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IMPACT OF POSSIBLE CATALAN INDEPENDENCE
ON THE SOCIAL SECURITY SYSTEM:
THE CASE OF MATERNITY LEAVE AND PENSION
SYSTEM

Bachelor Thesis

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I declare that I have written the bachelor thesis on my own,
with the help of the cited literature.

Andrea Šimánková

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Guides to writing a thesis:

1. Thesis objective:
The objective of this thesis will be to analyse current Spanish pension system and maternity leave and the impact when full independence of Catalonia would occur while other factors assumed to be constant, thus comparison of the initial and final data.
2. Significance, topicality of expected contribution of the selected topic:
October 2017, the last attempt to separation in Catalonia, March 2019 Brexit expected date, which might lead to another attempt to separation. Economic aspects might be the main cause, even though set politically, they may cause grievance even in the time of prosperity. The economic and political development may have impact on infant mortality rate, literacy, life expectancy and also on pension and maternity leave benefits.
3. Characteristic of the theoretical part:
The theoretical part will be dedicated to the general overview of the theory of social security systems. Particularly focused on pension system and maternity leave benefit. Their versions, functions, funding, advantages and disadvantages. The theoretical part will also include the theory of political science in respect to country separations.
4. Characteristic of the practical part:
The practical part of the thesis will consist of historical, geographical, political and economic background of Spain and Catalonia. Catalan position within the Kingdom as the strongest autonomy region and its attempts for separation. The main part will be microeconomic and macroeconomic analysis of the possible impact of the Catalan full autonomy focused on pension system and maternity leave.
5. Keywords:
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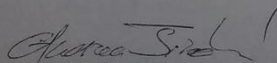
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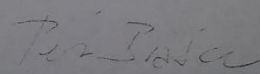
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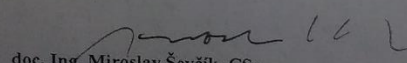
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ABSTRACT

This thesis deals with potential impact of Catalan possible independence on their social security system focusing on its specific aspects, retirement and maternity leave. Catalonia has made several moves towards reaching full independency, organizing an illegal referendum, which included several representatives being suited for rebellion. The thesis shows that the separation would have a negative impact on the social security as retirees and maternity leave beneficiaries would be worse off, because the released resources which would not be used as transfer to the kingdom, would not cover the whole social security deficit. Restrictive fiscal policy applied by decreasing benefits would have a positive impact on the budget, which would be in surplus as taking loans would be way more difficult and the new country should create reserves, so it does not run out of resources. Nevertheless, the surplus might be used to level off the benefits or for investments anyway. This would be a political decision followed afterwards. However, the social security system even after involving this, would not be better off.

Key Words

Social Policy, Pension System, Maternity Leave, Separation, Catalonia

JEL Classification

H55, H53, H75

ABSTRAKT

Tato bakalářská práce se zabývá potenciálním dopadem možné nezávislosti Katalánska na jeho sociální zabezpečení, konkrétně na starobní důchod a mateřskou dovolenou. Katalánsko podniklo několik kroků k získání nezávislosti, včetně zorganizování nelegálního referenda, za něž je několik představitelů Katalánska žalováno za rebelii. Bakalářská práce zobrazuje, že by separace měla negativní dopad na sociální zabezpečení, starobní důchodci a příjemci peněžité pomoci v mateřství by si pohoršili, protože uvolněné zdroje, které by byly jinak poslány Španělsku, by nepokryly celý deficit sociálního zabezpečení. Restriktivní fiskální politika, aplikována snižováním dávek, by měla pozitivní dopad na celkový katalánský rozpočet, který by byl přebytkový, protože možnost krytí deficitu zadlužením by se výrazně snížila a nová země by tak měla vytvářet rezervy, aby ji nedošly zdroje. Přebytek by ale mohl být použit na pokrytí snížení dávek či na investice. To by podléhalo následnému politickému rozhodnutí. Systém sociálního zabezpečení by ale ani po takovém kroku nebyl v přebytku.

Klíčová slova

Sociální politika, penzijní systém, mateřská dovolená, separace, Katalánsko

JEL klasifikace

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INTRODUCTION

In February 2019, the trial with the former main representants of Catalonia started, with those who were behind holding the illegal referendum on full independence organized on the 1st October 2017. They were accused of rebellion, some of them are facing up to 30 years in prison. The main protagonist is the former prime minister Carles Puigdemont, he will be judged in a different trial. October 2017, Catalan's last attempt for full independency, Brexit expected date in autumn 2019, which might lead to another attempt for separation. Not only for Catalans, we have seen immediately after voting, that this could cause a domino effect towards nationalistic feelings which are getting stronger within the European Union, as its main members potentially deciding to leave. Economic aspects might be the main cause, even though set politically, they may cause grievance and negativity even in the time of prosperity. For that reason, the aim of this thesis is to analyse the economic data as the incentive for separation look at the legitimacy in terms of their social security system, as well as analysing the pension system and maternity leave. The main hypothesis is: **It would it be beneficial to leave the Kingdom of Spain in terms of Catalan social security.** From this comes up several sub-hypotheses. *Firstly, Catalan maternity leave benefit would increase. Secondly, Catalan retirees would have more money to spend in one's old age. Thirdly, the separation would have positive impact on the whole budget.* The economic and political development and all changes might have great impact on infant mortality rate, literacy or life expectancy. Positive or negative, so it is always necessary to analyse these decisions.

Another important question is, if the separation had a positive impact on Catalan maternity leave and pension, would the increase be significant enough to cover the potential loss of GDP when leaving the European Union as leaving the Kingdom? My bachelor thesis will not take this into account; however, it will provide the information towards what impact would occur on the selected social security parts with full autonomy, while other factors assumed to be constant. Thus, comparison of the initial and final data. Later, this thesis could be used in a cost-benefit analysis. There is a potential threat that many corporates would leave Catalonia when creating a full autonomy state which would represent a big potential loss of vacancies,

taxes revenues. On the other hand, Catalonia might adjust its laws, especially tax laws as the contribution is high, all their GDP would stay within Catalonia (current debt to Spain will not be considered within this thesis).

The theoretical part of the thesis will be dedicated to a general overview of pension systems, funding, models of pension plans; and maternity leave, including its extremes. For better understanding of separatism, there will be a chapter dedicated to this problematic based on real cases demonstrating its incentive consequences.

The practical section will start with the Spanish and Catalan background, historical, political and economic as set the path dependency of these two parts demonstrating the impact of the development of formal and informal institutions. The present state of Spanish social security will be processed in the thesis which will also include microeconomic and macroeconomic analysis of the current selected social security aspects and of the potential impact of the full Catalan autonomy focused on the pension system and maternity leave using the assumption of *ceteris paribus*, also the impact on the overall Catalan budget. Answering the questions of how big the contribution Catalonia must pay to the kingdom, what macroeconomic and microeconomic impact would it have on Catalonia; the thesis should lead to the resolution and prove or disprove my hypotheses based on economic analysis.

1 SELECTED ASPECTS OF SOCIAL SECURITY SYSTEM

Social security system as a part and instrument of social policy comes to need with the industry development. New positions which expose people to new risks they cannot handle easily, especially as the bond of family is not as strong as it used to be in the past. Therefore, the state and organizations started preventing, mitigating and fixing these risk situations when individuals cannot face it on their own. Among social risks which threaten us we distinguish old age, childbirth, job loss, invalidity, diseases, death and others. In these situations, social security provides the minimum level of stability by social benefits, services and asylum. (Krebs, 2015) This protection of stability is also a pillar for life-cycle growth model representing private savings which shows how social security programs can have a high positive effect on one's wellbeing. (Samuelson, 1975)

The way social security is designed is affected by several determinants. Besides informal institutions such as culture, customs, demography and historical development, there are plenty of others, less and more important which together create a unique mixture for each state. While factors like culture and history rather affect the long-term design of the social security, economic factors are more connected with the discretionary policy in order to react on the current cycle and economic needs. For this purpose, the system of valorisation is created and highly used which can be indexed to the price increase or just to time. Unemployment is another significant determinant with a great impact on incomes, expenses and on the number of participants of the social security system in the short-term. Just like the demography, representing prolonging life expectancy, mortality, fertility, inhabitants' structure, but mainly in the long-term when a great need for reforms is caused. (Krebs, 2015)

The system is based on a mixture of principles when every single of them has different importance within each system. *The principle of universality* is imposed to all inhabitants and guarantees the basic benefit in case of existential need. *The principle of uniformity* provides the same rules for all entitled people. *The principle of complexity* is based on covering all social risks. *The principle of adequacy* is essential when constructing the benefits in order to meet the social needs. Next, *the principle*

of social solidarity, which is currently highly discussed. This principle claims that people with higher incomes ought to engage in security of those with lower incomes. Also, economically active inhabitants should contribute to benefits transferred to people in social situations. *The principle of equivalence* based on person's efficiency, in other words, one is entitled to receive a higher benefit when contributed more into the system, thus the other way from the principle of solidarity. (Krebs, 2015) Also principles like *obligation* and *voluntariness* or *selectiveness* are part of the social security, creating rules for its participants. (Vostatek, 2016) When designing a pension system, it is always necessary to bear in mind market failures in order to create an *efficient and transparent system*. For this purpose, the administrative costs ought to be as low as possible. *Sustainability and coverage* are other principles which should be met to guarantee a level of security for future generations. Last, but not least, *the principle of security* – for private pillars but also for the public one, in order to work properly, the trust needs to be built up. (Price, 2018)

1.1 PENSION SYSTEM

As people's life expectancy has been getting longer, the pension system came to the need in order to provide them social security, adequate level of living standard and support the economic growth. Security of seniority is a branch of social policy, established after sickness or invalidity protection. The progress came with modernization of the public sector, providing resting salary to state employees and soldiers. (Tomeš, 2011) Nowadays, Europe, the western part especially, is facing the need of reforms mainly due to demography changes. These reforms are being highly discussed, although usually not realized at all. If some changes are implemented, then only small adjustments. System changes require a lot of time and the willingness of inhabitants to accept the reform, if not, the politicians have no incentives to do so, especially as the affects occurs in the long-term. Another aspect is the different view on the ideal pension system, its parameters, thus also the level of solidarity and also state engagement. (Krebs, 2015)

1.1.1 Pension system models

We can find various models of pension system across the globe, from the original schemes to their modifications. Generally, they are based on three-pillars scheme which are not applied in all the countries, they might be combined differently with diverse parameters with regards to economic and social history and current situation of each state. Currently, we can find up to five pillars while each of them focuses on a different social risk. In order to achieve a more efficient system and avoid risk, it might be a good choice to establish a system based on various pillars and balance their advantages and disadvantages and as a result of this, provide sustainability. (Price, 2018)

The zero pillar is based on the principle of adequacy, so it is used to guarantee a minimum level of income at old age. It is public, and the contributions are mandatory. Its purpose is to ensure basic needs and prevent poverty. *The first pillar* is the state guaranteed pension when the contributions are immediately paid as pension benefits. Within this scheme, the principle of solidarity is applied. Side aim of this pillar is also to level off the consumption. If the zero pillar does not exist, the first pillar stands also for it. *The second pillar*, which is also mandatory but private, may be designed in various ways; as defined benefit, defined contribution system or its combination. Typically, the pillar is provided by employers as a work benefit and it can be fully

mandatory for employers while employees might opt-out. The purpose of the second and the third pillar is to increase the pension at old age, people are more responsible for their standards of living. *The third pillar* represents extra savings or insurance in order to increase the amount of pension benefit. It can be designed in the same way as the second pillar, but contributions are voluntary and paid by individuals, even though employers can be contributors as well. *The fourth pillar* focuses on financial assets, housing and family transfers in order to secure economic growth and stability provided that the investments are worth doing it and we do not create an excessive personal debt. For instance, investing into property its price is not overestimated or not covered by debt. Besides classic investments into physical assets, we can also invest into education, thus increase our human capital and benefit from it in the present and in the future presenting higher benefits. (Price, 2018)

According to Krebs (2015), there are 4 types of pension model in the social security system.

1.1.1.1 Bismarck's model

Prussian Chancellor's system is based on insurance contributions which are paid partially by workers and partially by employers. This amount is linked to the pension benefit with regards to the time of contributions and average income during a long period of time. The criteria of calculation usually change every year according to the wage growth and so do the pension benefit, therefore there is no gap between pensions currently being paid and pensions which are newly granted. (Krebs, 2015)

1.1.1.2 Beveridge's model

Beveridge's system, known also as *flat-rate system*, is financed through tax payments. Conditions, in order to achieve the benefit, can differ in respect to the country, it can depend on the age or duration of insurance. The benefit is adjusted according to the prices increase. The pension benefits are unitary, on the level of life minimum or less, for this reason, it is common to create savings and invest them in insurance systems for the purpose of having higher pensions. (Krebs, 2015)

1.1.1.3 Two-component model

This is a combination of Bismarck's and Beveridge's models. The adjustment of pension system in respect to social or economic aspects is easier in this type as the universal amount of benefit can be increased or the part of equivalency. (Krebs, 2015)

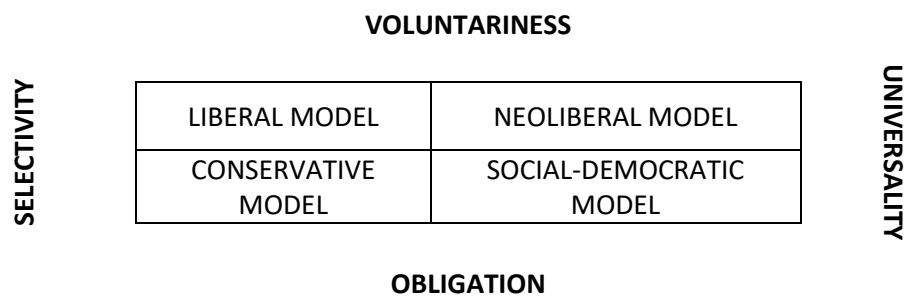
1.1.1.4 Insurance system with the set minimum

This type is based on Bismarck's model. Once a person reaches fixed time of insurance payment, he or she is entitled to have the minimal pension without considering the amount of insurance payments. (Krebs, 2015)

1.1.1.5 Pension systems based on principles

According to Jaroslav Vostatek in his book "Penzijní teorie a politika" (2016), there is another form to look at pension system types as shown in the scheme below.

