with dependent children are basically concentrated in the personal income tax treatment of the family institution. These have no effect on lower income and lower income households, which are clearly insufficiently protected. In particular, those individuals and families who do not file a personal income tax return because they do not earn income cannot benefit from the tax savings corresponding to the charges for descendants.¹⁶⁶ In the medium to long term, the tax treatment of child support should be changed so that, as with the maternity deduction, it could be refunded to the taxpayer in the case of households that are not liable for tax but whose annual income is above the IMV threshold.
 - To create a new child benefit for children under the age of 18. In the first instance, this benefit should be targeted at all families who are at risk of poverty but do not

qualify for the IMV. Subsequently, it should be extended to the rest of the country's families, as is already the case in most European countries.¹⁶⁷

- To preserve the efficiency of public spending on social protection through the integration of non-contributory benefits which, while respecting the competences of the different administrations, jointly meets the objectives of eradicating extreme poverty and minimising the risk of poverty in Spain. To this end, it is proposed to strengthen the Minimum Living Income Monitoring Commission as a framework for dialogue and inter-territorial coordination on poverty reduction policies.

Front 3: Incorporate specific goals for the reduction of inequality and poverty into national strategies, and strengthen transparency and evaluation policies

- Include explicit inequality and poverty reduction targets in national reform plans, and allocate resources to specific programmes to achieve them. In the case of Spain, only very general mentions have been made in the drafting of the National Action Plans for Social Inclusion. It is proposed to incorporate this type of objective into the macroeconomic framework on which the General State Budgets are drawn up, so that there is a more explicit definition of the allocation of funds and a design of public policies aimed at the pre-distribution and redistribution of income.
- Improve information systems to monitor progress and setbacks in meeting redistributive objectives. On the one hand, the main surveys that measure the evolution of inequality should be strengthened, improving their territorial representativeness and extending their longitudinal information in order to be able to properly interpret their dynamics. One way to achieve this, and to avoid the usual time lag between the period of information collection and the date of publication of the data, could be to take advantage of the richness of the administrative registers, so that advances of the distribution of some income sources could be produced on a monthly or quarterly basis. Another way is through the implementation of a system of National Distributive Accounts to allow long-term analysis of the distribution of national income and wealth, as is being done in other countries.¹⁶⁸
- Continue to promote pay transparency laws in companies and public institutions, which, as several studies have shown, help reduce the gender gap without harming corporate profits.¹⁶⁹

Front 4: Promote the social economy, cooperativism and worker participation in enterprises

Another avenue to be explored is the development of mechanisms of economic democracy, which are protected by Article 129.2 of the Constitution and which constitute a clear example of *pre-distributive* measures. To this end, one could:

- Promote cooperative entrepreneurship linked to the social economy, in which Spain already has a great track record. The aim is to establish support and advice programmes from the public administration that put entrepreneurs in contact with each other to create cooperatives collectively, thus generating synergies between them and contributing to overcoming barriers to the creation of cooperatives.¹⁷⁰
- Consider the creation of mechanisms to encourage workers' participation in the capital of their companies, something that is already being done in several European countries such as Sweden.¹⁷¹ The aim is to promote co-determination systems through, "employee funds", i.e. collective investment funds of the workforce in company ownership, which reinvest the dividends obtained in their capitalisation. These mechanisms can generate important distributional benefits. Firstly, as opposed to short-term measures that sometimes hinder corporate governance, they can help to boost long-term investment in the territory and, with it, job creation. Secondly, they can help reverse the growing trend towards concentration of ownership by rebalancing the distribution between capital and labour income.

If these reforms are implemented, Spain could drastically reduce its levels of poverty and inequality, making it one of the most egalitarian, cohesive and fair countries in Europe.

CHALLENGE #8: REDUCING POVERTY AND INEQUALITY AND REPAIRING THE SOCIAL ELEVATOR

¹ Rodríguez Cabrero, Gregorio. “The Consolidation of the Spanish Welfare State (1975-2010.” In Guillén, Ana Marta, and Margarita León (eds.). *The Spanish Welfare State in European Context*. London: Routledge, 2011. <https://www.taylorfrancis.com/books/e/9781315552552/chapters/10.4324/9781315552552-9>.

² Public expenditure on active training policies went from PIB in 1985 to 19.1% in 1990. See: OECD. *Social Expenditure - Aggregated data [SOCX_AGG]*. https://stats.oecd.org/Index.aspx?DataSetCode=SOCX_AGG.

³ Calonge Ramírez, Samuel, and Antonio Manresa Sánchez. “Crisis económica y desigualdad de la renta en España. Efectos distributivos de las políticas públicas.” *Estudios de la fundación Funcas* 92, 2019. <https://www.funcas.es/libro/crisis-economica-y-desigualdad-de-la-renta-en-espana-efectos-distributivos-de-las-politicas-publicas-octubre-2019/>.

⁴ See: Ayala, Luís, and Mercedes Sastre. “Políticas redistributivas y desigualdad.” *ICE, Revista de Economía* 837, 2007. <http://www.revistasice.com/index.php/ICE/article/view/1068>; Ayala, Luís, Rosa Martínez, and Jesús Ruiz-Huerta. “La distribución de la renta en España en los años ochenta: una perspectiva comparada”, *I Simposio sobre Igualdad y Distribución de la Renta y la Riqueza, volumen II*. Madrid: Fundación Argentaria, 1993; and Gimeno Ullastres, Juan Antonio. “La incidencia redistributiva de las prestaciones públicas en especie: sanidad y educación.” In José María Maravall Herrero (ed.), *Dimensiones de la desigualdad*. Madrid: Fundación Argentaria, 1999.

⁵ See: Ayala, Luís, and Mercedes Sastre. “Políticas redistributivas y desigualdad.” *ICE, Revista de Economía* 837, 2007. <http://www.revistasice.com/index.php/ICE/article/view/1068>; Ayala, Luís, Rosa Martínez, and Jesús Ruiz-Huerta. “El enfoque de la dominancia en el análisis de la pobreza”. In José María Maravall Herrero (ed.), *Dimensiones de la desigualdad*. Madrid: Fundación Argentaria, 1999.

⁶ Rodríguez Cabrero, Gregorio. “Valoración de los programas de rentas mínimas en España.” EU network of independent experts on social inclusion, 2009. <http://ec.europa.eu/social/BlobServlet?docId=9043&langId=es>.

⁷ The Gini Coefficient is a measure of inequality represented by a number between 1 and 100, where 1 corresponds to perfect equality (everyone has the same income) and the value 100 corresponds to perfect inequality (one person has all the income and the others, none). Therefore, the higher the coefficient, the greater the inequality. There are various definitions for calculating the Gini Coefficient, depending on what types of income are considered. For this figure, the equivalent disposable income per adult person is used. The data come from the Household Budget Survey (HBS), which has undergone several methodological changes since the 1970s, making it complex to interpret. Each of the three different segments represented in the graph use different versions of the survey and this makes them not directly comparable. The text will focus on the trends in each of these segments and not on the level of the variable. For further details, see: Cantó, Olga, and Luís Ayala. “The Driving Forces of Rising Inequality in Spain.” In

Nolan, Brian (ed.). *Inequality and Inclusive Growth in Rich Countries: Shared Challenges and Contrasting Fortunes*. Oxford: Oxford University Press, 2018. <http://www.equalitas.es/sites/default/files/WP-51-1.pdf>.

⁸ It should be noted that, despite this boost to social protection, total social protection expenditure as a share of GDP remained relatively stable in the period 2000-07. Refer to: Eurostat. *General government expenditure in social protection [gov_10a_exp]*. <https://ec.europa.eu/eurostat/data/database>; and Department of Education and Vocational Training. *Plan Nacional de Acción para la Inclusión Social del Reino de España. Junio-2001-Junio-2003*. <https://sid.usal.es/docs/F8/8.4.1-3247/8.4.1-3247.pdf>.

⁹ Anghel, Brindusa, et al. “Income, consumption and wealth inequality in Spain.” *SERIEs* 9, 2018. <https://doi.org/10.1007/s13209-018-0185-1>.

¹⁰ Fernández-Kranz, Daniel. “Wage adjustment in Spain during the economic crisis.” *Spanish Economic and Financial Outlook* 3, n.º 3, 2014. https://www.funcas.es/wp-content/uploads/Migracion/Articulos/FUNCAS_SEFO/013art07.pdf.

¹¹ In particular, market inequality (inequality before social transfers) worsened sharply during these years as a result of rising unemployment and falling wages.

¹² This was despite a significant increase in social protection spending. Between 2007 and 2014, social protection spending increased by almost 50 billion euros, from 13% to 18% of GDP and from 33% to 40% of public spending. Spending on public services such as health and education declined in relative terms. In education, it decreased by almost 1 billion and went from 10% to 9% of public spending and health spending increased by 2 billion, but its weight in public spending also decreased by 1%, from 14.5% to 13.5%. See: Eurostat. *General government expenditure by function [gov_10a_exp]*. <https://ec.europa.eu/eurostat/data/database>.

¹³ See: Ayala, Luis and Olga Cantó. “Ciclo económico, clases medias y políticas públicas.” In Luis Ayala and Jesús Ruiz-Huerta (dir.). *Tercer informe sobre la desigualdad en España*. Madrid: Fundación Alternativas, 2018. <http://www.fundacionalalternativas.org/las-publicaciones/informes/3er-informe-sobre-la-desigualdad-en-espana-2018>; and Eurostat. *At-risk-of-poverty rate by poverty threshold [ilc_li02]*. http://appsso.eurostat.ec.europa.eu/nui/show.do?lang=en&dataset=ilc_li02.

¹⁴ Calonge Ramírez, Samuel, and Antonio Manresa Sánchez. “Crisis económica y desigualdad de la renta en España. Efectos distributivos de las políticas públicas.” *Estudios de la fundación Funcas* 92, 2019. <https://www.funcas.es/libro/crisis-economica-y-desigualdad-de-la-renta-en-espana-efectos-distributivos-de-las-politicas-publicas-octubre-2019/>.

¹⁵ While in the EU-27, the risk of poverty increased by only 6 tenths of a percentage point between 2007 and 2014, in Spain it increased by 2.5%. Similarly, the Gini index increased by 4 tenths in the EU-27 in that period, while in Spain it increased by almost 3 points. See: Eurostat. *Gini coefficient of equivalised disposable income [ilc_di12]* <https://ec.europa.eu/eurostat/data/database>; and Eurostat. *At-risk-of-poverty*

rate by poverty threshold [ilc_li02]. <https://ec.europa.eu/eurostat/data/database>.

¹⁶ Vizán Rodríguez, Carmen. *La caída del peso económico de las rentas del trabajo*. Madrid: Fundación Alternativas, Zoom Económico. 2018. https://www.fundacionalternativas.org/public/storage/laboratorio_documentos_archivos/67191fa0e178c4aff9bca00189d2210a.pdf.

¹⁷ To calculate the difficulties in making ends meet, the percentages of those reporting "with difficulty", "with some difficulty" and "with great difficulty" are added together. For further details, refer to: INE. *Living conditions survey 2019: Personas de 16 y más años por dificultades para llegar a fin de mes*, <https://www.ine.es/jaxiT3/Datos.htm?t=9987#!tabs-grafico>, e *Incapacidad de hacer frente a gastos económicos imprevistos por sexo y periodo*. <https://www.ine.es/jaxi/Datos.htm?path=/t00/ICV/dim1/&file=13203.px#!tabs-tabla>.

¹⁸ INE. Encuesta de Condiciones de Vida 2007, 2014, 2017 (base 2004 y 2013). https://www.ine.es/dyngs/INEbase/es/operacion.htm?c=Estadistica_C&cid=1254736176807&menu=ultiDatos&idp=1254735976608.

¹⁹ According to official estimates, the MVI will reach 850,000 households (2.3 million people) living in extreme poverty. Their coverage would triple the protection offered by regional minimum incomes in 2018. The approval of the MVI is a historic step forward, covering the basic needs of the most deprived population, although its deployment will necessarily be gradual and may take some time to achieve its objectives. This policy will also help to reduce the impact of the COVID-19 pandemic. However, the programme does not cover households that fall within the financial vulnerability band between the severe and moderate poverty lines. Reducing this vulnerability and the dependence of many households in this situation on the economic upturn will require advances in other forms of non-contributory protection. Ministerio de Inclusión, Seguridad Social, y Migraciones. *Ingreso Mínimo Vital*. <http://www.seg-social.es/wps/portal/wss/internet/Trabajadores/PrestacionesPensionesTrabajadores/65850d68-8d06-4645-bde7-05374ee42ac7?changeLanguage=es>.

²⁰ The data come from various sources such as INE's Household Budget Survey and Eurostat's EU-SILC. For further details, see: Cantó, Olga, and Luís Ayala. "The Driving Forces of Rising Inequality in Spain." In Nolan, Brian (ed.). *Inequality and Inclusive Growth in Rich Countries: Shared Challenges and Contrasting Fortunes*. Oxford: Oxford University Press, 2018. <http://10.1093/oso/9780198807032.001.0001>.

²¹ *Ibid.*

²² In this case, the equivalent disposable income per adult person after taxes and contributions and before transfers is used to calculate the Gini Coefficient.

²³ Between 2014-2018, Spain was the 7th, 6th, 5th, 4th and 7th most unequal economy in the EU-27. For further details on the construction of the EU-8, see the *Metodologic Note* number I. See: Eurostat. *Gini coefficient of equivalised disposable income [ilc_di12]* <https://ec.europa.eu/eurostat/data/database>.

²⁴ EAPN. *El Estado de la Pobreza: Seguimiento del Indicador de Pobreza y Exclusión Social en España 2008-2019*. Madrid: EAPN España, 2020. https://www.eapn.es/ARCHIVO/documentos/documentos/1602601812_informe_arope_2020.pdf.

²⁵ At-risk-of-poverty is defined as an income level below 60% of the

national median, which in Spain is about 740 euros per month. If one considers the differences between regions, the situation becomes even more alarming. While in Spain there are several autonomous regions with poverty risk rates below the European average, there are six that are twice as high as the highest EU rate. For further details, see: INE. *Living conditions survey 2019: Tasa de riesgo de pobreza por comunidades autónomas*. <https://www.ine.es/jaxiT3/Datos.htm?t=9963#!tabs-tabla>; and Department of Health, Consumer Affairs and Social Welfare. *Evolución de la pobreza en España 2009-2018*. Madrid, 2018. https://www.mscbs.gob.es/ssi/familiasInfancia/inclusionSocial/inclusionSocialEspana/Evolucion_indica_pobreza_09_18.pdf.

²⁶ The poverty risk is calculated using the cut-off point of 60% of the median equivalent income after social transfers. See: Eurostat. *At-risk-of-poverty rate by poverty threshold [ilc_li02]*. <https://ec.europa.eu/eurostat/data/database>.

²⁷ The percentage of the population that was in poverty in the reference year and in two of the last three years (14% in 2018) is higher than the EU-27 average (11%). See: Eurostat. *Persistent at-risk-of-poverty rate [ilc_li21]*. <https://ec.europa.eu/eurostat/data/database>.

²⁸ The percentage of the population aged 15-29 at risk of poverty was 26.6% in 2019, more than 7 points above the European average and more than 6 points above the national average. See: Eurostat. *At-risk-of-poverty rate by poverty threshold [ilc_li02]*. <https://ec.europa.eu/eurostat/data/database>.

²⁹ See: Blanco, Roberto, et al. *El Mercado de la Vivienda en España entre 2014 y 2019*. Banco de España, Documentos ocasionales, nº 2013, 2020. <https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSerias/DocumentosOcasiones/20/Fich/do2013.pdf>; y Department of Health, Consumer Affairs and Social Welfare. *Estrategia Nacional de Prevención y Lucha contra la Pobreza y Exclusión Social para el periodo 2019-2023*. Madrid, 2019. https://www.mscbs.gob.es/ssi/familiasInfancia/inclusionSocial/inclusionSocialEspana/Estrategia_Prev_y_Lucha_Pobreza_2019-23.pdf.

³⁰ Save the Children. *Infancia en Reconstrucción: medidas para luchar contra la desigualdad en la nueva normalidad*. Madrid: Save the Children, 2020. https://www.savethechildren.es/sites/default/files/2020-07/Informe_Infancia_En_Reconstruccion.pdf.

³¹ Alto Comisionado Contra la Pobreza Infantil. *La transmisión intergeneracional de la desigualdad en España*, 2020. <https://www.comisionadopobrezainfantil.gob.es/sites/default/files/DB%2016.pdf>; e INE. Encuesta de Condiciones de Vida 2019: Módulo sobre la transmisión intergeneracional de la pobreza. Nota de prensa, 2020. https://ine.es/prensa/ecv_2019_m.pdf.

³² Breaking this cycle is the main purpose of the Zero Child Poverty Country Alliance, promoted by the High Commission Against Child Poverty, with the participation of companies, foundations and social organisations. For further details, see: <https://www.comisionadopobrezainfantil.gob.es/es/alianza-pais-pobreza-infantil-cero>.

³³ For example, 56% of children of low-educated parents in our country end up with a low level of education as well, compared to the OECD average of 42%. See: OECD. *A Broken Social Elevator? How to Promote Social Mobility*. Paris: OECD Publishing, 2018. <https://www.oecd.org/spain/social-mobility-2018-ESP-ES.pdf>.

³⁴ Fundación Felipe González and Fundación COTEC. “Atlas de Oportunidades.” COTEC, 2020. <https://www.cotec.es/fundacionfelipegonzalez/oportunidades/>; and OCDE. *A Broken Social Elevator? How to Promote Social Mobility*. Paris: OECD Publishing, 2018. <https://doi.org/10.1787/9789264301085-en>.

³⁵ For further details, see: Serrano, Lorenzo. “El abandono educativo temprano: análisis del caso español.” Instituto Valenciano de Investigaciones Económicas, 2013. http://web2016.ivie.es/wpcontent/uploads/2017/06/Informe_Abandono_Educativo_Temprano.pdf.

³⁶ UNICEF. *Worlds of Influence Understanding What Shapes Child Well-being in Rich Countries*. Florence: UNICEF Office of Research, 2020. <https://www.unicef-irc.org/publications/pdf/Report-Card-16-Worlds-of-Influence-child-wellbeing.pdf>.

³⁷ Eurostat. *In-work at-risk-of-poverty rate [tespm070]*, 2019. <https://ec.europa.eu/eurostat/data/database>.

³⁸ The poverty rate is the proportion of people (in a given age group) whose income is below the poverty line, in this case calculated as 60% of the average household income of the total population. See: Eurostat. *At-risk-of-poverty rate by poverty threshold [ilc_li02]*. <https://ec.europa.eu/eurostat/data/database>.

³⁹ Banco de España. Encuesta Financiera de las Familias. 2017. https://www.bde.es/bde/es/areas/estadis/estadisticas-por/encuestas-hogar/relacionados/Encuesta_Financi/eff_2017.html.

⁴⁰ The 90/50 ratio indicates the percentage of wealth owned by the richest 10% as a function of that owned by the poorest 50%. The EU-8 includes the average of Belgium, Finland, France, Austria, the Netherlands and Germany. The EU-27 includes all countries except Denmark, Sweden, Bulgaria and Romania. For further details, see: European Central Bank. *Household Finance and Consumption Survey (HFCS)*. https://www.ecb.europa.eu/stats/ecb_surveys/hfcs/html/index.en.html.