Figure 1: Pension systems scheme



Source: Vostatek, 2016. Author's own illustration.

Liberal model represents voluntariness and selectiveness as it rejects public benefits. Thus, this model is based on private insurance adjusted to its participants. On the other side, there is social-democratic model (also called universal model) as it is based on benefit paid universally and the contribution is mandatory. Between them, there is conservative model working on principles of *efficiency* and *equivalency* but also *selectivity* and *obligation*. Neoliberal model is based on capital market funds in order to increase pensions, participation is voluntary, and the benefit is universal. (Vostatek, 2016)

1.1.2 Funding

There are several ways of funding pension systems, some of them might seem to be less or more efficient in respect to long term substance, some of them may look like to be unfair regarding the effort put in and the final benefit. The final mixture of each state is path dependent. According to Krebs (2015), there are several types of pension system according to their funding.

1.1.2.1 Government budget – income taxes

Firstly, a pension system can be financed by income taxes through the government budget. This way of funding might seem to be the least fair from the perspective of contribution, which is linked to salary, the more you have, the more you pay. However, the ratio of benefit in respect to the contributions, is not relatively so high. Thus, *the principle of solidarity* is dominant. (Krebs, 2015)

1.1.2.2 Government budget – social insurance

Secondly, another way to fund a pension system is through the government budget as well, nevertheless, contributions are paid as social pension insurance. The objective of this funding is to cover costs, not to create surplus. For this reason, the system needs to react on the current economic situation and change the contribution rate accordingly. The rate is set as a unitary per cent of one's income. As the system is designed to be transparent, everyone ought to be aware of the purpose of the contributions, thus, the pension benefit. (Krebs, 2015)

1.1.2.3 PAYG with no capital reserves

Thirdly, pay-as-you-go system with no capital reserves, a separated fund is created, financed by contributions which are not meant to be as capital reserves, so they are not invested. Therefore, the fund should not be creating any surplus. There is a connection to the government budget only in the case of a fund deficit which needs to be covered as the benefit is legally guaranteed. This system is known as pay-as-you-go and is highly used. PAYG means that the contributions paid from workers' salaries are immediately paid out as pension benefits for current retirees. (Krebs, 2015)

1.1.2.4 PAYG with capital reserves

Fourthly, PAYG with capital reserves used as investments, therefore there needs to be a surplus created by a higher contribution rate than would be necessary to cover common pension benefits. There must be a balance between the contribution rate and potential pension benefit in order not to decrease the living standards in any period of time. (Krebs, 2015)

1.1.2.5 Capital reserve system

Fifthly, pure capital reserve system based on insurance payments which are being invested and used as pension benefit only for the person who paid the contributions as personal account are created. So, the insurance stands for savings which are being invested in order to increase the future pension benefit value. (Krebs, 2015)

1.1.2.6 Compulsory reserve system in Chile

Last, but not least, the compulsory savings system implemented in Chile in the era of the dictator Pinochet when a worker deposits 10 % of his monthly income to his individual account managed by private companies - pension funds. There are five types of funds which differ in risk and profitability. This system is criticised because of a high difference between men's and women's pension benefits caused mainly by maternity leave as women interrupt their career in order to raise children. (Público, 2018)

1.1.2.7 Comparison of fund and PAYG system

The fund system is less sensible when demography changes occur like nowadays, the impact on the state welfare may be great as it based on efficiency, it may support the labour market and thus the whole domestic product. On the other hand, there is a greater risk for low-end workers as redistribution is not possible and also expectancy of the final pensions as the situation on the fund markets develop with inflation, interest rate and investing expectancy. A big advantage for the PAYG system is stability, low administrative costs or the possibility of redistribution, but the impact on the labour market is negative. There are also demographic and political risks and decrease of investments. (Krebs, 2015)

1.1.3 Pension plans

When designing or modifying a pension system, besides its funding, we need to focus also on the pension plan of benefits. Krebs (2015) mentions three.

1.1.3.1 Defined benefit system

The first plan is called defined benefit system. The pension benefit is guaranteed and linked to several variabilities as the amount of incomes and therefore amount of contributions and its duration. (Krebs, 2015)

1.1.3.2 Defined contribution system

The second plan, defined contribution system, uses a contribution rate; however, the benefit is not linked to the amount of contribution directly because it also depends on the investment benefit as the savings (contributions) are supposed to increase their value on the capital market. The final pension benefit is calculated as the total amount of contributions and investments on one's account divided by expected lifetime left at the retirement aged. (Krebs, 2015)

1.1.3.3 Notional defined contribution plan

Finally, notional defined contribution plan. This system is based on individual accounts with contributions which are being invested. However, the contributions are immediately used as benefits for the current pensioners. For this reason, these individual accounts are only hypothetical. The final pension benefit depends, beside contributions and investments, also on the average expectancy of lifespan of the future generation of retirees. (Krebs, 2015) A great advantage of this system is full equivalency between paid contribution and the pension benefit and increasing responsibility of the insured person. (Vostatek, 2016)

1.1.4 Pension beneficiaries

Pensions as a part of the social security system, deals with different situations, not only with growing older, also with invalidity, being orphaned, widow or widower to cover social inconveniences which might cause loss of income and prevent from poverty. Pensions are applied to motivate, create incentives for inhabitants with these types of social situation, so they were able to get back to life (and working process eventually) with mitigating their loss. (Krebs, 2015)

1.2 MATERNITY LEAVE BENEFIT

Maternity leave is another instrument to prevent social situation, its purpose is to protect an employed woman in the time before and after parturition. An adoption is also covered within maternity leave in several states. It is not a universal benefit, usually, it is conditioned by prior time spent at work in order to be entitled to receive this benefit. (OECD, 2017)

The calculation is linked to the woman's salary. Majority of developed countries, at least in OECD, provide income support. The contributions are paid as sickness security whose part is also maternity leave or the benefit is involved in the parental leave. However, it is not possible to be a beneficiary everywhere, even with regards to developed states. In this moment, when the government does not participate, the market occurs to play a big role when firms provide paid maternity leave which is a great advantage in states where women have guaranteed only the job position, no entitlement to any kind of income. (OECD, 2017)

1.2.1 Extremes around the world

The length of maternity leave differs a lot, but generally, the duration is about 14 weeks, with longer period in Northern European countries which focus on welfare state and providing good environment to families. (Weller, 2016)

Finland secures good background for raising a child, starting with 7 weeks of maternity leave before the delivery and 16 weeks afterward. The benefit is not linked to any prior income or time spent at work. Moreover, the father can also receive paid leave of up to 8 weeks. (Weller, 2016)

On the other hand, there are the USA which do not have any paid policy regarding parental leave on federal level. For this reason, individual states or firms take the action. It is also possible to have insurance for short-term disability. The only guarantee is protection of losing the job according to the Family and Medical Leave Act, however, the law is not universal for all employees. (Green, 2018)

1.3 HISTORICAL ATTEMPTS FOR SEPARATION AROUND THE GLOBE

There are more ways of leaving the original country; by separatism or irredentism. *Separatism* is based on creating a completely new state, while *irredentism* means to separate from the original country and join another one. (Baar, 2002) There have been several attempts for separation, some of them were successful, some of them not, nevertheless, this topic is still present as nationalism feelings have been getting stronger in several countries. This chapters serves as theoretical base for separatism, to provide several views on the process, incentives and its consequences.

Even at the time of feudalism, various European states were divided. This was not appreciated by the sovereigns; therefore, they eventually banned any separatism which, however, then led to forming nations anyway. After a longer period, which was more about integration, at the beginning of the 19th century, various states were created in Latin America, as they had left the colony complexes. Also, several Eurasian countries went through nationality crisis, nevertheless, it did not lead to any separation after all. In 1918, Czechoslovakian history as a nation began by getting independence on the empire of Austria-Hungary, and 13 other states were separated as a reaction to the first world war. However, the second world war split Czechoslovakia out, just like Yugoslavia, and many country borders changed. After the war, the borders got back to the original state, but a lot of people were moved in order to prevent separatism or irredentism. The United Nations are established in this time and within this organization, many countries agree to ban separatism, but before that, Panama finishes their attempt for separation successfully, Ireland and Greenland as well. (Baar, 2002)

The case of Greenlandic autonomy was not finished back then, they obtained their own government and bigger freedom of ruling. In 2008, there was a referendum asking for bigger independency on Denmark and thus decide and have control above their justice or natural resources. This all became true a year after on Greenlandic National Day together with official acceptance of self-rule. The success is nevertheless highly dependent on the Greenlandic economy sustainability. (Residovic, Schneiderman, 2019)

The United Nations' approach might have seemed to change in 1990s when Yugoslavia, Czechoslovakia and Soviet Union, three socialistic states, split up, which resulted in formation of twenty new states. Nevertheless, this was taken more as an exception and allowed due to their political situation and the fact that the federations basically fell apart completely, it was not about one part's independency. In reaction to this situation, Chechnya and Tatarstan wanted to use this process as an opportunity for their own separation, yet their attempts were not successful. (Baar, 2002)

Even though the attempts for dividing of those 3 federations were successful, the process in order to achieve it, was not so smooth. In the case of Yugoslavia, the original idea was to create a confederation of a sovereign republic, this was rejected. Croatia and Slovenia wanted their full independency which led to the army clash. As negotiations did not seem to be efficient in this case, the separation was eventually validated. (Baar, 2002). In the moment of Berlin Wall fall in 1989, Germany heads to be reunified, the countries of Eastern Europe start their fight for independence. (History, 2018)

Not all states met with a positive reaction to leaving the Union. When Georgia and Lithuania declared independency, the rest of the world was not supportive, despite the fact of being a part of the Union as an act of occupation. (Baar, 2002) The Soviet Union experienced fights also within the highest government between as a part of the administration calls for democratization and economic reforms. Finally, the end of 1991, brings the dissolution of the Union. (History, 2018)

Soviet Union lost its power over Czechoslovakia, as a result of the Velvet Revolution in 1989, after over 40 years of communist rule. The Soviet president Gorbachev dismissed the Warsaw Pact, they were calling for dismissing NATO as well, as opposite organization, unsuccessfully. After this moment, a game starts to be played in Slovakia, trying to prioritize Slovakian law over federal law, as they felt that decisions were being made only in Prague. After long discussions, many options and initiatives as confederation, the president Havel warned about only two options, which were federation or division. And even though the prime minister was still talking about one common state, Mečiar was already preparing Slovakian government. And the divorce started. The negotiations were tough, changing all the time. On the 1st January 1993, foreign countries start to inform Czechia and Slovakia about accepting their division.

(Pacner, 2018) After all, all political changes were minor in comparison with the process of economic transition which started in 1991 and lasted over 25 years, with completely new concept. There were several, and the Czech Republic (together with Slovakia) went for quick voucher privatization, as a part of shock therapy with price liberalization, property rights transformation and openness to the world trade. This led to great negative balance of balance of payment and inflation, which stabilized afterwards. Both economics started to grow. As Václav Klaus says in his book “25 let české transformace” (2016), even though everyone was afraid of economic and social consequences of the transmission but now it is considered an essential move, now taken as absolute natural thing.

As for Asia, attempts for separation do not avoid to this region neither in the 20th century. As the result of revolution in China and ending the monarchy in 1911, Mongolia and Tibet declared independency. After 10 years, Mongolia reaches its goal partially, then international recognition after the second world war and sovereignty in 1991. So, the process took 80 years. It has been even worse for Tibet which is still a part of China. In 1971, People’s Republic of Bangladesh is established, as a curiosity, because it left the other part of the original state, Pakistan, which lies over 1.500 km away. (Baar, 2002)

One of the youngest states is East Timor which was created by separating from Indonesia de facto already in 1999, in order to overcome the harm committed on East Timor’s citizens, like murders, rape or torture. Getting independence, however, has not resolved all the troubles in the country, besides common problems like corruption and poor law and education, most of the inhabitants do not speak the official language. (Kingsbury, 2009)

The incentives for separation are plenty, from culture and language differences, economy or geographical matters like distance. There are still various movement trying to get independence. Some of them are peaceful, some of them cruel, as Basque Country in Spain using a terrorist organization. The Basque history is rich and strong. The area was swallowed by France and Spain. Once the French Revolution started, so did the Basque’s attempts for independence, thus in the late 18th century. The fight is, however, also inside Basque Country. (Anderson, 2003) As the original incentives were often causing a lot of pain, so does separation for all the sides.

2 SPAIN AND CATALONIA AS ONE COUNTRY

2.1 THE KINGDOM OF SPAIN

The constitutional monarchy with Felipe VI as their king is divided into 17 autonomous communities and 2 autonomous cities, these 2 parts are known as enclaves (*area, lying in a different state that actually belongs to*), Ceuta and Melilla, which lie on the northern shores of Morocco's Mediterranean coast. Being a huge country also means diversity in formal and informal institutions, there are 4 co-official languages (Catalan, Galician, Basque, Occitan). Diversity, in culture, economics, politic opinion and other, nevertheless, can also lead to problems, civil fights and arguments.

2.1.1 Selected aspects of the history

The culture starts to develop there already 1200 years B.C. One hundred years later, the first town, Gadir, was established, nowadays known as Cádiz in the south of Spain. Since that, this place has been experiencing wars and invasions, a lot of emperors and many changes in their territory known as Hispania (area of the whole Iberian Peninsula) until the 15th century when the history of the Kingdom of Spain begins when Castile and Aragon unite by marriage of their emperors, Isabella and Ferdinand. (Nieto, 2010)

Spain with the queen Isabel experienced a great and modern era. However, more in terms of economics. Isabella and Ferdinand were trying to keep Catholic orthodoxy in their country, and they established the Spanish Inquisition. This authority's aim was to defend Catholicism against Jews and Muslims, who were being expelled from the peninsula as per conquest of Granada. (Inquisición Española, 1997) In the same time, Isabella allows Christopher Columbus to discover India in the western way, a new continent is found instead, Spain becomes a colonial empire. The economic approach there was Mercantilism, their colonies were being extracted which had a great impact on their development afterwards due to the formal institutions which were established and designed there in the interest of the Kingdom. (Horrocks, 2017)

Starting the moment of becoming the empire, Spain experienced an era of golden age with peace and growth, their economy was efficient, especially in terms of agriculture, until 1630 when the cycle reached a deep depression. (Nieto, 2010). The time of prosperity and growth was exchanged with various battles, wars and troubles within the kingdom. Also, the relationship with Catalans got into crisis as they refused to support the imperial army which led to 12 years of war, France and Portugal were involved too. The relationship with France has been tense on several occasions. At the end of the 18th century, Spain was included in the French Revolution, after common invasions, they agreed on peace and allying against the Great Britain. They were also facing Napoleon but this time, England was on their side. Spanish suffered a lot with the peak in the first half of the 19th century when they lost their colonies. (Wilde, 2017)

Spain was not always a monarchy, in 1873 the first republic was declared for a year followed by monarchy restore then dictatorship and second republic, which brought a lot of changes (the right for women to vote), the citizens were not satisfied, and it graduated into the Spanish Civil War in 1936. The Republic was divided and after three bloody years, The Nationalists, led by General Franco, win against Republicans. His dictatorship lasts until his death in 1975 when they re-established democracy with new constitutions and completely different way of governance. (Wilde, 2017). This process, with the king Juan Carlos as the head of the reform, was not smooth, it was related to negotiations, death and attempts for separation. Euskadi Ta Askatasuna was a Basque organization which, in order to be an independent state, killed over 800 people and harmed thousands more. (Nieto, 2010) The country is struggling due to terrorist attacks also nowadays.

Spain joined the European Union over 30 years ago, in 1986, followed by the entrance to Eurozone in 2002. The world crisis in 2008 hit the country strongly as it was highly investing into properties. The supply was much higher than the demand, the construction was experiencing growth, however, even now, there are over three million building projects which have not been accomplished, known now as ghost towns.

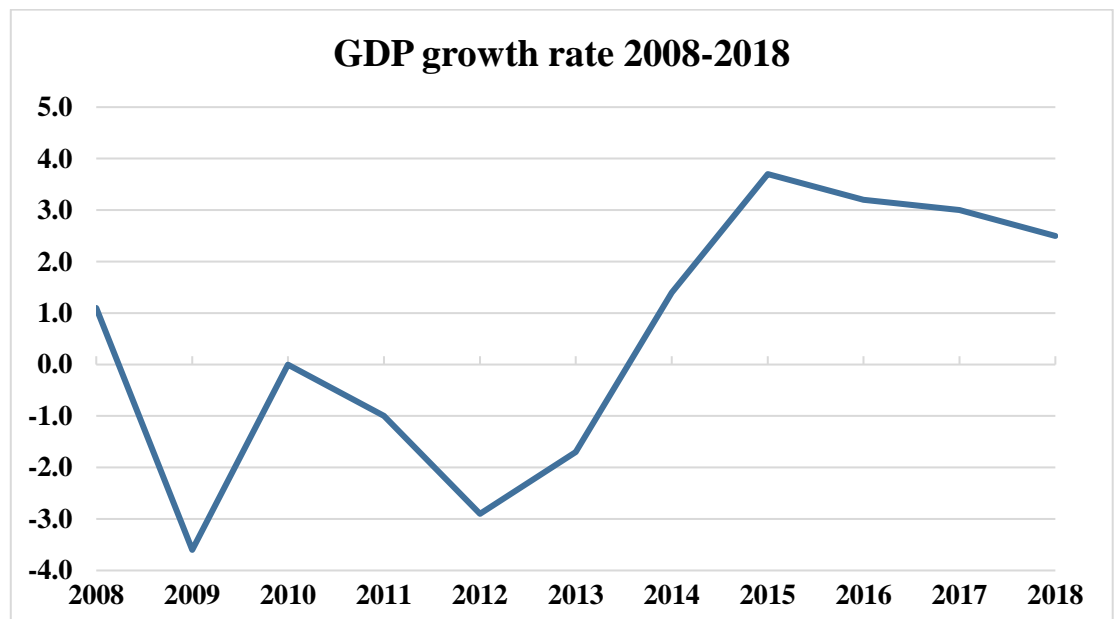
2.1.2 Politics

The politics has been developing and changing completely, from dictatorship to democracy in 1975 as parliamentary monarchy. Their prime minister, Pedro Sanchez is the head of Spanish Socialist Worker's Party, after they replaced the minority government of People's Party which got more votes but not the confidence of the parliament. Cortes Generales (parliament) is made up from two chambers; the Senate and the Congress of Deputies, also called as Upper and Lower House. The number of seats is equal for each province in the parliament. The state is highly decentralised. (Expactica, 2019) Spain has been dealing with attempts for separation. Some of them were cruel and bloody, not only from Basque organization (as mentioned in the previous sub-chapter), Catalan attempts as well in 2017 when they got into conflict with Spanish police.

2.1.3 Economy

In 2018, Spain became the 13th largest economy in the world with over 1.2 billion of euros of the nominal GDP. (Knoema, 2019) When divided among almost 47 million of Spaniards, considering the purchasing parity power, the country drops to the 30th position of the ranking with over 25 thousand euros, nevertheless, on higher position than some bigger countries. (IMF, 2019)

Chart 1: Spanish real GDP growth 2000-2018 in percentage



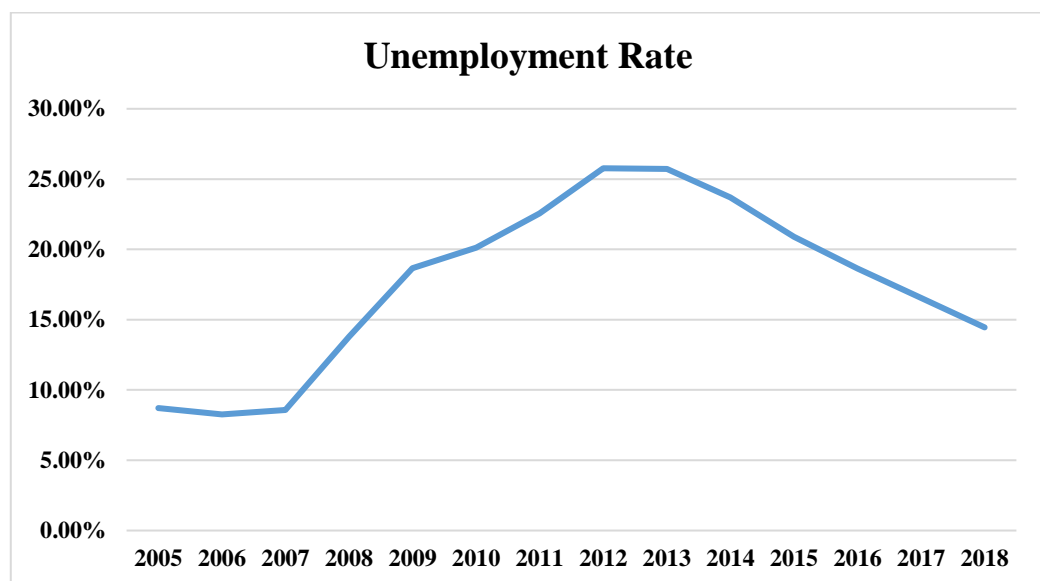
Data input: Knoema (2019). Author's own illustration.

Spain was experiencing a great growth until 2007 when the first sights of crisis occurred and lasted until 2014, two years later was the GDP only slightly higher than 8 years before. In 2008, the country still grew, as the crisis hit, the drop was almost 3.6 % in 2009. After several fiscal and monetary interventions, the country started to grow again. Now is Spain again in its boom part of the economic cycle. The depression was not just delivered, even though it was indeed a global problem, Spain was struggling due to their own house bubble. Not like today in the Czech Republic, in Spain the supply was much higher than the demand so even now we can find ghost towns on the coasts of the Kingdom.

The inflation rate (using consumer price index) is lower than in the Czech Republic, where the target is about 2 %. In 2018, the CPI index was 1.18 %. It fluctuated historically with rather lower level, in 2014 the country was experiencing deflation after 3 years of almost 3 % of inflation. (Inflation, 2019)

However, Spain has been dealing with a high rate of unemployment over a long period of time, currently reaching almost 14 % (Eurostat, 2019). The unemployment rate is affected mainly but the youths who are struggling to find an occupation while their parents work even day and night trying to provide them education in order to make their start in career smoother.

Chart 2: The Unemployment rate of Spain 2005-2018



Data input: Instituto Nacional de Estadística (2019). Author's own illustration

The unemployment rate was high even in the time of prosperity before the crisis reaching almost 9 %. The year 2008 escalated the rate up to 25.73 % in 2013 and even now being on the top positions among developed states. The law regulations, initially meant to protect workers, caused huge troubles. Not only lowered companies the amount of contractions, but also, in order to decrease the labour costs, started hiring part-time to avoid the regulations which do not have effect on non-full-time employees. So, even though the unemployment might have dropped, the full-time employment as well. Nevertheless, the crisis, caused also by house price bubble, is also the reason of long-lasting structural unemployment rate as many people were newly hired in construction. (Tufts Skidmore Spain, 2017)

The trade openness has significantly increased since 1960 when several organizations began to make the trade easier. As for 2017 (the most recent year), the ratio of trade on GDP is about 65.5 %. In the world openness rankings is on the 95th position. For comparison, the Czech Republic, as a small country, is on the 13th position. Thus, Spain is more independent on trade. (The Global Economy, 2019) In the same year, Spain reached negative trade balance with high imports of crude petroleum. Cars are significant for both export and import, just like its parts. Spanish most important trade partners are France and Germany. (World Bank, 2019)

Tourism cannot be overlooked with its contribution of 14.9 % to the GDP and 2.8 million of employees. (Efe, 2018) Spain is attractive for tourists all over the world for its historic monuments, beaches and resorts, so the country aims at providing services, creating competition to France or the United States in tourism.

Even though the economy has been growing a lot, so has its public debt since the crisis in 2008, reaching the peak in 2014 with 100.4 % of debt to GDP. From this moment, the debt has been slightly decreasing with the current ratio of 97.1 % in 2018. Thus, 25,407 euros per capita. For comparison, Italian current debt to GDP in the same year was 132.2 % and 38,885 euros per capita. (Country Economy, 2019).

The year 2014 was significant for Spanish economy for several reasons, the highest public debt, deflation and the last of year of depression. In March 2015, the European Central Bank launched to program of quantitative easing in order to prevent deflation and further crisis. The program was ended in 2018 with overall spending of over 2.6 trillion euros. (Reuters, 2018)

2.2 CATALONIA

2.2.1 History

Catalonia has a rich history already starting 450,000 years ago as corpses from that time were found. Over occupation de Carthaginians, colonization of Greeks, Catalonia, or the territory nowadays known as Catalonia, started doing business 575 BC when the first factory was established in Empúries, which integrated markets and became a commercial centre based on fish, ceramic, oil, wine or spices. Troubles with “abroad” or within Catalonia was common, fighting with rebellious nobles disrespecting their king Pere el Gran in the 13th century. Catalans are proud of their origin and their language, which is said to be created, the nice literature form, by Ramon Llull, who is known as “el patriarca de las letras catalanas”, which means “patriarch of the Catalan letters”. In the medieval age, Catalonia focuses on creating institutions as it experiences time of expansion, besides municipals, general institutions such as Cortes and Generalitat are created, these persisted and have the function of parliament and government for the autonomous community. There were series of natural disasters (*drop in harvesting caused decline in the price of bread, which led to famine and death*) in the 14th century which changed the demographic and economic development of Catalonia. Many people died, the economy got into recession, political and social problems on top of it, a huge crisis came. The whole Europe was suffering from economic depression with significant consequences until the 16th century. Less sources for production and higher costs made Generalitat (the government) to search for different sources of finance, loans, and created the public debt, to support the supply and encourage the demand and thus consumption. Barcelona was demanding sometimes even huge interests back called rents, which was in several years a significant part of their income. This also had an impact on the composition of the economy and its sector. Many entrepreneurs stopped investing into agricultural or industrial sector and focused on loans, thus became rentiers as it was highly profitable. This did not have a positive effect on the economic growth. (El Periódico, 1992)

Catalonia was integrated into the Kingdom of Spain in the 15th century, before that was a part of the Crown of Aragon. At the beginning of the 17th century, the Kingdom of Spain is experiencing the war of the succession. However, Catalonia was on the side of Austrian dynasty. In 1714, Barcelona is being conquered, after 14 months,

this attempt is successful, and Catalonia loses their formal institutions, the official language is Castilian, Catalan is prohibited, therefore there is not any autonomy nor national identity until the beginning of the 20th century when Catalonia obtains first political institutions, Catalonia as a nationality is getting stronger for a few decades. All these attempts are interrupted in 1930s with the Franco's regime. Once democracy is renewed, Catalan partial autonomy as well. (Dvořáková, Ferrarová, 2014) As David Agustí describes in his "Historia Breve de Cataluña" (2007), Catalonia has been creating its own organizations and government since the middle age. And thus, has been shaping its formal and informal institutions.

In 2012, the famous bullfighting, known as "corrida de torros", a part of Spanish culture, was prohibited in Catalonia. However, the constitutional court annulled this law in 2016 and even though no bullfighting has been done ever since the ban, there might be one again in September 2019, on 11th when is the National Day of Catalonia. (EFE, 2019) Catalan culture is slightly different, as the separatist mood is stronger. Signs mainly in their own language, different cuisine, their own traditions. For instance, La Sardana, a traditional dance which relates to Catalan nationalist attitude, just like the National Day when you can see Catalan flags, not Spanish, everywhere. La Merce, Catalan week which is about party, "fiesta", initially religious event. (Suite Life, 2019) The 21st century means for Catalonia era or attempts for independency and fighting with the rest of Spain, as more described in the dedicated chapter of this thesis. Also encouraged by the world crisis when Catalans were unsatisfied generally and economic situation played a big role.