⁴¹ Artola Blanco, Miguel, Luis E. Bauluz, and Clara Martínez-Toledano. “Wealth in Spain, 1900-2017: A Country of Two Lands.” *The Economic Journal*, n.º ueaa103, 2020. <https://doi.org/10.1093/ej/ueaa103>.

⁴² Martínez-Toledano, Clara. “House Price Cycles, Wealth Inequality and Portfolio Reshuffling.” *World Inequality Lab working paper*, n.º 2, 2020. <https://wid.world/document/house-price-cycles-wealth-inequality-and-portfolio-reshuffling-wid-world-working-paper-2020-02/>.

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⁴⁴ De Dominicis, Laura, Raymond J.G.M Florax, and Henri L. F. de Groot. “A Meta-Analysis On The Relationship Between Income Inequality And Economic Growth.” *Scottish Journal of Political Economy* 55, n.º 5, 2008. <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1467-9485.2008.00470.x>.

⁴⁵ Welch, Finis. “In defense of inequality.” *The American Economic Review* 89, n.º 2, 1999. <https://www.aeaweb.org/articles?id=10.1257/aer.89.2.1>; and Mueller, Holger, Paige Ouimet, and Elena Simintzi. “Within-firm pay inequality.” *The Review of Financial Studies* 30, n.º 10, 2017. <https://doi.org/10.1093/rfs/hhx032>.

⁴⁶ The OECD estimates that, between 1970 and 2010, income inequality reduced economic growth in 31 countries by an average of 4.7 percentage points. The relationship also runs in the opposite direction: the IMF finds that longer periods of growth are associated with lower income inequality. Moreover, an improvement in the wage share of low incomes and ensuring that there is no hollowing out of the middle class is good for growth. See: OECD. *In it Together: Why Less Inequality Benefits All*. Paris: OECD Publishing, 2015. <https://doi.org/10.1787/9789264235120-en>; Berg, Andrew G., and Jonathan D. Ostry. “Inequality and Unsustainable Growth: Two Sides of the Same Coin?” *International Monetary Fund Discussion Note*, n.º 11/08, 2011. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2016/12/31/Inequality-and-Unsustainable-Growth-Two-Sides-of-the-Same-Coin-24686>; Piketty, Thomas. *Capital in the Twenty-First Century*. Cambridge: Harvard University Press, 2017; y Dabla-Norris, Eva, et al. “Causes and consequences of income inequality: a global perspective.” *IMF Discussion Note*, n.º 15/13, 2015. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2016/12/31/Causes-and-Consequences-of-Income-Inequality-A-Global-Perspective-42986>.

⁴⁷ Rajan, Raghuram G. *Fault lines: How hidden fractures still threaten the world economy*. New Jersey: Princeton University Press, 2010.

⁴⁸ The effect of inequality on innovation is complex. On the one hand, a certain level of inequality can generate positive incentives for investment. However, when inequality is very high, it tends to be transmitted inter-generationally, thus reducing entrepreneurship and innovation by the most vulnerable, who will not contribute to innovation as they are unlikely to have sufficient resources to do so. See: De Nardi, Mariacristina. “Wealth Inequality and Intergenerational Links.” *Review of Economic Studies* 71, n.º 3, 2004. <http://users.nber.org/~denardim/research/denardi.pdf>; Piketty, Thomas. “On the Long-Run Evolution of Inheritance – France 1820-2050.” *The Quarterly Journal of Economics* 126, n.º 3, 2011. <https://academic.oup.com/qje/article-abstract/126/3/1071/1853329?redirectedFrom=fulltext>; Jacobs, Elisabeth. *What Do Trends in Economic Inequality Imply for Innovation and Entrepreneurship?: A Framework for Future Research and Policy*. Washington Center for Equitable Growth, 2016. <http://cdn.equitablegrowth.org/wp-content/uploads/2016/02/16094329/021616-innovation-jacobs.pdf>; Zweimüller, Josef. “Schumpeterian Entrepreneurs Meet Engel’s Law: The Impact of Inequality on Innovation-Driven Growth.” *Journal of Economic Growth* 5, 2000. <https://doi.org/10.1023/A:1009889321237>; and Weinhold, Diana, and Usha Nair-Reichert. “Innovation, Inequality and Intellectual Property Rights.” *World Development* 37, n.º 5, 2009. <https://doi.org/10.1016/j.worlddev.2008.09.013>; and Murphy, Kevin M., Andrei Shleifer, and Robert Vishny. “Income Distribution, Market Size, and Industrialization.” *The Quarterly Journal of Economics* 104, n.º 5, 1989. <https://doi.org/10.2307/2937810>.

⁴⁹ Stiglitz, Joseph E. *The price of inequality: How today’s divided society endangers our future*. New York: WW Norton & Company, 2012.

⁵⁰ Alesina, Alberto, and Roberto Perotti. “Income distribution, political

instability, and investment.” *European Economic Review* 40, n.º 6, 1996. [https://doi.org/10.1016/0014-2921\(95\)00030-5](https://doi.org/10.1016/0014-2921(95)00030-5); and Vidal, Guillem. “Participación electoral y desigualdad política en España.” In Alberto Penadés de la Cruz (dir.) *Informe sobre la Democracia en España* 2019. Madrid: Fundación Alternativas, 2020. https://www.fundacionalternativas.org/public/storage/publicaciones_archivos/423630e5d43b0775509d13d7a725aa88.pdf.

⁵¹ Kelly, Morgan. “Inequality and crime.” *The Review of Economics and Statistics* 82, n.º 4, 2006. <https://doi.org/10.1162/003465300559028>.

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⁵³ Jong-Sung, You, and Sanjeev Khagram. “A comparative study of inequality and corruption.” *American Sociological Review* 70, n.º 1, 2005. <https://doi.org/10.1177/000312240507000107>.

⁵⁴ Olivera, Javier. “Changes in Inequality and Generalized Trust in Europe.” *Social Indicators Research* 124, 2015. <https://doi.org/10.1007/s11205-014-0777-5>; and Gustavsson, Magnus, and Henrik Jordahl. “Inequality and trust in Sweden: Some inequalities are more harmful than others.” *Journal of Public Economics* 92, n.º 1-2, 2008. <https://doi.org/10.1016/j.jpubeco.2007.06.010>.

⁵⁵ Wilkinson, Robert, and Kate Pickett. *The Spirit Level: Why Equality is Better for Everyone*. London: Penguin, 2010.

⁵⁶ International Monetary Fund. *IMF Fiscal Monitor: Tackling Inequality*. Washington D.C., 2017. <https://www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017>.

⁵⁷ OECD. *A Broken Social Elevator? How to Promote Social Mobility*. Paris: OECD Publishing, 2018. <https://doi.org/10.1787/9789264301085-en>.

⁵⁸ This has stopped later for women as they started from a more unfavourable situation and benefited from a later entry into higher education and the labour market. Despite this more positive development for women in recent years, the gender pay gap is far from closing and motherhood is associated with a 28% annual pay penalty 10 years after childbirth. On this issue, see: De Quinto, Alicia, Laura Hospido and Carlos Sanz. “The Child Penalty in Spain.” *Banco de España, Documentos Ocasionales*, n.º 2017, 2020. <https://repositorio.bde.es/bitstream/123456789/10459/1/do2017e.pdf>.

⁵⁹ OECD. *A Broken Social Elevator? How to Promote Social Mobility*. Paris: OECD Publishing, 2018. <https://doi.org/10.1787/9789264301085-en>; Bukodi, Erzsébet, Marii Paskov, and Brian Nolan. “Intergenerational Class Mobility in Europe: A New Account.” *Social Forces* 98, n.º 3, 2020. <https://doi.org/10.1093/sf/soz026>; and Breen, Richard, y Walter Müller (eds.). *Education and Intergenerational Social Mobility in Europe and the United States*. Standford: Standford Unversity Press, 2020.

⁶⁰ Fundación Felipe González and Fundación COTEC. “Atlas de Oportunidades.” COTEC, 2020. <https://www.cotec.es/fundacionfelipegonzalez/opportunidades/>.

⁶¹ Marqués Perales, Ildefonso. *La movilidad social en España*. Madrid: Catarata, 2015.

⁶² For example, it is estimated that, at the current level of intergenerational mobility, it would take four generations for a low-income family to reach middle income. See: OECD. *A Broken Social Elevator? How to Promote Social Mobility*. Paris: OECD Publishing, 2018. <https://doi.org/10.1787/9789264301085-en>.

⁶³ Gil-Hernández, Carlos J., Fabrizio Bernardi, and Ruud Luijkx. “Intergenerational social mobility in twentieth-century Spain: Social fluidity without educational equalization.” In Richard Breen y Walter Müller (eds.). *Education and Intergenerational Social Mobility in Europe and the United States*. Standford: Standford Unversity Press, 2020; and Gil-Hernández, Carlos J., Ildefonso Marqués Perales, and Sandra Fachelli. “Intergenerational social mobility in Spain between 1956 and 2011: The role of educational expansion and economic modernisation in a late industrialised country.” *Research in Social Stratification and Mobility* 51, 2017. <https://doi.org/10.1016/j.rssm.2017.06.002>.

⁶⁴ Alto Comisionado Contra la Pobreza Infantil. *Pobreza Infantil y Desigualdad educativa en España*. 2020. <https://www.comisionadopobrezainfantil.gob.es/sites/default/files/Informe%20ACPI-Educación%20mini.pdf>.

⁶⁵ The EU-8 does not include Austria due to lack of data and is calculated as the simple average of the values for each of its countries. The OECD averages shown are calculated as the simple average of the available OECD countries for each variable. The indicators for “educational mobility” and “occupational mobility” correspond to figures 4.6 and 5.13.A, respectively, in the above-mentioned report. Data are from the European Social Survey (2002-2014). See: OECD. *A Broken Social Elevator? How to Promote Social Mobility*. Paris: OECD Publishing, 2018. <https://doi.org/10.1787/9789264301085-en>.

⁶⁶ For example, 64% of people born into the poorest quintile end up staying there, compared to 57% in the OECD. Moreover, according to the Opportunity Atlas, children from poor families have lower incomes when they grow up. On average, those from poor households (<20% of income) have incomes around the 40th percentile. In contrast, those who have grown up in wealthy families (>80%) have them above the 60th percentile. See: OECD. *A Broken Social Elevator? How to Promote Social Mobility*. Paris: OECD Publishing, 2018. <https://www.oecd.org/spain/social-mobility-2018-ESP-ES.pdf>; and Fundación Felipe González, and Fundación COTEC. “Atlas de Oportunidades.” COTEC, 2020. <https://www.cotec.es/fundacionfelipegonzalez/opportunidades/>.

⁶⁷ For example, the percentage of sons and daughters from lower-middle socio-economic status families reaching professional or managerial occupations in our country is 15%, while in high status families it is 40-45%. See: Marqués Perales, Ildefonso. *La movilidad social en España*. Madrid: Catarata, 2015.

⁶⁸ For example, in 2017, while overweight affected 12% of adults in the richest quintile of the population, the percentage was twice as high in the poorest quintile. See: Department of Health, Consumer Affairs and Social Welfare. *Encuesta Nacional de Salud 2017*. Madrid, 2017. <https://www.mscbs.gob.es/estadEstudios/estadisticas/encuestaNacional/encuesta2017.htm>; Zapata Moya, Ángel R., et al. “Social inequality in morbidity, framed within the current economic crisis in Spain.” *International Journal for Equity in Health* 14, n.º 131, 2015. <https://doi.org/10.1186/s12939-015-0217-4>; Gullón, Pedro, et al. “Social Inequities in Cardiovascular Risk Factors in Women and Men

by Autonomous Regions in Spain.” *Gaceta Sanitaria*, 2020. <https://doi.org/10.1016/j.gaceta.2020.04.014>; Gil, José, and Samia Takourabt. “Socio-Economics, Food Habits and the Prevalence of Childhood Obesity in Spain.” *Child: Care, Health and Development* 43, nº 2, 2017. <https://doi.org/10.1111/cch.12408>; and Balaj, Mirza, et al. “The Social Determinants of Inequalities in Self-Reported Health in Europe: Findings from the European Social Survey (2014) Special Module on the Social Determinants of Health.” *European Journal of Public Health* 27, nº suppl_1, 2017. <https://doi.org/10.1093/eurpub/ckw217>.

⁶⁹ The data for Madrid are from the City Council and the difference is 10 years (78.4 years in the neighbourhood of Amposta, district of San Blas; 88.7 in the neighbourhood of El Goloso, district of Fuencarral-El Pardo). In Barcelona the differences are by districts, not neighbourhoods. Differences in 2016 were, for men: 78.1 in Ciutat Vella and 83 in Les Corts; for women: 85.2 in Ciutat Vella and 87.7 in Nou Barris. Logically, the differences will be much greater when looking at neighbourhoods. See: Agència de Salut Pública de Barcelona. *La salut a Barcelona 2017*. Barcelona, 2017. <https://www.aspb.cat/wp-content/uploads/2018/11/Informe-Salut-2017-web.pdf>; and Madrid. Districts in figures. <https://www.madrid.es/portales/munimadrid/es/Inicio/El-Ayuntamiento/Estadistica/Distritos-en-cifras/Distritos-en-cifras-Informacion-de-Distritos-/?vgnnextfmt=default&vgnnextoid=74b33ece5284c310VgnVCM1000000b205a0aRCRD&vgnnextchannel=27002d05cb71b31-0VgnVCM1000000b205a0aRCRD>.

⁷⁰ See: OECD. *Under Pressure: The Squeezed Middle Class*. Paris: OECD Publishing, 2019. <https://doi.org/10.1787/689afed1-en>; and Milanovic, Branko. *Global Inequality: A New Approach for the Age of Globalization*. Cambridge (MA): Harvard University Press, 2016.

⁷¹ Between 1980 and 2016, the incomes of the poorest half of the world's population, mostly concentrated in emerging countries, grew significantly, as did the incomes of the richest 1%, which captured 27% of total growth during this period. In contrast, the incomes of the European and North American middle and working classes fell. See: Alvaredo, Facundo, et al. (eds.). *World Happiness Report 2018*. Cambridge: Harvard University Press, 2018.

⁷² Goos, Maarten, Alan Manning, and Anna Salomons. “Explaining Job Polarization: Routine-Biased Technological Change and Offshoring.” *The American Economic Review* 104, nº 8, 2014. <https://doi.org/10.1257/aer.104.8.2509>.

⁷³ Sebastián, Raquel. “Explaining job polarisation in Spain from a task perspective.” *SERIEs* 9, 2018. <https://doi.org/10.1007/s13209-018-0177-1>.

⁷⁴ Cantó, Olga, Carmelo García-Pérez, and Marina Romaguera-de-la-Cruz. “The dimension, nature and distribution of economic insecurity in European countries: A multidimensional approach.” *Economic Systems*, 2020. <https://doi.org/10.1016/j.ecosys.2020.100807>.

⁷⁵ On the idea of predistribution, see: Zalakain, Joseba and Borja Barragué. *Repensar las políticas sociales: predistribución e inversión social*. Madrid: Grupo 5, 2017.

⁷⁶ The redistributive effect of taxes is calculated by subtracting two Gini coefficients. The first corresponds to primary or market income (including pensions), and the second to disposable income plus direct taxes. The lower redistributive effect of direct taxes in Spain has to do with two characteristics of direct taxes in our country: the lower

weight of personal income tax (which is progressive) compared to social security contributions, and the role of tax benefits, which moderate the progressivity of personal income tax. See: European Commission. *Taxation Trends in the European Union*. Luxembourg: Publications Office of the European Union, 2019. https://ec.europa.eu/taxation_customs/sites/taxation/files/taxation_trends_report_2019.pdf; and EUROMOD. *Statistics on Distribution and Decomposition of Disposable Income*. <https://www.euromod.ac.uk/using-euromod/statistics>.

⁷⁷ *World Inequality Database 2020. Post/pre-tax national income, P90/10*. <https://wid.world/>.

⁷⁸ The EU-8 is calculated as the simple average of the values of its member countries. EU-27 is the data directly provided by Eurostat. See: Eurostat. *Main national accounts tax aggregates [gov_10a_taxag]: Total receipts from taxes and compulsory social contributions after deduction of amounts assessed but unlikely to be collected*. <https://ec.europa.eu/eurostat/data/database>.

⁷⁹ See: López Laborda, Julio, Carmen Marín González, and Jorge Onrubia. “Observatorio sobre el reparto de los impuestos y las prestaciones monetarias entre los hogares españoles. Cuarto informe: 2016 y 2017.” *FEDEA, Estudios sobre la Economía Española*, nº 36, 2019. <https://www.fedea.net/observatorio-sobre-el-reparto-de-los-impuestos-y-las-prestaciones-monetarias-entre-los-hogares-espanoles-cuarto-informe-2016-y-2017/>; and Department of Health, Consumer Affairs and Social Welfare. *Evolución de la pobreza en España 2009-2018*. Madrid, 2018. https://www.msbs.gob.es/ssi/familiasInfancia/inclusionSocial/inclusionSocialEspana/Evolucion_indica_pobreza_09_18.pdf.

⁸⁰ *Ibid.*

⁸¹ In 2019, personal income tax revenues accounted for 41% of state tax revenues. This tax is followed by VAT (34%) and corporate income tax (11%). See: Tax Agency. “Informe Anual de Recaudación Tributaria.” Agencia Tributaria, https://www.agenciatributaria.es/AEAT.internet/Inicio/La_Agencia_Tributaria/Memorias_y_estadisticas_tributarias/Estadisticas/Recaudacion_tributaria/Informes_anuales_de_Recaudacion_Tributaria/_Ayuda_Ejercicio_2019/_Ayuda_Ejercicio_2019.html.

⁸² Although Spain's personal income tax collection is close to the EU average (around 7.8% of GDP), so far the tax benefits of personal income tax have benefited comparatively more the richer population. Thus, the 10% of taxpayers with the highest net wealth obtain personal income tax benefits that account for at least 33% of the total collection cost of the tax. This cost is mostly explained by the reduction in the tax base of contributions to social security systems (private pension plans), as well as by reductions for renting housing. For further details, see: AIREf. *Evaluación del gasto público 2019: Beneficios Fiscales*. Madrid, 2020. <https://www.airef.es/wp-content/uploads/2020/PDF-WEB-BF-1.pdf#page=75>.

⁸³ In order to increase the revenue and progressivity of the system, in 2021 the personal income tax has been increased by two points for earned income above 300,000 euros. See: Department of Finance. *Presupuestos Generales del Estado*. <https://www.hacienda.gob.es/es-ES/areas%20tematicas/presupuestos%20generales%20del%20estado/Paginas/Presupuestos.aspx>.

⁸⁴ The General State Budget for 2021 has modified the reduction for

contributions to private social security systems from 8,000 to 2,000 euros. See: Department of Finance. Presentación del Proyecto de Presupuestos Generales del Estado 2021. Madrid, 2021. <https://www.sepg.pap.hacienda.gob.es/sitios/sepg/es-ES/Presupuestos/PGE/ProyectoPGE2021/Documents/LIBROAMARILLO2021.pdf>.