2.2.2 Catalan position within the Kingdom of Spain

Even though Spain is highly decentralized, the central laws have priority with the Constitution. In 2006, Catalan government created an article called "Statute of Autonomy of Catalonia", which was afterwards approved in a referendum, defining the political system, its power, legal and financing system. Even though the constitutional court rejected some parts, Catalonia is dependent on this law. It also probably led to higher demand for separation. Catalonia is led by the President of the Generalitat (*which is the government*). The legislative power is held by the parliament represented by 135 members. Catalonia is divided into vegueries and comarques (districts), while the rest of the kingdom has provinces. (Barcelonas, 2019)

The Constitution and the Statute of Autonomy regulate taxes and fiscal politics between the state and the region. The government has a strong political power in industry, transportation, culture (covering officiality of languages), agriculture or education. Also, security is a regional matter, as well as central. Their police are called Mossos d'Esquadra. Catalonia has their own supreme court as civil law is regulated on the regional level. The Statute also adjusts the relationships with the European Union, defining the position of decisions based on importance for the region itself. Thus, when the politics towards the EU is common with the Kingdom. (Generalitat de Catalunya, 2006)

The official language in schools is Catalan, even though the educational system and framework is common in Spain, Castellano – Spanish, is taught as a second language. However, in 2018, after the threats of separatism, the country decided to mitigate these tendencies by providing the possibility to choose Spanish as the main language. Catalan was entirely banned during the era of the dictatorship and as the population structure changed by migration, Catalan was barely used. And that is why Catalan was fully integrated in education in 1980s. The idea of implementing Spanish as the main language, nevertheless, already started in 2006 inside Catalonia when Cuitadans (*Citizens; unionist party*) as they were calling for the same change, this was rejected by Generalitat. The option of choice became available. (Jordan, 2018)

2.2.3 Politics

The parliament is composed of 7 political parties. The strongest mandate has the party called Ciudadanos (*Citizens*), which is against separatism, Juntos per Catalunya (*Together for Catalonia*), a party with the opposite approach, putting effort into independence, Esquerra Republicana de Catalunya-Catalunya Sí (*Republican Left of Catalonia-Catalonia Yes*), a socialist party with separatism attitude, Partit dels Socialistes de Catalunya (*Socialists' Party of Catalonia*), pro-European party, Catalunya en Comú-Podem (Catalonia in Common-We Can), Candidatura d'Unitat Popular-Crida Constituent (*Popular Unity Candidacy-Constituent Call*), left anti-capitalist party, Partit Popular de Catalunya (*People's Party of Catalonia*), Christian, conservatist party with pro-Spanish orientation. There are also a few more parties like Pirates of Catalonia who demand direct democracy.

From this enumeration of Catalan political parties, we can see that there are many attempts to reach independence, but on the other hand, in the recent time, a few political parties have been established in the opposite purpose, to support the united Kingdom of Spain.

One instance for all, Carles Puigdemont, the former president of Generalitat of Catalonia (government) and leader of Together for Catalonia. Even though he is a big nationalist (Catalan nationalist), he is currently living in Belgium, as in self-exile, as he is avoiding being arrested for having organized an illegal referendum for independency in 2017 (more about this in the chapter Attempts for separation), thus for rebellion and sedition, which he might go to prison for up to 25 years. He is still a member of the Catalan parliament; he was elected again even though being in exile. (Euronews, 2019)

The current 131st president of Generalitat is Quim Torra i Pla, a lawyer and journalist, who has published many books about the regional history, a former member of Together for Catalonia when elected into the parliament, thus Catalan nationalist. (Modelo Curriculum, 2018) The government is composed of 13 ministers, known as the executive council. These ministers started after most of the former representants were charged with rebellion for calling an illegal referendum for independence. (Catalan News, 2019)

2.2.4 Catalan attempts for separation

Catalanism, a movement calling for independency, was created already in the 18th century, getting stronger ever since. (Barcelonas, 2019)

As Montserrat Guibernau (2004) describes in his book, Francoist regime was adjusting and shaping the institutions when stopped democratization and decentralization or way towards modern society which also led to motives of separatism within Catalonia as they proclaimed Catalan Republic in 1931.

In 1980s, Catalans were being encouraged to use Catalan language over Castilian, and as Silvio Rendon (2007) shows in his paper, Catalans increased their chances of being employed when using Catalan. Thus, their nationalist feelings towards separatism were being supported directly by the government and indirectly by the employers.

There has been Catalan nationalism for a long time. However, the form was different in the past as it used to be more regionalist approach, which means that Catalans preferred to increase their independence within the Kingdom than to leave it. According to a survey from 1976, only 2% of Catalan habitants would leave Spain rather than increasing the autonomy or creating a federation. Even 2006, it was still only 14% according to another survey. (Dvořáková, Ferrarová, 2014)

The change in approach to independence started in 1990s, separatist party CiU, Convergence and Union – obtained political power, the demand for change started from below, from the voters, with the support from up by politicians who were representing in the Catalan government and Spanish parliament. This shift also complicated negotiations in politics as creating coalitions became harder. (Gillipsie, Gray, 2015)

Then in 2006, as the Statute of Autonomy was published, followed by ruling of the Constitutional Court of Spain that a few parts were not in harmony with the Constitution, the Catalan nationalism from below got stronger and eventually led to nonbinding referendums organized by municipalities from 2009 to 2011 with high support of separatism of those who voted. (Tremlett, 2011)

Another attempt came in 2014, over 81% of voters demanded separation. This voting was also unofficial and even though the central government required cancelling the referendum, it was realized. The participation, however, was not any high, less than 50%. (Frayer, 2014) As the same source says, the police were expected to prevent the voting as the Spanish government forbid the referendum, so this was one great reason to stay at home rather than face potential troubles. The transaction costs were also higher due to organizing the voting in the capital of Catalonia and its surroundings only. As the referendum was nonbinding, I believe the costs were higher than the benefit of participating for many Catalans, as it was only demonstrating their opinion.

The breakthrough came with the referendum on 1st October 2017, organized by the president of Catalonia and ministers as official referendum, even though illegal, as the Constitution does not allow any separatism. Now, most of the organisers are being suited for rebellion. Over 2 million Catalans voted for full independency, thus 90% of the participation which reached 43%. (El Periódico, 2017) This referendum also caused a stir because of police attack trying to prevent Catalans from voting.

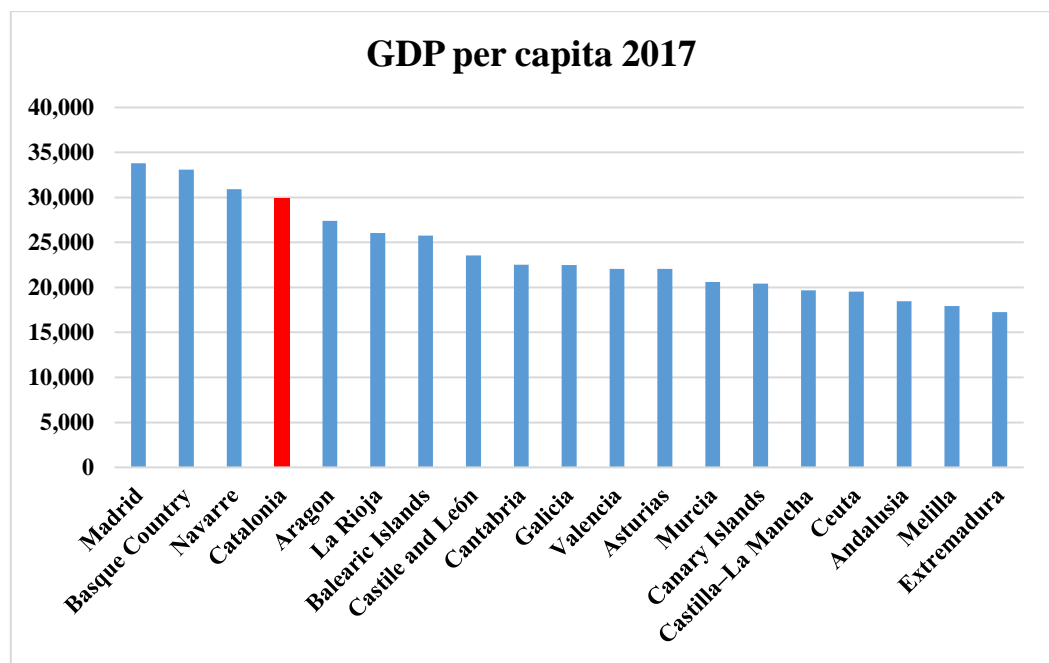
Around 900 people were injured. Central government apologized afterwards for the police violence. (Reuters, 2017)

The attempts were affected by formal and informal institutions, not only from the position of Catalonia, but from the side of Spain as well. Feeling differences in culture, grievance in terms of economy.

2.2.5 Economy

Catalonia is an important autonomous community within the Kingdom as will be demonstrated in this sub-chapter. Catalonia is the second most populated area, right after Andalusia, but more significantly, the first in contribution to the GDP as illustrated in the chart below.

Chart 3: GDP per autonomous communities of Spain per capita in 2017 in euros



Data input: Datosmacro (2019). Author's own illustration.

You may see the gross domestic product of Spanish 19 autonomous communities in 2017 per with Madrid on the first position and Catalonia on the fourth. Even though Andalusia is struggling due to the continuous high unemployment rate, it is the third biggest contributor (the highest amount of population), however it is the 3rd least productive community. Ceuta and Melilla are autonomous cities, the number of inhabitants is significantly lower (less than 0.2 % of the total population), and thus their contribution is just a tiny part of the total GDP, nevertheless, they are competitive per capita. (Datosmacro, 2019)

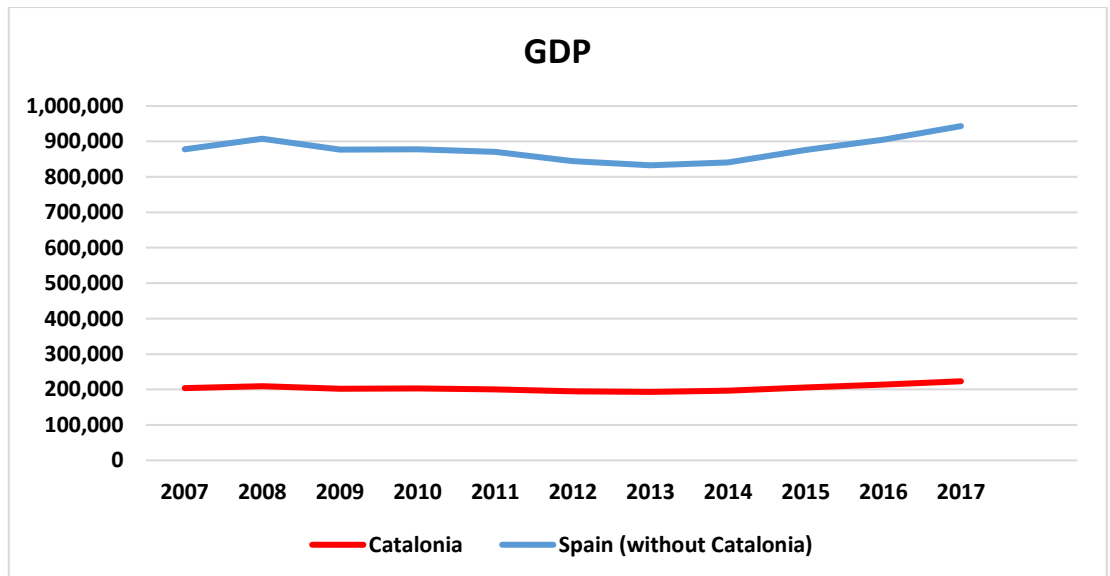
Table 1: Spanish GDP and Catalan contribution to the GDP 2007-2017

Year	Catalonia	Spain	Catalan contribution
2007	203 403	1 080 807	18.82 %
2008	209 005	1 116 225	18.72 %
2009	202 028	1 079 052	18.72 %
2010	203 324	1 080 935	18.81 %
2011	200 185	1 070 449	18.70 %
2012	195 209	1 039 815	18.77 %
2013	193 126	1 025 693	18.83 %
2014	196 676	1 037 820	18.95 %
2015	205 535	1 081 165	19.01 %
2016	213 766	1 118 743	19.11 %
2017	223 139	1 166 319	19.13%

Data input: Datosmacro (2019). Author's own illustration.

The table no. 1 demonstrates the development of Spanish nominal gross domestic product and Catalan contribution in the absolute and relative values. We can see that the relative absolute numbers were affected mainly by the house crisis from 2008 to 2014. The relative number was relatively stable with a higher ratio in the last years as Spain was experiencing economic boom and Catalan contribution was more than crucial.