⁸⁵ The objective assessment method in personal income tax does not directly collect the income obtained by taxpayers who carry out certain economic activities. See: Tax Agency. “Regímenes para determinar el rendimiento de las actividades económicas. Estimación Objetiva.” Agencia Tributaria, https://www.agenciatributaria.es/AEAT.internet/Inicio/_Segmentos_/Empresas_y_profesionales/Empresarios_individuales_y_profesionales/Rendimientos_de_actividades_economicas_en_el_IRPF/Regimenes_para_determinar_el_rendimiento_de_las_actividades_economicas/Estimacion_Objativa.shtml.

⁸⁶ Practices such as the deferral of income from movable capital (taxation at the time the asset is transferred even though there may be a latent gain in previous years) reduce the collection capacity of this tax. See: AIRef. *Evaluación del gasto público 2019: Beneficios Fiscales*. Madrid, 2020. <https://www.airef.es/wp-content/uploads/2020/PDF-WEB-BF-1.pdf#page=75>.

⁸⁷ Spain is one of the EU countries that collects the least in indirect taxes (24th in the EU, with 11.9% of GDP in 2018) and consumption taxes (26th in the EU, with 9.6% of GDP in 2018). In the specific case of VAT, our implicit rate is among the lowest in Europe (24th, 6.6% of GDP), due to the existence of reduced and super-reduced rates for a broad base of products. Overall, VAT and Excise Taxes enjoy the highest tax benefits of any tax category (amounting to a tax expenditure of around 3.5% of GDP). However, VAT tax benefits seem to fulfil their role of limiting the regressivity of the tax, so that any revenue increases that might be gained by eliminating them should be accompanied by measures to ensure access to goods covered by reduced rates for lower-income households. For further details, see: AIRef. *Evaluación del gasto público 2019: Beneficios Fiscales*. Madrid, 2020. <https://www.airef.es/wp-content/uploads/2020/PDF-WEB-BF-1.pdf#page=75>; y European Commission. *Taxation Trends in the European Union*. Luxembourg: Publications Office of the European Union, 2019. https://ec.europa.eu/taxation_customs/sites/taxation/files/taxation_trends_report_2019.pdf.

⁸⁸ For further details, see: López Laborda, Julio, Carmen Marín González, and Jorge Onrubia. “Observatorio sobre el reparto de los impuestos y las prestaciones monetarias entre los hogares españoles. Cuarto informe: 2016 y 2017.” FEDEA, *Estudios sobre la Economía Española*, nº 36, 2019. <https://www.fedea.net/observatorio-sobre-el-reparto-de-los-impuestos-y-las-prestaciones-monetarias-entre-los-hogares-espanoles-cuarto-informe-2016-y-2017/>.

⁸⁹ Assessing the progressivity of taxation of corporate profits requires joint consideration of corporate income tax and personal income tax, as the latter is responsible for taxing dividends distributed to shareholders and capital gains generated by share transfer transactions. However, it should be noted that a significant volume of this corporate income is taxed differently for personal income tax purposes as it is capitalised in portfolios of investment funds and SICAVs (Sociedades de Inversión de Capital Variable)

⁹⁰ Net revenue from corporate income tax fell from 44,823 million euros

in 2007 to just 16,198 million euros in 2010, which as a percentage of GDP meant a loss of three percentage points from 4.5% to 1.5% of GDP. Since 2012, revenue collection has remained stable at levels around 1.9% of GDP. This trend towards lower revenue collection has been quite generalised at a global and European level after the 2008 financial crisis, although in Spain the fall has been more pronounced. See: Tax Agency. “El Impuesto sobre Sociedades.” Tax Agency, https://www.agenciatributaria.es/AEAT.internet/Inicio/La_Agencia_Tributaria/Memorias_y_estadisticas_tributarias/Estadisticas/Recaudacion_tributaria/Informes_anuales_de_Recaudacion_Tributaria/_Ayuda_Ejercicio_2018/3__El_Impuesto_sobre_Sociedades/3__El_Impuesto_sobre_Sociedades.html; and OECD. *Corporate Tax Statistics Database*. OCDE, <https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-database.htm>.

⁹¹ In the OECD economies as a whole, the average statutory tax rate reached 28.0% in 2000, falling to 20.6% in 2020. In the EU-27, the marginal (highest) corporate income tax rate has been gradually reduced from 26.5% in 2006 to 21.5% in 2020. See: European Commission. *Taxation Trends in the European Union*. Luxembourg: Publications Office of the European Union, 2020. <https://op.europa.eu/en/publication-detail/-/publication/c0b00da7-c4b1-11ea-b3a4-01aa75ed71a1; y> OCDE. “Corporate Tax Statistics Database.” OECD, <https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-database.htm>.

⁹² The ability of multinationals to relocate profits, often within EU borders, means that the Spanish Treasury receives up to 13% less than it would be entitled to in corporate tax. For further details, see: Tørsløv, Thomas R., Ludvig S. Wier, and Gabriel Zucman. “The Missing Profits of Nations.” *NBER Working Paper*, n.º 24701, 2020. https://www.nber.org/system/files/working_papers/w24701/w24701.pdf.

⁹³ Inheritance and Gift Tax and Wealth Tax are state taxes whose regulatory capacity is ceded to the autonomous communities (Law 14/1996), which has generated a high degree of regulatory heterogeneity that sometimes distorts the aggregate collection of these taxes and undermines the progressivity of the system. For further details, see: Official State Gazette. Ley 14/1996, de 30 de diciembre, de cesión de tributos del Estado a las Comunidades Autónomas y de medidas fiscales complementarias. Madrid, 1996. <https://www.boe.es/eli/es/l/1996/12/30/14/dof/spa/pdf>; López Laborda, Julio and Fernando Rodrigo Saucó. “Movilidad de los contribuyentes de rentas altas en respuesta a las diferencias regionales en los impuestos personales.” FEDEA, *Studies on the Spanish Economy*. 2017. <https://ideas.repec.org/p/fda/fdaeee/eee2017-28.html>; and Department of Finance. *Tributación Autonómica. Medidas 2020*. Madrid, 2020. <https://www.hacienda.gob.es/Documentacion/Publico/PortalVarios/FinanciacionTerritorial/Autonómica/Cap%3ADTulo%20I%20Tributaci%3CB3n%20Auton%3CB3mica%202020.pdf>.

⁹⁴ European Commission. *Taxation Trends in the European Union*. Luxembourg: Publications Office of the European Union, 2020. <https://op.europa.eu/en/publication-detail/-/publication/c0b00da7-c4b1-11ea-b3a4-01aa75ed71a1>.

⁹⁵ López Laborda, Julio, Carmen Marín González, and Jorge Onrubia. “Observatorio sobre el reparto de los impuestos y las prestaciones monetarias entre los hogares españoles. Cuarto informe: 2016 y 2017.” FEDEA, *Estudios sobre la Economía Española*, nº 36, 2019. <https://www.fedea.net/observatorio-sobre-el-reparto-de-los-impuestos-y->

las-prestaciones-monetarias-entre-los-hogares-espanoles-cuarto-informe-2016-y-2017/.

⁹⁶ Hemerijc, Anton. *The uses of social investment*. Oxford: Oxford University Press, 2017.

⁹⁷ In fact, spending on health and education alone has come to account for more than half and a third, respectively, of the incomes of the poorest two deciles, compared to just 5% of the incomes of the richest decile. For further details, see: Calonge Ramírez, Samuel, and Antonio Manresa Sánchez. “Crisis económica y desigualdad de la renta en España. Efectos distributivos de las políticas públicas.” *Estudios de la Función Funcas* 92, 2019. <https://www.funcas.es/libro/crisis-economica-y-desigualdad-de-la-renta-en-espana-efectos-distributivos-de-las-politicas-publicas-octubre-2019/>.

⁹⁸ Eurostat. *Gini coefficient of equivalised disposable income [ilc_di12]; y Gini coefficient of equivalised disposable income before social transfers (pensions included in social transfers) [ilc_d112b]*. <https://ec.europa.eu/eurostat/data/database>.

⁹⁹ Eurostat. *Impact of social transfers (excluding pensions) on poverty reduction by sex [tespm050]*. <https://ec.europa.eu/eurostat/data/database>.

¹⁰⁰ Social expenditure is the set of current account transfers made by states for redistributive purposes. Data for France, Spain, Croatia and Slovakia are provisional, and those for Portugal are estimates. See: Eurostat. *Total government expenditure on social protection [gov_10a_exp]*. <https://ec.europa.eu/eurostat/data/database>.

¹⁰¹ The introduction of the Minimum Living Income in May 2020 may represent a turning point in this respect, bringing us closer in redistributive terms to other European benchmark countries, although its real impact will depend on the final volume of beneficiaries and the average amount of benefits recognised

¹⁰² That is, only in these three countries are transfers per person in the poorest quintile further away from the average

¹⁰³ Data for Ireland are from 2015, and for Hungary from 2014. See: OECD. *Society at a Glance 2019*. OECD Publishing, 2019. https://doi.org/10.1787/soc_glance-2019-en.

¹⁰⁴ According to Eurostat, in 2019, 38% of people living in rented accommodation in Spain had to spend more than 40% of their disposable income on rent. This is 13 percentage points higher than the EU-27 average. For further details, see: Eurostat. *Housing cost overburden rate by tenure status [tessi164]*. <https://ec.europa.eu/eurostat/data/database>.

¹⁰⁵ It should also be noted that renting can bring some advantages over owning in terms of the absence of financial costs and vulnerability in case the property is accessed through a mortgage

¹⁰⁶ Eurostat. *Distribution of population by tenure status, type of household and income group [ilc_lvho02]*. <https://ec.europa.eu/eurostat/data/database>.