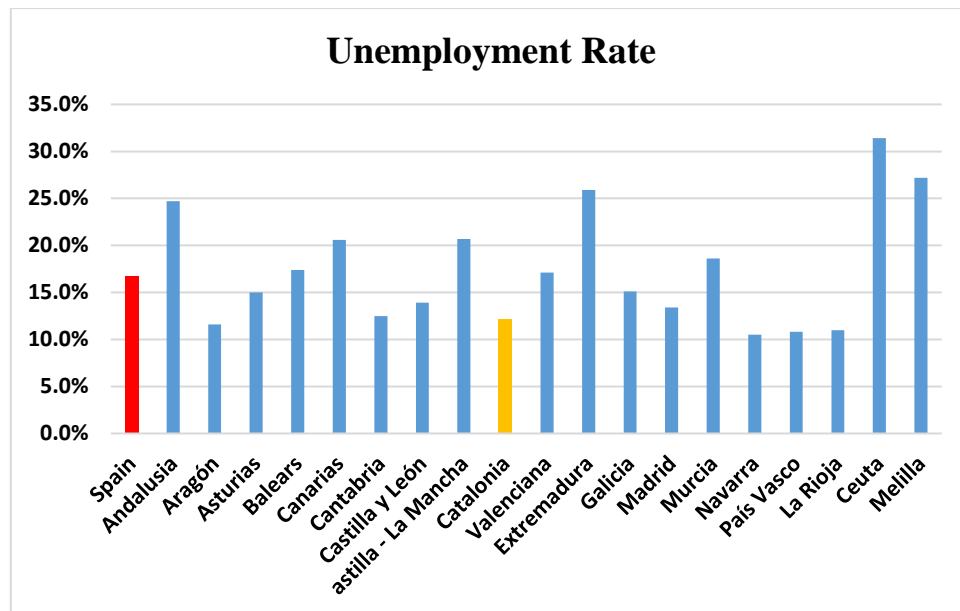
Chart 4: GDP development of Catalonia and the rest of the Kingdom 2007-2017



Data input: Datosmacro (2019). Author's own calculation and illustration.

The chart no. 4 illustrates the trend of Catalan GDP development as well as the rest of Spain from 2007 to 2017. The crisis was tougher for the rest of the country rather than for Catalonia as their growth is more stable, nevertheless, including now when the rest of the Spain is growing faster.

Chart 5: The Unemployment rate of Spain and its autonomous communities in 2018



Data input: Instituto Nacional de Estadística (2019). Author's own illustration.

The unemployment rate is a long-term problem in Spain as the rate does not decrease below 8% even in the time of prosperity. In 2018, the overall unemployment rate was 16.7% with the highest number of unemployed inhabitants in the autonomous cities, Ceuta and Melilla. However, with the highest contribution of Andalusia as it is the most populated autonomous community. Catalonia belongs to the most employed communities with 12.2% of unemployment rate (also the second biggest community). Moreover, over 18% of all companies in Spain are registered in Catalonia with the highest ratio in the service sector, almost 82%, followed by commerce and construction. (EURES, 2019). In 2016, the biggest employers of Catalans were Seat, an automobile company, Mercadona, a chain of supermarkets, ACS Group, the biggest employer in construction, or CaixaBank. (Statista, 2019)

2.3 Selected aspects of Spanish Social Security

This chapter is dedicated to retirement and maternity leave as benefits provided in the Kingdom of Spain, as the base for the further analysis. The information provided is the core in order to obtain basic orientation in their system, without exceptions and further minor specifications of situations which may occur.

2.3.1 Pension System

Retirement, as a part of the pension system, is adjusted and modified in the law 27/2011. The website of the National Institute of Social Security (El Instituto Nacional de la Seguridad Social; a part of the Ministry of Labour, Migration and Social Security) serves as an open source of information about retirement if not mentioned otherwise.

Catalan pensions, as a part of the Spanish system, is based on a public and private pillar. Contribution to the public pillar is compulsory and is based on pay-as-you-go funding with earning-related retirement, survivors' and permanent disability benefits. Another part of the public pillar is non-contribution system for elderly and disabled ones who do not meet the conditions for earning the public pension. Both these parts of the first pillar are managed by the Ministry of Labour and Immigration. The second pillar is supportive to the first pillar and is fully voluntary, based on private funding. The public pillar is divided into 6 categories: general, for fishermen, agricultural workers, coal miners, domestic employees and self-employed. The general part of the first pillar is different than the others regarding the contributory base as those who are in the general part pay 28.3 % of their contributory base. (Guillén, León, 2016)

2.3.1.1 Beneficiaries

Those who are participating in social security, contributing, or legally and involuntary unemployed. Also, those, who had to leave their occupation, are on leave, are not employed due to seasonal work, early retirement, temporary disabled and other minor cases according to the law. The condition of contribution can be avoided once the person contributed long enough and meets the requirement of age for retirement. (Seguridad Social, 2019)

2.3.1.2 Requirements

In 2019, the minimum age for retirement is 65 years with 37 years of contribution, otherwise the minimum age increases up to 65 years and 10 months. There are, however, several exceptions, the minimum limit for these exceptions is 52 years. (Seguridad Social, 2019)

The benefit is counted as regulating base, which is calculated from the contribution during 22 years before the retirement. The contribution from the last year prior retirement is not adjusted, the rest is modified according to the CPI. The percentage depends on the amount of years of contributing. The minimum is 50% for the first 15 years of contribution, for each month followed, the percentage increases by 0.19%, until the 248th month, then it rises by 0.18%. If a person starts his or her pension at a later age, the regulating base can exceed 100%, otherwise the full percentage is reached after 35 years of contribution and cannot be any higher. To women with children the regulating base is increased by 5, 10 or 15% according to the number of children. Additional percentage is provided for each extra year at work above the age when the entitlement to retirement is established. Two per cent per year if the number of years of contributing reached 25 when achieved the age for retirement, 2.75% for 25-37 years of contributing, 4% for more than 37 years. (Seguridad Social, 2019)

Fourteen payments, thus, 2 are extra on the top of the regular the benefit, yearly adjusted in terms of Consumer Price Index. The retirement benefit is taxed accordingly. (Seguridad Social, 2019)

2.3.1.3 Partial retirement

Spanish social security system provides partial retirement after the age of 60 when the person still has a job and contributed for at least 15 years. The minimum age differs for people who do not participate in the Mutual Insurance Society, currently 61 years and 8 months, gradually increasing each year and the minimum contributing increases up to 33 years and seniority in the company is required for minimum 6 years. The contribution base is 80%. (Seguridad Social, 2019)

2.3.1.4 Early retirement

For particularly dangerous or unhealthy occupations, it is possible for the workers to retire earlier. This can be provided to miners, flight personnel, railway workers, artists, bullfighters, firemen, policemen, etc... Each group has its own specifications and conditions. It is possible for disabled workers. An early retirement is available at the age of 60 when being a member of the Mutual Insurance Society, otherwise at the age of 61. The minimum contribution time is 15 years. Workers used to have the possibility to retire at 64, with no change in the regulating base, due to high unemployment, this program was cancelled in 2013. (Seguridad Social, 2019)

2.3.1.5 The recent development

The last pension reform was in 2011 by the Socialist Government when the retirement age was risen to 67 years and is being gradually increased during the period from 2013 to 2027. In 2016, it was still possible to retire at the age of 65, however, only when 36 years of contribution. The reform also affected the reference period from 15 years to 25 for calculating the pension, also applied gradually. As for the correlation between years of contribution and initial pension amount, it has also changed. Originally, to receive 100% of the calculation base, 35 years of contribution was needed. When full implementation applied in 2027, it will be over 38 years of contribution. In 2019, the initial pension amount will be also based on life expectancy which might decrease the amount by 5% every 10 years. (ETUI, 2016) A reform in pension system is needed all over the world, Spain has already started with their outlook into the future and implementing corrections. In this case, no dramatic reform has come into the system which would solve the European problem of aging and missing money in the system, not by prolonging the age for retirement. On the other hand, it also implements partial retirement and other possibilities how to keep maintaining the balance.

Table 2: Age condition development based on the contribution period

YEAR	CONTRIBUTION PERIOD	AGE CONDITION
2019	36 years and 9 months or more	65 years
	Less than 36 years and 9 months	65 years and 8 months
2020	37 years or more	65 years
	Less than 37 years	65 years and 10 months
2021	37 years and 3 months or more	65 years
	Less than 37 years and 3 months	66 years
2022	37 year and 6 months or more	65 years
	Less than 37 years and 6 months	66 years and 2 months
2023	37 years and 9 months or more	65 years
	Less than 37 years and 9 months	66 years and 4 months
2024	38 years or more	65 years
	Less than 38 years	66 years and 6 months
2025	38 years and 3 months or more	65 years
	Less than 38 years and 3 months	66 years and 8 months
2026	38 years and 3 months or more	65 years
	Less than 38 years and 3 months	66 years and 10 months
From 2027	38 years and 6 months or more	65 years
	Less than 38 years and 6 months	67 years

Data source: Seguridad Social, 2019. Author's own table.

This table demonstrates the development of gradual increase in the age condition for retirement, applicable from 2013, with the current peak of 67 years from the year 2027. However, the age of 65 stays the whole time but the time of contribution increases. Basically, it is a trade-off between age and time of contribution for retirement with constant rise of contribution period.

2.3.2 Maternity leave

The following chapter contains extraction of maternity leave provided in the Kingdom of Spain. More details and specification in the law Real Decreto-ley 6/2019 from 1st March, which is also the source for this chapter together with the official web of Spanish social security system provided by the government of the Kingdom of Spain, ministry of labour, migration and social security, in whose competency this social situation is, within the National Institute of Social Security (Instituto Nacional de la Seguridad Social), which also serves as an open source of information regarding maternity leave for this sub-chapter, and the Social Institute of Marine (Instituto Social de la Marina), if the situation occurred to a marine.

2.3.2.1 Social situation

Spanish social security system protects maternity, surrogacy, adoption, guardianship for pre-adoptive foster care and foster care as a social situation. (Seguridad Social, 2019)

2.3.2.2 Beneficiaries

The protected person must be employed, taking leave for maternity, regardless the sex if met the requirements below (or met by the other parent). This benefit can be taken by both parents as full-time or part-time. (Seguridad Social, 2019)

2.3.2.3 Requirements according to the law Real Decreto-ley 6/2019

1. Being affiliated, thus, participation in social security system based on work contract.
2. Paying contributions for a minimum period based on the age on the date of birth / adoption / fostering arrangement:
 - a) *Less than 21 years old: no contribution needed*
 - b) *Between 21 and 26 years old: 90 days within 7 years prior to the start of the maternity leave or 180 days during working life*
 - c) *Over 26 years old: 180 days within 7 years prior the maternity leave or 360 days during working life*

2.3.2.4 Benefit

The amount is equivalent of the regulating base for regular full-time contracts. If the worker is paid on monthly basis, then his or her contribution into the social security system from the last month prior to the one when social situation occurs, is divided by 30. The number we get is daily paid maternity leave benefit based on the beneficiary's wage, thus 100% of their wage. If the worker does not accomplish the requirement for contribution, then the benefit is based on indicator of multiple effect income, which was set in 2017 for 537.84 euros per month and the worker receives subsidy of this amount. (Seguridad Social, 2019)

2.3.2.5 Duration

The benefit is standardly provided for 16 weeks. Two more weeks extended for every other child born after the second or in case of disabled child. For the mother, the leave starts from the day of giving birth or 4 weeks before the expected delivery, which might be received simultaneously with the other parent, the total leave cannot exceed the amount of provided weeks. The same duration is for adoption or foster care. For non-contributory maternity leave, the duration of the subsidy is 42 days with a possible 2 weeks extension for multiple birth or disability of the child or the mother. (Seguridad Social, 2019)

Spain also provides paternity leave, which was increased for 8 weeks in 2019, planned to increase up to 16 weeks in 2022, thus the same duration as maternity leave. (Elliot, 2019)

No parental leave is provided after maternity leave, only unpaid maternity leave extension for up to 3 years and have the right to come back to the same employer. The time is considered into the contribution period. For women coming to work earlier, it is provided one hour per day of breast/bottle-feeding. (Sabate, 2019)

2.3.2.6 Part-Time maternity leave

The maternity leave beneficiary may stay at work partially and partially receive the maternity leave benefit, if the workday time is over 50%. For self-employed worker it must be 50% of full day working activity. This may be used 6 weeks after the delivery by both parents. The time of the leave is thus longer based on the length of working day. This might be a great way to harmonize working and parental balance also for the Eastern Europe as many women struggle with coming back to work after longer maternity and paternal leave. To have the possibility to take care about the baby, but also partially work, also with the possibility to change it in the meantime, moreover, to be able to shift with the father. This is also a great solution for high-ended workers, who might struggle due to lower incomes but primarily, due to the missed time at work. (Seguridad Social, 2019)

3 SOCIAL SECURITY DEVELOPMENT

This chapter serves as the practical basement for the further macroeconomic and microeconomic analysis of the impact on Catalan selected aspects of the social security in the case of the full independence.

3.1 Pension system

The data was obtained on the official website of Spanish social security. Ten years of data divided per month, communities and types of retirement, was consolidated into a few tables and charts, summarized as an overview of a decade regarding Catalan pension system data as well as the rest of the Kingdom, focusing only on the retirement pension benefit.

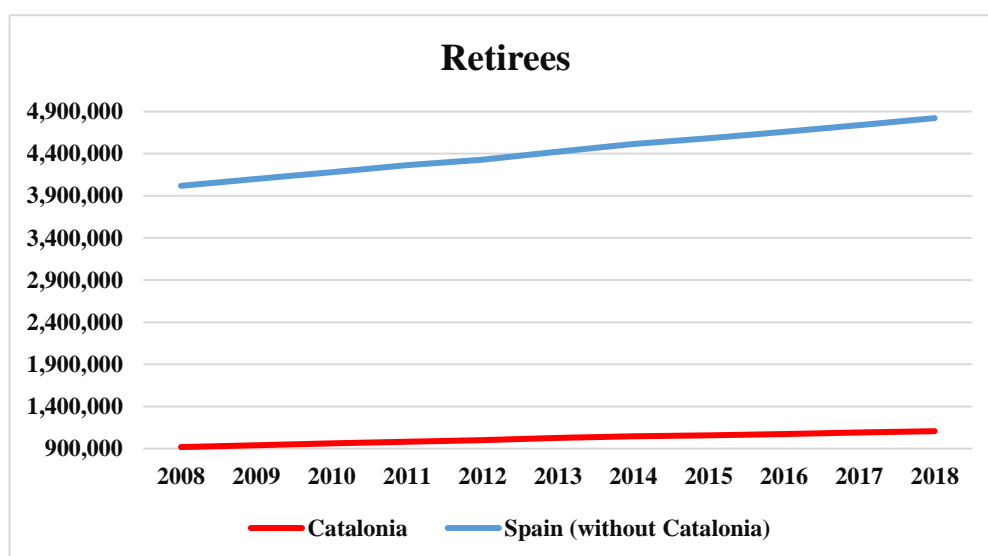
Table 3: Absolute and relative amount of retirement beneficiaries in Catalonia and Spain 2008-2018

Year	Catalonia	Spain (without Catalonia)	Catalonia / Spain
2008	918,772	4,018,067	22.87%
2009	940,190	4,098,671	22.94%
2010	961,269	4,179,285	23.00%
2011	983,904	4,262,337	23.08%
2012	1,002,387	4,327,808	23.16%
2013	1,026 643	4,424,822	23.20%
2014	1,044,951	4,514,013	23.15%
2015	1,059,337	4,582,571	23.12%
2016	1,075,013	4,656,939	23.08%
2017	1,091,692	4,737,445	23.04%
2018	1,107,530	4,821,941	22.97%

Data source: Seguridad Social, 2019. Author's own illustration and calculation.