¹⁰⁷ Consejo General del Poder Judicial. *Datos sobre el efecto de la crisis en los órganos judiciales por TSJ hasta Segundo Trimestre 2020*. <http://www.poderjudicial.es/cgpj/es/Temas/Estadistica-Judicial/Estudios-e-Infornes/Efecto-de-la-Crisis-en-los-organos-judiciales/Efecto-de-la>

Crisis-en-los-organos-judiciales.

¹⁰⁸ Fundación Foessa. *VIII Informe sobre Exclusión y Desarrollo Social en España*. Madrid: Cáritas Española Editores, 2019. <http://www.plataformatercersector.es/sites/default/files/20190612%20VIII%20Informe-FOESSA-2019-completo.pdf>.

¹⁰⁹ Banco de España. *Indicadores del Mercado de la Vivienda*, 2020. https://www.bde.es/webbde/es/estadis/infoest/si_1_5.pdf.

¹¹⁰ Between 2014 and 2017, the percentage of owner-occupied households headed by a person under 35 years of age has fallen by more than 8 percentage points to 41.3%. For further details, see: Banco de España. *Boletín Económico: Encuesta Financiera de las Familias (EFF) 2017: Métodos, Resultados y Cambios desde 2014*. Madrid, 2019. <https://www.bde.es/fj/webbde/SES/Secciones/Publicaciones/InformesBoletinesRevistas/ArticulosAnaliticos/19/T4/descargar/Fich/be1904-art38.pdf>.

¹¹¹ Palomino, Juan C., Gustavo A. Marrero, Brian Nolan, and Juan Gabriel Rodríguez. “Wealth Inequality, Intergenerational Transfers and Socioeconomic Background.” *Working Papers 537, ECINEQ, Society for the Study of Economic Inequality*, 2020. <https://doi.org/10.2139/ssrn.3623547>.

¹¹² Between 1980 and 2018, the nominal value of wealth grew, on average annually, by 3.3% compared to GDP growth of 2.5%, led by housing. In 1980, housing accounted for half of gross household assets, but two decades later, coinciding with the real estate boom, it reached 65% of the total. After the 2008 crisis, these levels have fallen back to 60% in 2017. This growth in housing wealth was due to both an increase in the number of dwellings and an increase in their prices (they rose by almost 2% per year above inflation in the period 1980-2018). For further details, see: Artola Blanco, Miguel, Luis E. Bauluz, and Clara Martínez-Toledano. “Wealth in Spain, 1900-2017: A Country of Two Lands.” *The Economic Journal*, n.º ueaa103, 2020. <https://doi.org/10.1093/ej/ueaa103>.

¹¹³ *Ibid.*

¹¹⁴ See: Aspachs, Oriol, *et al.* “Measuring income inequality and the impact of the welfare state during COVID-19: Evidence from bank data.” *VoxEU.Org* (blog), 2020. <https://voxeu.org/article/income-inequality-and-welfare-state-during-covid-19#.X2pKVgf9LH8>; Moisés Martín, José. *Estimación Del Efecto Del Covid-19 En La Pobreza Y La Distribución De La Renta En España*. Madrid: Oxfam Intermón, 2020. <https://oxfam.app.box.com/s/ewkxpwf6amaux3rq2fb3hri5zqxj6s8l>; and Eurostat. “Impact of COVID-19 on employment income – advanced estimates.” *Online publication*, 2020. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Impact_of_COVID-19_on_employment_income_-_advanced_estimates#E2.80.A6and_skewed_towards_the_left_of_the_distribution_with_low_wage_earners_having_losses_3_to_6_times_larger_for_half_of_the_countries.

¹¹⁵ A recent Eurostat report estimates that the difference between the loss of income due to the spring 2020 containment measures in low income groups was up to 8 percentage points higher than in high income groups in Spain, well above the rest of European countries. For further details, see: Eurostat. “Impact of COVID-19 on employment income – advanced estimates.” *Online publication*, 2020. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Impact_of_COVID-19_on_employment_income_-_advanced_estimates#E2.80.

A6and_skewed_towards_the_left_of_the_distribution_with_low_wage_earners_having_losses_3_to_6_times_larger_for_half_of_the_countries.

¹¹⁶ Work by the *Institute for Fiscal Studies* for the UK found comparable results. The case of the so-called "state of hibernation", declared by the government between 30 March and 9 April, presents a different profile. With the closure of much of industry and professional services, in addition to the sectors described above, the deciles that could be identified as "middle classes" were hit harder than the rest. However, this episode lasted for only 10 days, so its impact in aggregate terms should be minor. For further details, see: Joyce, Robert, and Xiaowei Xu. *Sector shutdowns during the coronavirus crisis: which workers are most exposed?* Institute for Fiscal Studies Briefing Note, 2020. <https://www.ifs.org.uk/publications/14791>.

¹¹⁷ Ministerio de Inclusión, Seguridad Social y Migraciones. Muestra Continua de Vidas Laborales con datos fiscales (MCVL-CDF). <http://www.seg-social.es/wps/portal/wss/internet/EstadisticasPresupuesto sEstudios/Estadisticas/EST211?changeLanguage=es>.

¹¹⁸ Aspachs, Oriol, *et al.* "Evolución de la desigualdad en tiempo real y efectividad del Estado de Bienestar para amortiguar el impacto de la crisis." *CaixaBank Research, Nota Breve*, 2020. <https://www.caixabankresearch.com/es/publicaciones/notas-breves-actualidad-economica-y-financiera/espana/evolucion-desigualdad-tiempo>.

¹¹⁹ Eurostat. "Impact of COVID-19 on employment income – advanced estimates." *Online publication*, 2020. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Impact_of_COVID-19_on_employment_income_-_advanced_estimates.

¹²⁰ Ministerio de Inclusión, Seguridad Social y Migraciones. Muestra Continua de Vidas Laborales con datos fiscales (MCVL-CDF). <http://www.seg-social.es/wps/portal/wss/internet/EstadisticasPresupuesto sEstudios/Estadisticas/EST211?changeLanguage=es>.

¹²¹ Aspachs, Oriol, *et al.* "Real-time inequality and the welfare state in motion: Evidence from COVID-19 in Spain" *Economic Working Paper Series*, n.º 1734, 2020. <https://econ-papers.upf.edu/papers/1734.pdf>.

¹²² Eurostat. "Impact of COVID-19 on employment income – advanced estimates." *Online publication*, 2020. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Impact_of_COVID-19_on_employment_income_-_advanced_estimates; OXFAM. *Una Reconstrucción Justa es Posible y Necesaria*. 2020. <https://www.oxfamintermon.org/es/publicacion/reconstruccion-justa-posible-necesaria?hsLang=es>; and Palomino, Juan C., Juan G. Rodríguez, y Raquel Sebastián. "Wage inequality and poverty effects of lockdown and social distancing in Europe." *INET Oxford Working Paper*, n.º 13, 2020. https://www.inet.ox.ac.uk/files/Lockdown_inequality_Palomino_Rodriguez_Sebastian_WP.pdf.

¹²³ OXFAM. *Una Reconstrucción Justa es Posible y Necesaria*. 2020. <https://www.oxfamintermon.org/es/publicacion/reconstruccion-justa-posible-necesaria?hsLang=es>.

¹²⁴ Aspachs, Oriol, *et al.* "Measuring income inequality and the impact of the welfare state during COVID-19: Evidence from bank data." *VoxEU. Org (blog)*, 2020. <https://voxeu.org/article/income-inequality-and-welfare-state-during-covid-19#.X2pKVgf9LH8>.

¹²⁵ OECD- *Income Inequality Data*. <https://data.oecd.org/inequality/>

[income-inequality.htm](#).

¹²⁶ Bonal, Xavier y Sheila González. "The impact of lockdown on the learning gap: family and school divisions in times of crisis". *International Review of Education*, 2020. <https://doi.org/10.1007/s11159-020-09860-z>.

¹²⁷ COTEC. "El Impacto De La Escuela En Casa En Las Brechas De Aprendizaje." 2020. <https://cotec.es/el-impacto-de-la-escuela-en-casa-en-las-brechas-de-aprendizaje/>.

¹²⁸ The Gini indices in this figure are obtained from the anonymised processing of CaixaBank's internal payroll data. See: CaixaBank Research. *Monitor de Desigualdad*. <https://inequality-tracker.caixabankresearch.com>.

¹²⁹ Furceri, Davide, Prakash Loungani, Jonathan D. Ostry, and Pietro Pizzuto. "Will Covid-19 affect inequality? Evidence from past pandemics". *Covid Economics* 12, n.º 1, 2020. <https://cepr.org/file/9050/download?token=R4U7P5E8>.

¹³⁰ OXFAM Intermon. *Superar la pandemia y reducir la desigualdad*. <https://f.hubspotusercontent20.net/hubfs/426027/Oxfam-Website/oi-informes/superar-covid-reducir-desigualdad-oxfam-intermon.pdf>.

¹³¹ Moisés Martín, José. *Estimación Del Efecto Del Covid-19 En La Pobreza Y La Distribución De La Renta En España*. Madrid: Oxfam Intermon, 2020. <https://oxfam.app.box.com/s/ewkxpwf6amaux3rq2fb3hri5zqxj6s8l>.

¹³² The few quantitative studies available point in precisely this direction. See in this regard: Rao, Narasimha D., Petra Sauer, Matthew Gidden, and Keywan Riahi. "Income inequality projections for the Shared Socioeconomic Pathways (SSPs)." *Futures* 105, 2018. <https://doi.org/10.1016/j.futures.2018.07.001>.

¹³³ Herce, José Antonio. "La protección social de los trabajadores no convencionales." *Dictamen para ATA*, 2018. <http://www.fundacionalternativas.org/las-publicaciones/informes/3er-informe-sobre-la-desigualdad-en-espana-2018>.

¹³⁴ Vizán Rodríguez, Carmen. *La caída del peso económica de las rentas del trabajo*. Madrid: Fundación Alternativas, Zoom Económico, 2018. https://www.fundacionalternativas.org/public/storage/laboratorio_documentos_archivos/67191fa0e178c4aff9bca00189d2210a.pdf.

¹³⁵ Acemoglu, Daron and Pascual Restrepo. "The Race between Man and Machine: Implications of Technology for Growth, Factor Shares, and Employment." *American Economic Review* 108, n.º 6, 2018. <https://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.20160696>.

¹³⁶ AMECO. *Adjusted wage share: total economy: as percentage of GDP at current prices (Compensation per employee as percentage of GDP at market prices per person employed)*. https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/macro-economic-database-ameco/ameco-database_en.

¹³⁷ Roy, J., P. Tschakert and H. Waisman (coords.). "Sustainable Development, Poverty Eradication and Reducing Inequalities." En Masson-Delmotte, V., *et. al.* *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate*

change, sustainable development, and efforts to eradicate poverty. IPCC, 2018. https://www.ipcc.ch/site/assets/uploads/2018/11/sr15_chapter5.pdf.

¹³⁸ Sterner, Thomas (ed.). *Fuel Taxes and the Poor. The Distributional Effects of Gasoline Taxation and Their Implications for Climate Policy*. Washington D.C.: RFF Press, 2015.

¹³⁹ Household savings include the retained earnings of the enterprises they own. Since the 1980s, Spanish households have saved, on average, 12% of national income, but the differences between groups have been very marked. For further details, see: Bauluz, Luis, Filip Novokmet, and Moritz Schularick. "Anatomy of the Global Wealth Boom." University of Bonn, en prensa.

¹⁴⁰ In the medium to long term, national house prices are expected to grow in line with consumer price (inflation) growth. Over the period 1995-2015, house price growth in Spain has outpaced inflation by 2%. For further details, see: Bauluz, Luis, Filip Novokmet, and Moritz Schularick. "Anatomy of the Global Wealth Boom." University of Bonn, en prensa.

¹⁴¹ This exercise is based on work in progress (Bauluz, Luis, Filip Novokmet, and Moritz Schularick. "Anatomy of the Global Wealth Boom." University of Bonn, in press) that decomposes the dynamics of wealth accumulation between savings and capital gains on different assets, by wealth groups in high-income countries. The results for France and Germany indicate that the dynamics of wealth concentration since 1980 have depended primarily on the distribution of savings (mostly concentrated in the top 10% of the wealth distribution), and housing capital gains (which have moderated inequality in favour of the middle classes). As is well known, inequality in savings depends critically on income inequality. The projections for Spain are therefore based on assuming how (i) real estate prices and (ii) savings inequality (in turn influenced by income inequality) will evolve. Both scenarios assume that house prices follow inflation (such as the Consumer Price Index (CPI)) and differ in the evolution of savings by wealth group. The first scenario assumes that the trends in savings observed from 1984 to 2015 will continue into the future. The second scenario projects developments since 1995, which have been more uneven than in the previous period. For further details, see: Saez, Emmanuel, and Gabriel Zucman. "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data." *The Quarterly Journal of Economics* 131, n.º 2, 2016. <https://doi.org/10.1093/qje/qjw004>; Artola Blanco, Miguel, Luis E. Bauluz, and Clara Martínez-Toledano. Clara Martínez-Toledano. "Wealth in Spain, 1900-2017: A Country of Two Lands." *The Economic Journal*, n.º ueaa103, 2020. <https://doi.org/10.1093/ej/ueaa103>; and Clara Martínez-Toledano. "House Price Cycles, Wealth Inequality and Portfolio Reshuffling." *World Inequality Lab working paper*, n.º 2, 2020. <https://wid.world/document/houseprice-cycles-wealth-inequality-and-portfolio-reshuffling-wid-world-working-paper-2020-02/>.

¹⁴² The recently approved Recovery, Transformation and Resilience Plan (RRTP) includes a broad agenda of reforms that coincide with some of the areas described below. See: https://www.boe.es/diario_boe/txt.php?id=BOE-A-2020-17340.

¹⁴³ Rao, Narasimha D., Petra Sauer, Matthew Gidden, Keywan Riahi. "Income inequality projections for the Shared Socioeconomic Pathways (SSPs)." *Futures* 105, 2018. <https://doi.org/10.1016/j.futures.2018.07.001>.

¹⁴⁴ See: Kuzmenko, Olha, and Victoria Roienko. "Nowcasting income inequality in the context of the Fourth Industrial Revolution." *Socio Economic Challenges* 1, n.º 1, 2017. <https://core.ac.uk/download/pdf/141466113.pdf>; Roberts, Carys, Mathew Lawrence, and Loren King. "Managing automation: Employment, inequality and ethics in the digital age." IPPR Commission on Economic Justice Discussion Paper, 2017. <http://www.ippr.org/publications/managing-automation>; Karabarbounis, Loukas, and Brent Neiman. "The global decline of the labor share." *The Quarterly Journal of Economics* 129, n.º 1, 2014. <https://doi.org/10.1093/qje/qjt032>; Ford, Martin. *Rise of the robots: technology and the threat of a jobless future*. New York: Basic Books, 2015; Arntz, Melanie, Terry Gregory, and Ulrich Zierahn "The risk of automation for jobs in OCDE countries: A comparative analysis", *OCDE Social, Employment and Migration Working Papers*, n.º 189, Paris: OECD Publishing, 2016. <https://doi.org/10.1787/1815199X>; OECD. *Achieving inclusive growth in the face of digital transformation and the future of work*. Paris: OECD Publishing, 2018. https://www.oecd.org/g20/OECD_Achieving%20inclusive%20growth%20in%20the%20face%20of%20FoW.pdf; Graetz, Georg, and Guy Michaels. "Robots at work." *The Review of Economics and Statistics*, n.º 5, 2018. https://www.mitpressjournals.org/doi/pdf/10.1162/rest_a_00754; Rogers, Brishen. "The social costs of Uber." *University of Chicago Law Review Dialogue, Temple University Legal Studies Research Paper*, n.º 2015/28, 2015. <http://dx.doi.org/10.2139/ssrn.2608017>; Tapscott, Don, and Anthony D. Williams. *Wikinomics: How mass collaboration changes everthing*. London: Penguin, 2008; and Hargittai, Eszter. "The Digital Reproduction of Inequality." In David Grusky (ed.). *Social Stratification*. Boulder: Westview Press, 2008. 936–944.

¹⁴⁵ See: Markkanen, Sanna. "Social impacts of climate change mitigation policies and their implications for inequality." *Climate Policy* 19, n.º 7, 2019. <https://doi.org/10.1080/14693062.2019.1596873>; Islam, Nazrul, and John Winkel. "Climate Change and Social Inequality." *United Nations, Department of Economic and Social Affairs. UN/DESA Working Papers*, n.º 152, 2017. https://www.un.org/esa/desa/papers/2017/wp152_2017.pdf; Alexandri, Eva, et al. "The Macroeconomic and Other Benefits of Energy Efficiency." *European Commission*, 2016. https://ec.europa.eu/energy/sites/ener/files/documents/final_report_v4_final.pdf; Owen, Anne, and John Barrett. "Reducing inequality resulting from UK low-carbon policy." *Climate Policy* 20, n.º 10, 2020. <https://doi.org/10.1080/14693062.2020.1773754>; International Labour Organization, and OECD.. *Sustainable development, green growth and quality employment: Realizing the potential for mutually reinforcing policies*. 2012. <https://www.oecd.org/els/emp/50318559.pdf>; Taconet, Nicolas, Aurélie Méjean, and Céline Guivarch. "Influence of climate change impacts and mitigation costs on inequality between countries." *Climate Policy* 160, 2020. <https://doi.org/10.1007/s10584-019-02637-w>; Gouldson, Andy, Andrew Sudmant, Haneen Khreis, and Effie Papagyropoulou. *The Economic and Social Benefits of Low-Carbon Cities: A Systematic Review of the Evidence*. London and Washington D.C.: Coalition for Urban Transitions, 2018. <http://newclimateeconomy.net/content/cities-working-papers>; Just Transition Centre. *Just transition: A report for OECD*. Paris: OECD Publishing, 2017. <https://www.oecd.org/environment/cc/g20-climate/collapsecontents/Just-Transition-Centre-report-just-transition.pdf>; Chancel, Lucas. *Unsustainable Inequalities*. Cambridge: Harvard University Press, 2020. <https://www.hup.harvard.edu/catalog.php?isbn=9780674984653&content=bios>.

¹⁴⁶ On the Universal Public Inheritance proposal, see: Atkinson, Anthony

B. Inequality: *What can be done?* Cambridge: Harvard University Press, 2015.

¹⁴⁷ Moreover, such funds have a distributional dimension, as they ensure a more equitable distribution of returns to capital, which have increased over the last decades at the expense of labour income. See: Karabarbounis, Loukas, and Brent Neiman. "The global decline of the labor share." *The Quarterly Journal of Economics* 129, n.º 1, 2014. <https://doi.org/10.1093/qje/qjt032>.

¹⁴⁸ Mazzucato, Mariana. *El estado emprendedor*. Barcelona: RBA libros, 2014.

¹⁴⁹ The EU-8 is constructed as the simple average of the values of the individual countries, and the EU-27 is the aggregate indicator reported by Eurostat. For further details, see: Eurostat. *Gini coefficient of equivalised disposable income [ilc_di12]* <https://ec.europa.eu/eurostat/data/database>. Tax Agency. For further details, see: Eurostat. *Gini coefficient of equivalised disposable income [ilc_di12]* <https://ec.europa.eu/eurostat/data/database>.