This table represents the development of retirement beneficiaries during the period from 2008 to 2018 in absolute and relative values. The trend is ascending in absolute values for both parts, even though the age for retirement increases every year, so does the number of beneficiaries with higher proportion. For relative values, the ratio of Catalan beneficiaries on the rest of the country also copied this trend until 2014 when the ratio started to decrease. During the decade, the ratio is stable between 22.87% and 23.20%.

Chart 6: Absolute amount of retirement beneficiaries in Catalonia and Spain 2008-2018



Data source: Seguridad Social, 2019. Author's own illustration and calculation.

The chart shows the lines of development of retirement beneficiaries during the decade. And even though for both parts the trend is ascending, the increase in the number of retirees in not as significant or steep as in the case of the rest of Spain. The rise from 2008 to 2018 is over 20% in both parts.

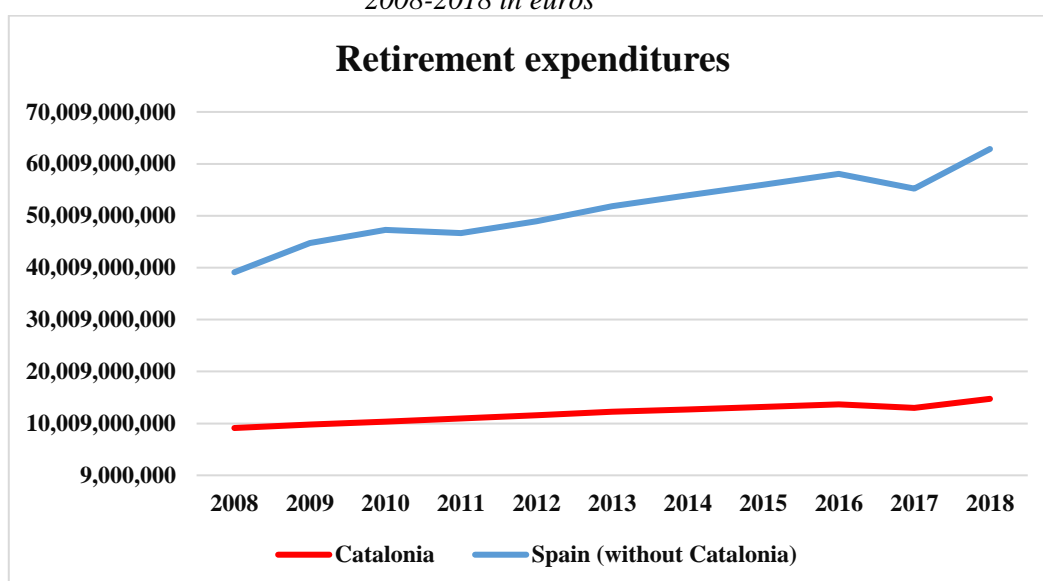
Table 4: Absolute and relative expenditures on retirement in Catalonia and Spain 2008-2018 in euros

Year	Catalonia	Spain (without Catalonia)	Catalonia / Spain
2008	9,127,799,355	39,125,429,667	23.33%
2009	9,785,733,871	44,749,466,725	21.87%
2010	10,351,851,629	47,267,121,823	21.90%
2011	10,973,050,080	46,645,923,372	23.52%
2012	11,554,083,616	48,976,834,737	23.59%
2013	12,247,879,466	51,829,998,894	23.63%
2014	12,720,545,155	53,973,522,123	23.57%
2015	13,173,471,930	55,963,869,673	23.54%
2016	13,661,065,158	58,055,803,681	23.53%
2017	12,991,295,045	55,229,206,874	23.52%
2018	14,742,979,771	62,864,091,240	23.45%

Data source: Seguridad Social, 2019. Author's own illustration and calculation.

This table shows the development of pension benefit paid during the period from 2008 to 2018 in absolute values for Catalonia and the rest of the Kingdom, as well as relative ratio of Catalan expenditures on the whole country. The ratio belongs to the interval between 21.9% and 23.63% as the lowest relative value in 2009 at the time of the crisis and the highest relative value in 2013, even though the absolute lowest value was in 2008 and the highest in 2018.

*Chart 7: Absolute amount of expenditures on retirement in Catalonia and Spain
2008-2018 in euros*



Data source: Seguridad Social, 2019. Author's own illustration and calculation.

Even though the development of the number of retirees was ascending, the development of expenditures on retirement experienced several drops. One in 2011, during the crisis when pension system reform was implemented, and the rest of Spain was affected more than Catalonia which was generally hit less by the crisis. Age condition and calculation of contribution were changed, this had impact on the whole country in 2017. Generally, Catalan progress is smoother and more stable and Spanish.

Table 5: Average retirement benefit per month in Catalonia and Spain 2008-2018

Year	Catalonia	Spain (without Catalonia)	Catalonia / Spain
2008	828	811	102.03%
2009	867	910	95.33%
2010	897	942	95.22%
2011	929	912	100.91%
2012	961	943	100.85%
2013	994	976	101.85%
2014	1 014	996	101.81%
2015	1 036	1 018	101.83%
2016	1 059	1 039	101.94%
2017	992	972	102.08%
2018	1 109	1 086	102.11%

Data source: Seguridad Social, 2019. Author's own illustration and calculation.

Table no. 5 demonstrates that, except 2009 and 2010, the average retirement benefit paid per month was always higher than in the rest of Spain. And even though the country was experiencing deflation, the amount was ascending, besides 2017 as pension system reform was implemented.

3.2 Maternity Leave

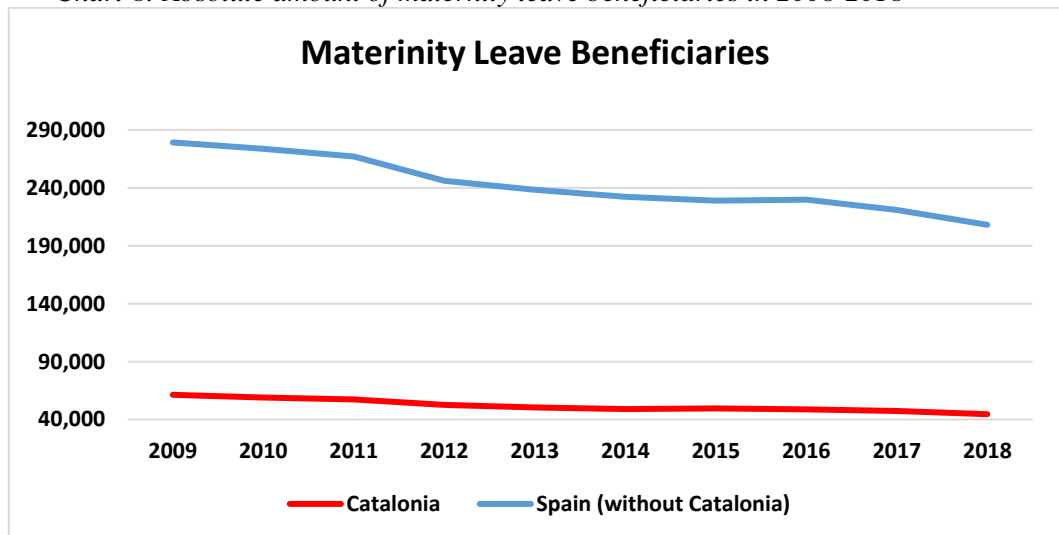
Table 6: Absolute and relative amount of maternity leave beneficiaries in Catalonia and Spain 2008-2018

Year	Catalonia	Spain (without Catalonia)	Catalonia / Spain
2008	64,374	294,786	21.84%
2009	61,323	279,189	21.96%
2010	58,896	273,661	21.52%
2011	57,344	267,061	21.47%
2012	52,668	246,064	21.40%
2013	50,388	238,454	21.13%
2014	48,970	232,181	21.09%
2015	49,523	228,866	21.64%
2016	48,814	229,695	21.25%
2017	47,307	221,021	21.40%
2018	44,601	208,105	21.43%

Source: Seguridad Social, 2019. Author's own illustration and calculation.

The table demonstrates development of maternity leave beneficiaries from 2008 to 2018 in absolute and relative values. The ratio of Catalan on Spanish beneficiaries is always between 20 and 21 per cent, which means that there was not any significant variance in the development. The latest year represents the lowest values of the decade.

Chart 8: Absolute amount of maternity leave beneficiaries in 2008-2018



Source: Seguridad Social, 2019. Author's own illustration.

The maternity leave in Catalonia and the rest of the Kingdom copy the same trend. Thus, the ratio of Catalan and Spanish maternity receivers does not differ significantly thorough this period. After the crisis peak in 2008, the quantity of maternity leave beneficiaries dropped significantly in the following year. The decrease continued

until the last-mentioned year within Catalonia. Spain experienced one exception in 2016 with a smooth increase of maternity leave followed by a significant drop during the next year by over 20,000 women and men in total.

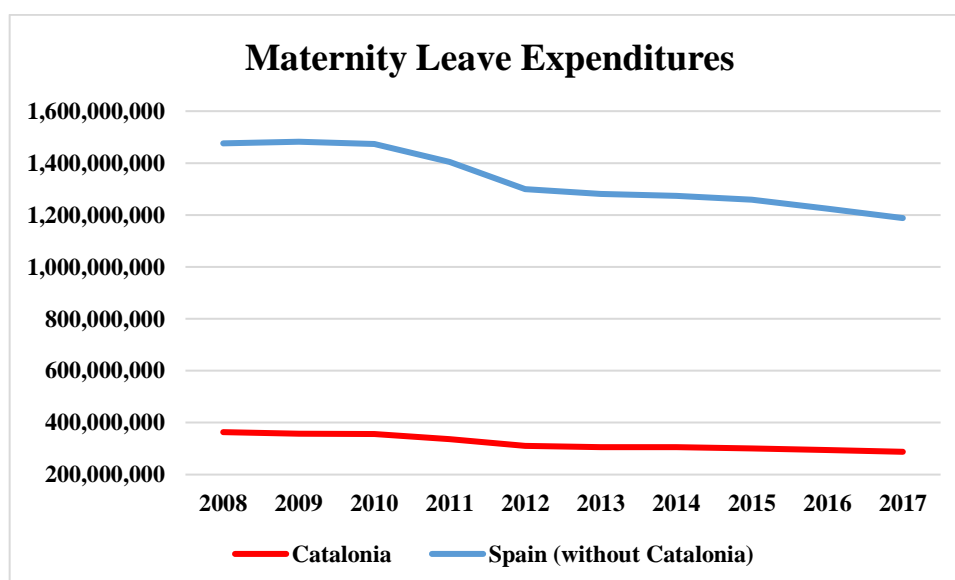
Table 7: Catalan and Spanish expenditures on maternity leave 2008-2018 in euros

Year	Catalonia	Spain (without Catalonia)	Catalonia / Spain
2008	358,146,675	1,448,585,252	24.72%
2009	363,448,387	1,475,749,503	24.63%
2010	356,902,518	1,482,217,124	24.08%
2011	355,908,273	1,473,424,540	24.16%
2012	336,964,081	1,404,514,889	23.99%
2013	310,638,351	1,299,262,034	23.91%
2014	305,079,547	1,280,569,859	23.82%
2015	305,523,116	1,273,804,383	23.99%
2016	301,129,835	1,259,531,165	23.91%
2017	294,453,089	1,224,681,142	24.04%
2018	287,749,228	1,188,118,660	24.22%

Source: Seguridad Social, 2019. Author's own illustration and calculation.

This table represents paid maternity leave benefits from 2008 to 2018 in Catalonia and Spain. Even though the ratio does not show any extremes, the development in Catalonia does not copy Spanish development. The last year also represents the lowest expenditures on maternity leave in the decade for both parts.

Chart 9: Catalan and Spanish expenditures on maternity leave 2008-2018 in euros



Source: Seguridad Social, 2019. Author's own illustration.

The amount of maternity leave beneficiaries and the expenditures on maternity leave do not follow the same development, even though the trend is declining for both. The disproportion is caused by differences in paid maternity leave benefit based on the salary the beneficiaries originally had. Then, even if the number of beneficiaries slightly decreased, the change in expenditures on the benefit can increase by the year, which happened for example in 2009 when the number of beneficiaries in Catalonia dropped by almost 5%, but the expenditures increased by 1.5% in comparison with the previous year.

4 CATALONIA AS A FULLY INDEPENDENT STATE

This chapter is focused on the macroeconomic and microeconomic analysis of the impact of Catalan separation from Spain and thus, confirm or disprove the hypothesis that it would be beneficial for Catalonia to leave the Kingdom of Spain, reach the full independency and thus, gain positive impact on their social security balance, as well as on each social security beneficiary.

4.1 SOCIAL SECURITY BALANCE AND CATALAN CONTRIBUTION

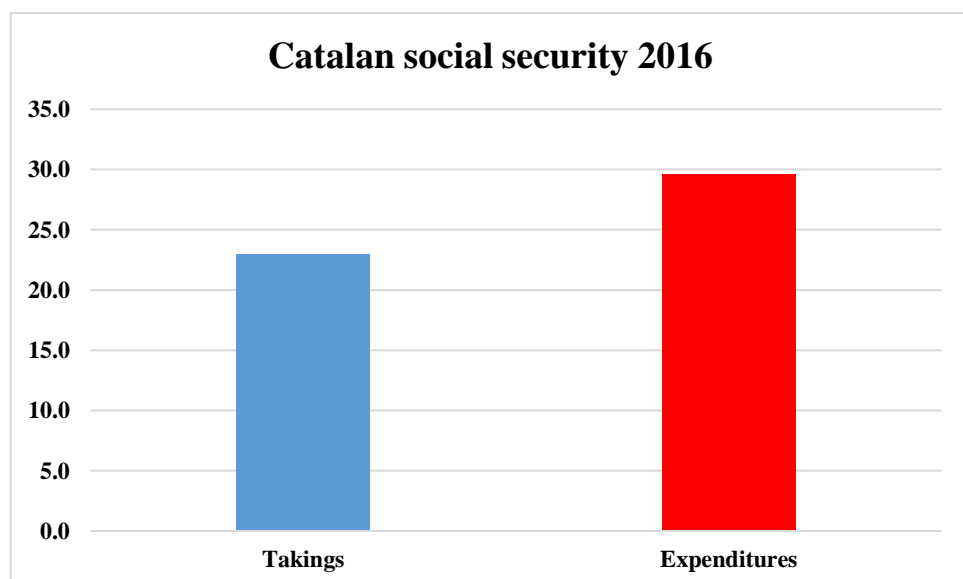
For the following calculations and analysis is used the year 2016 as default, in order to have all the data available. This year's budget corresponds to the one from 2015 as the law for 2016 did not pass so Catalonia was forced to use budget makeshift.

Table 8: Catalan social security balance in 2016 in billions of euros

Takings	Expenditures	Balance
22.9	29.6	-6.7

Data source: Catdialeg, 2017. Author's own illustration.

Chart 10: Catalan takings and expenditures on social security in 2016 in billions of euros



Data source: Catdialeg, 2017. Author's own illustration.

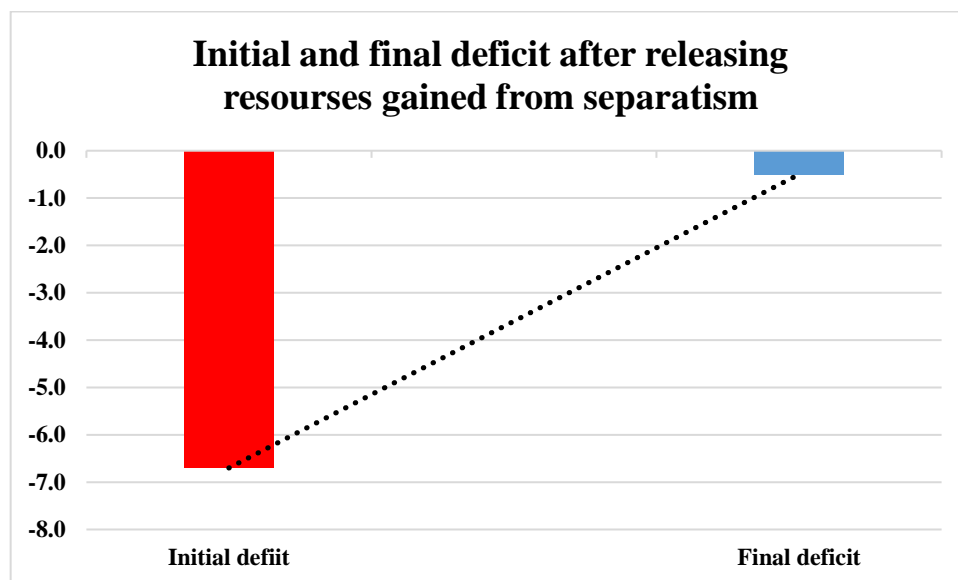
The social security balance for 2016 was 6.7 billion euros, as the takings were 22.9 billion euros and expenditures 29.6 billion euros. (Catdialeg, 2017)

Table 9: Catalan initial and final social security balance after independence in billions of euros

Initial balance	Resources to release	Final balance
-6.7	6.2	-0.5

Data source: Catdialeg, 2017; Ministerio de Hacienda, 2016. Author's own illustration.

Chart 11: Catalan initial social security balance and final balance after separatism in billions of euros



Data source: Catdialeg, 2017; Ministerio de Hacienda, 2016. Author's own illustration.

If Catalonia reached full independency, it would not be longer obliged to participate on the state budget, which means they would get 3.8 billion euros free for their own budget as they would not participate on the incomes of the kingdom, as well as another 2.1 billion euros for not contributing to the central social security and 0.3 billion euros extra as for no capital transfer. (Ministerio de Hacienda, 2016)

Overall, they would be still in deficit, releasing 6.2 billion euros, over 19% of the total expenditures, would not cover all 6.7 billion euros deficit. Catalonia would still have to borrow money to cover this, however, the interests would decrease. The released money might be invested in order to evolve the country and then eventually be in the surplus. Nevertheless, under these conditions set as *ceteris paribus*, we must assume that Catalonia would have to decrease expenses to cover the deficit.

4.2 MACROECONOMIC ANALYSIS

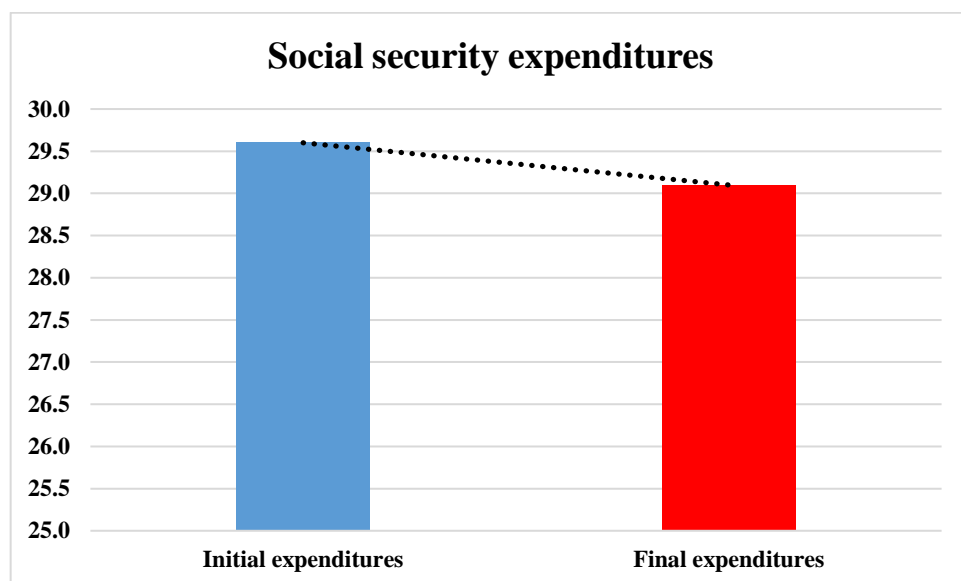
The macroeconomic analysis represents the impact on the whole Catalonia, thus how much they would have left to distribute among their citizens, social security beneficiaries, particularly for retirees and maternity leave beneficiaries, *ceteris paribus*. This means, that this thesis focuses only on the changes in the social security system, thus any other changes in the state budget would be done independently as a political decision. This thesis is also based on the assumption that separation would make it more difficult for Catalonia to take loans, so they would be forced to have at least balanced budget, rather surplus to create reserves so it does not run out of resources.

Table 10: Initial and final expenditures on Catalan social security in billions of euros

Initial expenditures	Final expenditures	Drop ratio
29.6	29.1	1.7%

Data Source: Catdialeg, 2017. Author's own illustration.

Chart 12: Initial and final expenditures on Catalan social security in billions of euros



Data Source: Catdialeg, 2017. Author's own illustration.

As per data in the chapter 4.1, Catalonia would have to decrease expenses on social security by 0.5 billion euros, thus 1.7%. There would be no deficit for social security, the overall debt would not get any higher, thus there would not be any interests which represents opportunity costs. On the other side, decreasing transfers might mean drop in the gross domestic product as it would affect aggregate demand through restrictive fiscal policy.

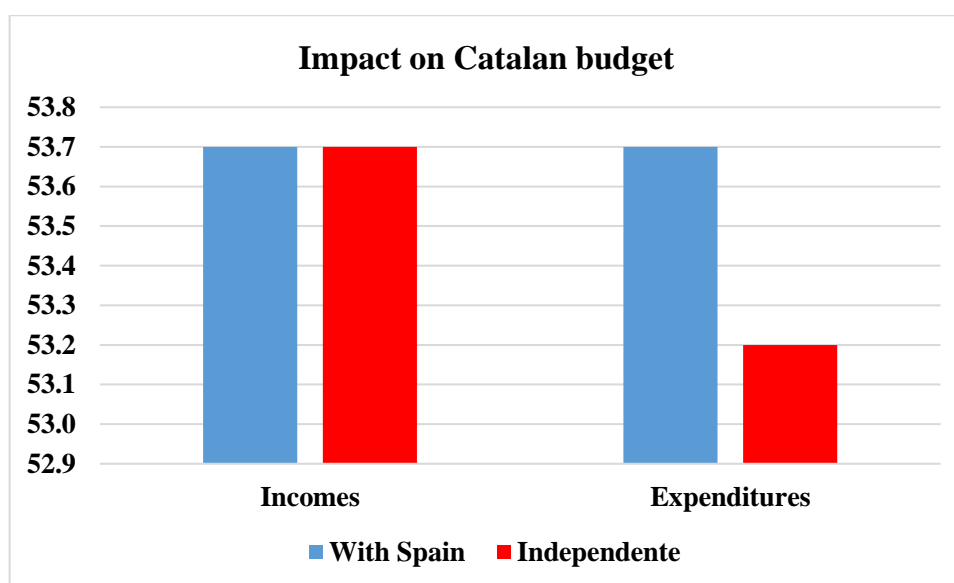
Table 11: Catalan budget before and after separation in billions of euros

State	Incomes	Expenditures	Balance
With Spain	53.7	53.7	0
Independent	53.7	53.2	0.5

Data source: Instituto de Estadística de Cataluña, 2019. Author's own illustration.

This table demonstrates the change in cost structure. The payments to the Kingdom were used to cover partial deficit of the social security system, in order to cover the rest, the transfers for the social security were decreased and the state budget got into surplus. Even though they would not have to be any deficit, this would be a political decision, as this thesis focuses only on the social security system. Moreover, as mentioned in the introduction of the macroeconomic analysis, taking loans to cover deficit would become way more difficult for fully independent Catalonia.

Chart 13: Catalan budget before and after separation in billions of euros



Data source: Instituto de Estadística de Cataluña, 2019. Author's own illustration.

This would mean that the impact the budget would be positive as restrictive fiscal policy would be implemented in order to accomplish the condition of *ceteris paribus* for social security, thus that there is no option for additional loan. In 2016 the budget was balanced so the amount decreased from the social security would create a reserve for investments or expansive fiscal policy with increasing the transfers back to the citizens.

4.2.1 The impact on pension system

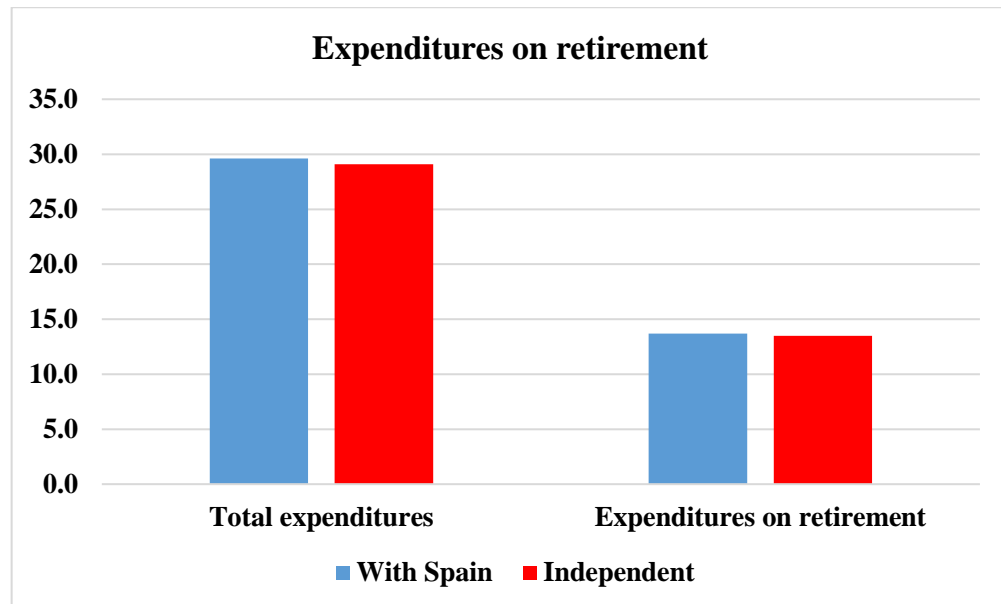
The analysis is focused only on the impact on the retirement and maternity leave, thus the deficit, which needs to be covered, is divided between these two aspects of the social security system as per relative ratio on the spending, this means that the rest of the deficit needs to be covered by the rest of the social security aspects, for instant other forms of pension system.

Table 12: Total and retirement expenditures before and after separation in billions of euros

State	Total expenditures	Expenditures on retirement	Balance
With Spain	29.6	13.7	46,3%
Independent	29.1	13.5	46,4%

Data source: Seguridad Social, 2019. Author's own illustration and calculation

Chart 14: Total and retirement expenditures before and after separation in billions of euros



Data source: Seguridad Social, 2019. Author's own illustration and calculation

Retirement represents the biggest part of the pension system integrated into the social security. As showed in the previous chapter, the total expenditures on retirement in 2016 were 13.7 billion euros, thus 46.3% from the total expenditure of 29.6 billion euros. As the total expenditures would have to be 29.1 billion euros now, the total expenditures would decrease by 0.2 billion euros to 13.5 billion euros, the drop represents 1.5% of the original expenditures. Newer ratio of Catalan expenditures on retirement is higher as the drop was not so significant as the decrease in total expenditures.