¹⁵⁰ Estimation based on the model of Rao et al consistent with the projections of growth, productivity improvement and education indicators proposed in chapters 1 and 2 of this Strategy. See: Rao, Narasimha D., Petra Sauer, Matthew Giddens, and Keywan Riahi. "Income inequality projections for the Shared Socioeconomic Pathways (SSPs)." *Futures* 105, 2018. <https://doi.org/10.1016/j.futures.2018.07.001>. Estimation based on the model of Rao et al consistent with the projections of growth, productivity improvement and education indicators proposed in chapters 1 and 2 of this Strategy See: Rao, Narasimha D., Petra Sauer, Matthew Giddens, and Keywan Riahi. "Income inequality projections for the Shared Socioeconomic Pathways (SSPs)." *Futures* 105, 2018. <https://doi.org/10.1016/j.futures.2018.07.001>.

¹⁵¹ The poverty risk is calculated using the cut-off point of 60% of the median equivalent income after social transfers. Data of Italy and Ireland are of 2018. The EU-8 is constructed as the simple average of the values of the individual countries, and the EU-27 is the aggregate indicator reported by Eurostat. For further details, see: Eurostat. *At-risk-of-poverty rate by poverty threshold [ilc_li02]*. <https://ec.europa.eu/eurostat/data/database>. The poverty risk is calculated using the cut-off point of 60% of the median equivalent income after social transfers. Data of Italy and Ireland are of 2018. The EU-8 is constructed as the simple average of the values of the individual countries, and the EU-27 is the aggregate indicator reported by Eurostat. For further details, see: Eurostat. *At-risk-of-poverty rate by poverty threshold [ilc_li02]*. <https://ec.europa.eu/eurostat/data/database>.

¹⁵² The odds ratio is used, i.e. at equal mathematics and science proficiency, how many times higher is the probability of repeating an academic year for a student from a more disadvantaged background compared to a student with more resources. For example, a value of 4 means that, with equivalent skills in mathematics and science, a student with fewer resources (25% of students with fewer resources) is four times more likely to have repeated an academic year than a student from a more favourable background (25% of students with more resources). The EU-8 and EU-27 are constructed as the simple average of the values of the individual countries from PISA 2018 microdata. The EU-27 excludes the countries that are not members of the OECD. Bulgaria, Croatia, Cyprus, Malta and Romania. For further details, see: Ferrer, Álvaro. *Todo lo que debes saber de PISA 2018 sobre equidad*.

Madrid, 2019. https://www.savethechildren.es/sites/default/files/imce/dossier_pisa2018_espanadatos.pdf; and OECD. PISA 2018. <https://www.oecd.org/pisa/>.

¹⁵³ Tax revenue is the total revenue from taxes and compulsory social security contributions. The EU-8 is constructed as the simple average of the values of the individual countries, and the EU-27 is the aggregate indicator reported by Eurostat. For further details, see: Eurostat. *Main national accounts tax aggregates [gov_10a_taxag]: Total receipts from taxes and compulsory social contributions after deduction of amounts assessed but unlikely to be collected*. <https://ec.europa.eu/eurostat/data/database>

¹⁵⁴ Social protection expenditure includes, among other items, public spending on pensions, unemployment benefits, active employment policies (including training and guidance policies) and other social assistance. The observed figure is the average from 2015 to 2018. For further details, see: European Commission. *Manual on sources and methods for the compilation of COFOG statistics*. Luxembourg: Publications Office of the European Union, 2019. <https://ec.europa.eu/eurostat/documents/3859598/10142242/KS-GQ-19-010-EN-N.pdf/ed64a194-81db-112b-074b-b7a9eb946c32?t=1569418084000>; and Eurostat. *Total government expenditure on social protection [gov_10a_exp]*. <https://ec.europa.eu/eurostat/data/database>

¹⁵⁵ The observed figure is the average from 2015 to 2017 For further details, see: Medina, Leandro, and Friedrich Schneider. "Shadow Economies Around the World: What Did We Learn Over the Last 20 Years?" *IMF Working Papers*, n.º 18/17, 2018. <https://www.imf.org/en/Publications/WP/Issues/2018/01/25/Shadow-Economies-Around-the-World-What-Did-We-Learn-Over-the-Last-20-Years-45583>

¹⁵⁶ On the degree of effectiveness of personal income tax and corporate tax benefits, see: AIREF. *Evaluación del gasto público 2019: Beneficios Fiscales*. Madrid, 2020. <https://www.airef.es/wp-content/uploads/2020/PDF-WEB-BF-1.pdf#page=75>

¹⁵⁷ On BEPS Inclusive Framework, see: <http://www.oecd.org/tax/beps/>

¹⁵⁸ Tax on Certain Digital Services, which entered into force in January 2021, is a step in this direction and recognises, in its preamble, the need for international coordination in this type of taxation. For further details, see: https://www.boe.es/diario_boe/txt.php?id=BOE-A-2020-12355

¹⁵⁹ For a European comparison of tax rates on labour income, capital income and consumption, see: Directorate-General for Taxation and Customs Union (European Commission). *Taxation Trends in the European Union*. Luxembourg: Publications Office of the European Union, 2020. <https://op.europa.eu/en/publication-detail/-/publication/c0b00da7-c4b1-11ea-b3a4-01aa75ed71a1>

¹⁶⁰ Measures to increase the progressivity of income and wealth taxes could include the following: 1) explore new forms of taxation that increase the taxation of capitalised income from investment funds and SICAVs, 2) review the tax incentives and instruments applied to rental income [see Chapter 6], and 3) raise the rate of imputation of rental income for housing at the disposal of users.

¹⁶¹ Gago, Alberto, et al. *Impuestos energético-ambientales en España: situación y propuestas eficientes y equitativas*. Madrid: Fundación Alternativas, 2019. https://www.fundacionalternativas.org/public/storage/publicaciones_archivos/58ce043c930b1da7b5d92cfff

¹⁶² The percentage of net financial wealth held by Spaniards in tax havens was estimated to be 23% in 2012, a much higher value than the 8% obtained by Gabriel Zucman (2014) at the global level. For further details, see: Artola Blanco, Miguel, Luis E. Bauluz, y Clara Martínez-Toledano. “Wealth in Spain, 1900-2017: A Country of Two Lands.” *The Economic Journal*, n.º ueaa103, 2020. <https://doi.org/10.1093/ej/ueaa103>; Zucman, Gabriel. “Taxing across Borders: Tracking Personal Wealth and Corporate Profits.” *Journal of Economic Perspectives* 28, n.º 4, 2014. <https://doi.org/10.1257/jep.28.4.121>

¹⁶³ In this regard, the draft law on measures to prevent and combat tax fraud is currently before the Spanish Parliament. https://www.congreso.es/public_oficiales/L14/CONG/BOCG/A/BOCG-14-A-33-1.PDF

¹⁶⁴ On the concept of tax morale (tax morale), see: Rodroguez-Justicia, David y Bern Theilen. “Education and Tax Morale”. *Journal of Economic Psychology* 64, 2018

¹⁶⁵ The “National Plan for Recovery, Transformation and Resilience” devotes, in its component 23 “New public policies for a dynamic, resilient and inclusive labour market” EUR 298 million to fostering inclusive growth by linking social inclusion policies to the minimum living income. It seeks to improve access to the MVI for people at risk of social exclusion who are not receiving it (improvement of the *take up*), which requires proactive work by the State Administration in collaboration with the entities and organisations closest to the potential beneficiaries: social services and entities of the Third Sector of Social Action. Secondly, it seeks to increase the effectiveness of the Minimum Living Income through inclusion policies by developing inclusion pathways with sub-national public administrations, the third social action sector and the private sector. See: Government of Spain. *Proyecto Plan de Recuperación, Transformación y Resiliencia*. Madrid, 2021. <https://www.lamoncloa.gob.es/presidente/actividades/Documents/2021/130421-%20Plan%20de%20recuperacion%2C%20Transformacion%20y%20Resiliencia.pdf>

¹⁶⁶ Deductions for disabled ascendants or descendants, large families, for ascendants with two dependent children who are not entitled to maintenance payments and for dependent spouses with an income of less than 8,000 euros can be obtained by taxpayers who are not obliged to file a tax return, by means of advance payment, which in practice means a direct transfer of income to the beneficiaries of these deductions. https://www.agenciatributaria.es/AEAT.internet/Inicio/Ayuda/Modelos__Procedimientos_y_Servicios/Ayuda_Modelo_143/Informacion_general/Esquema_de_la_deducccion.shtml#:~:text=Familia%20numerosa%3A%201.200%20euros%20anuales,euros%20anuales%20por%20cada%20ascendiente

¹⁶⁷ UNICEF. *Universal Child Benefits in Europe and Central Asia*. Geneva, 2020. <https://www.unicef.org/eca/reports/universal-child-benefits-europe-and-central-asia>

¹⁶⁸ Some countries, such as Australia, have already implemented such a system of distributive national accounts and others are working on their design. For further details, see: Piketty, Thomas, et al. “Distributional National Accounts: Methods and Estimates for the United States.” *The Quarterly Journal of Economics* 133, N.º 2, 2018, <https://academic.oup.com/qje/article/133/2/553/4430651>

¹⁶⁹ It has just been approved, in this sense, the Royal Decree 902/2020 of 13 October on Equal Pay for Women and Men. <https://www.boe.es/buscar/act.php?id=BOE-A-2020-12215>

¹⁷⁰ The social economy accounts for 10% of Spain’s GDP and employs more than two million people. Examples can be found in all productive sectors and throughout the country. For further details, see: For further details, see: CEPES. *Las empresas más relevantes de la economía social 2019-2020*. Madrid, 2020. <https://www.cepes.es/publicaciones>

¹⁷¹ One example is Sweden’s employee funds, where money from increased corporate income taxes is used to invest in the purchase of shares in Swedish companies. See: Blyth, Mark. *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*. Cambridge University Press: United Kingdom, 2002