Table 13: Expenditures on retirement in billions of euros

State	Catalonia	The rest of Spain	Balance
Together	13.7	58.1	23.5 %
Separated	13.5	58.1	23.2 %

Data source: Seguridad Social, 2019. Author's own illustration and calculation.

Originally, the ratio of Catalan expenditures on retirement in comparison with Spanish was 23.5% as one country, now as two separate countries, the ratio has changed to 23.2%, the relative amount of Catalan retirement spending dropped by the separation.

4.2.2 The impact on maternity leave

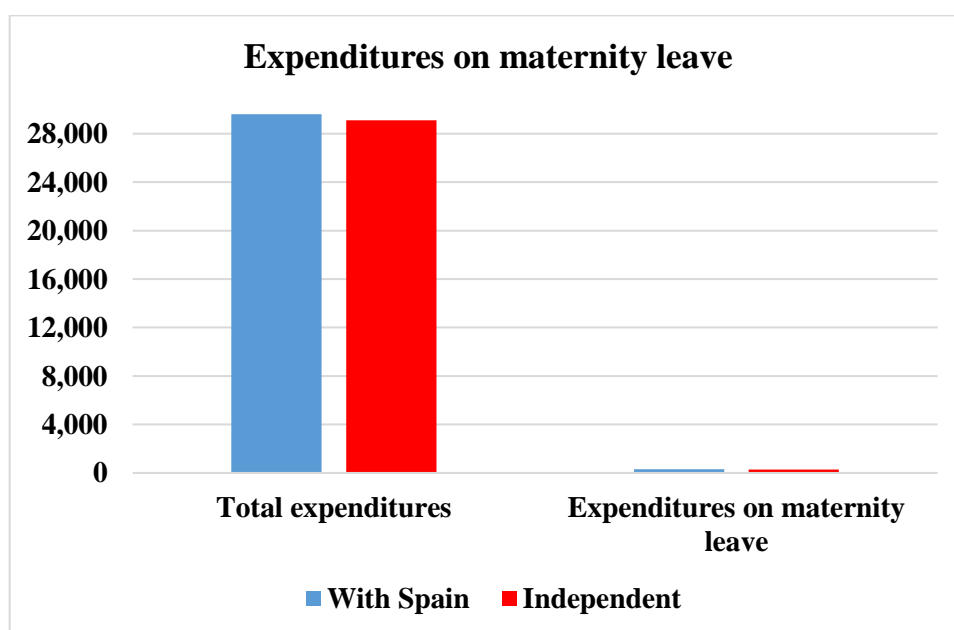
This part is dedicated to the impact on Catalan maternity leave, the change of their expenses is based on the ratio of maternity leave expenses on the total social security expenses.

Table 14: Total and maternity leave expenditures before and after separation in millions of euros

State	Total expenditures	Expenditures on maternity leave	Balance
With Spain	29,600	301	1.01 %
Independent	29,100	292	1.00%

Data source: Seguridad Social, 2019. Author's own illustration and calculation.

Chart 15: Total and maternity leave expenditures before and after separation in millions of euros



Data source: Seguridad Social, 2019. Author's own illustration.

With reference to the previous chapter, spending 301 million euros on the maternity leave represents 1.01% of the total social security. Thus, they would have to decrease the total amount of paid benefits by 9 million, reaching the final number of 292 million euros.

Table 15: Expenditures on maternity leave in millions of euros

State	Catalonia	The rest of Spain	Balance
Together	301	1260	23.9 %
Separated	292	1260	23.2 %

Data source: Seguridad Social, 2019. Author's own illustration and calculation.

The initial ratio of maternity leave expenditures was 23.9%, by separation it decreased to 23.2%, so the relative decrease in ratio was more significant in the case of maternity leave rather than pension system.

4.3 MICROECONOMIC ANALYSIS

The microeconomic analysis demonstrates how much would an average beneficiary be worse off if full independency occurs, *ceteris paribus*, due to deficit covering, thus decreasing the expenditures on the social security by 0.5 billion euros, which is divided into retirement and maternity leave according to their ratio on expenditures, not equally and not only between these two aspects.

4.3.1 The impact on pension system

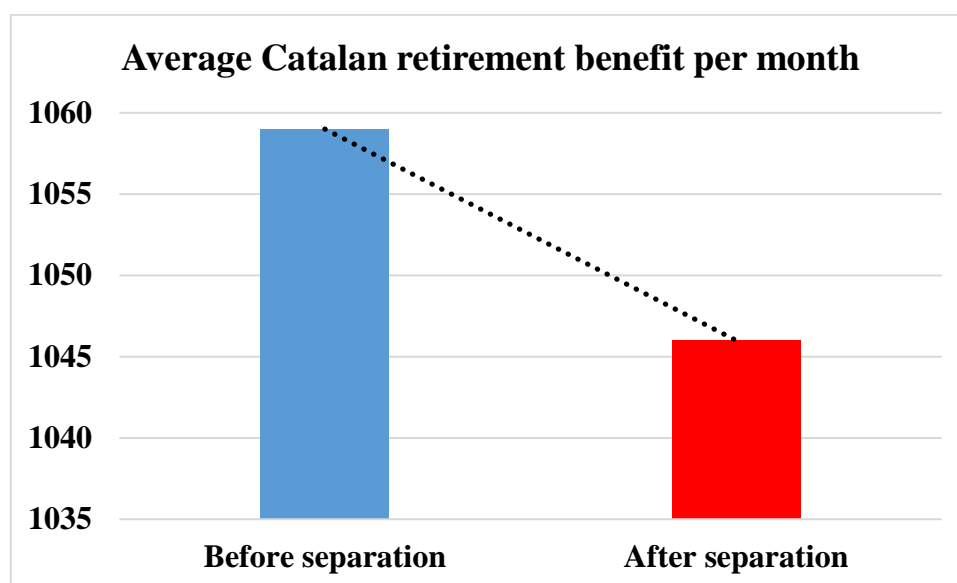
As the previous tables demonstrates, the average retirement benefit was 1,059 euros per month in 2016 as the number of beneficiaries was 1,075,013.

Table 16: Average Catalan month retirement benefit before and after separation

Before separation	After separation	Ratio
1,059	1,046	98.8%

Data source: Seguridad Social, 2019. Author's own illustration and calculation.

Chart 16: Average Catalan month retirement benefit before and after separation



Data source: Seguridad Social, 2019. Author's own illustration and calculation.

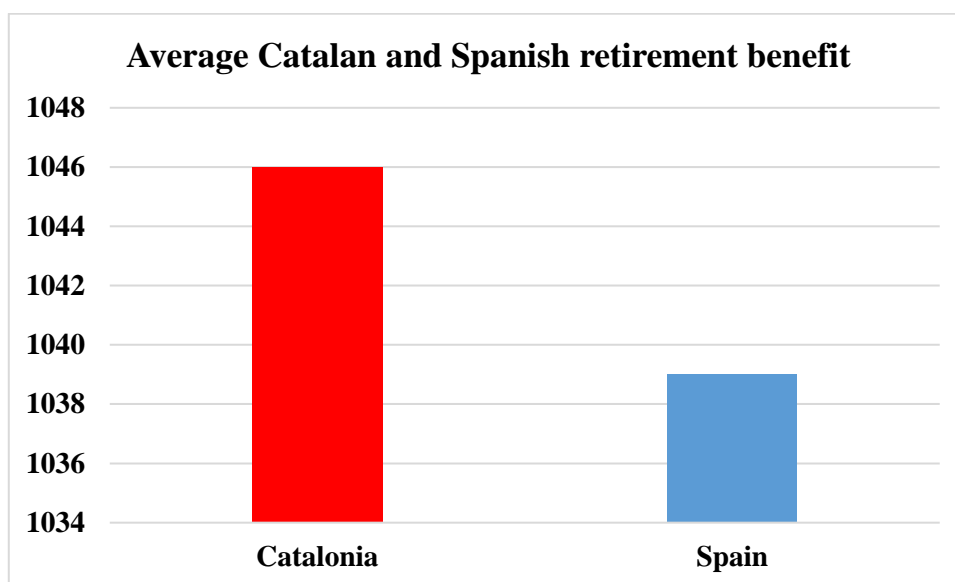
With the current budget on retirement of 13.5 billion euros, an average retiree would be worse off by 13 euros per month, receiving 1,046 euros, which is 1.2% drop. This is yearly 156 euros decrease on average in each retiree's pocket.

Table 17: Catalan vs. Spanish average month retirement benefit

Catalonia	Spain	Ratio
1,046	1,039	100.7%

Data source: Seguridad Social, 2019. Author's own illustration and calculation.

Chart 17: Catalan vs. Spanish average month retirement benefit



Data source: Seguridad Social, 2019. Author's own illustration and calculation.

This Catalan monthly benefit is still higher than the average retirement benefit in the rest of Spain, which is 1,039 euros. So average Catalan retiree would have 100.7% of average Spanish monthly paid retirement benefit after separation. In 2016, the average inflation rate was -0.2%, so the general prices decreased, which means that the purchase power was stronger. The benefit decreased by 1.2% nominally, really it was 1% drop.

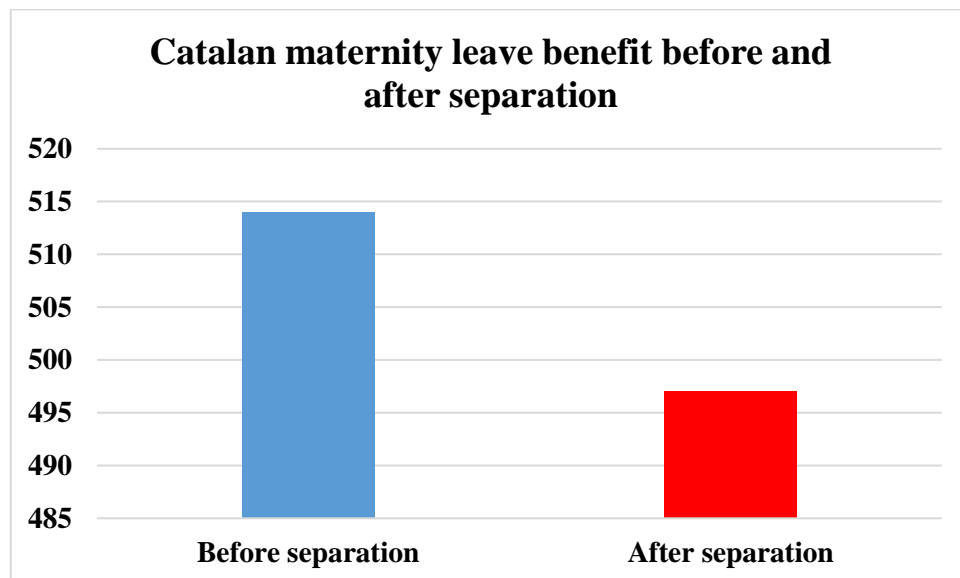
4.3.2 The impact on maternity leave

Table 18: Catalan month maternity leave benefit before and after separation

Before separation	After separation	Ratio
514	497	96.7%

Data source: Seguridad Social, 2019. Author's own illustration and calculation.

Chart 18: Catalan month maternity leave benefit before and after separation



Data source: Seguridad Social, 2019. Author's own illustration and calculation.

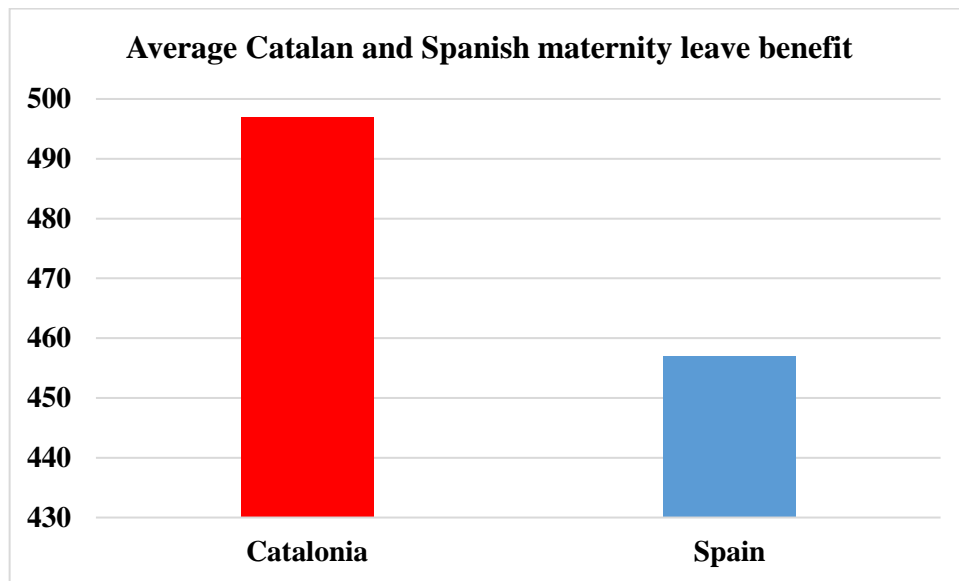
From the previous tables, we can calculate that the average maternity leave benefit is 514 euros per month for 2016, received by 48,814 people. With covering the deficit, now the expenses would be 291 million euros, thus an average maternity leave beneficiary would be worse off by 17 euros, receiving 497 euros per month on average, thus 204 euros per year, 3.3% less than before the separation. For maternity leave the drop was more significant, 3.3% nominally and 3.1% really as prices were decreasing.

Table 19: Catalan vs. Spanish average month maternity leave benefit

Catalonia	Spain	Ratio
497	457	108.8%

Data source: Seguridad Social, 2019. Author's own illustration and calculation.

Chart 19: Catalan vs. Spanish average month maternity leave benefit



Data source: Seguridad Social, 2019. Author's own illustration and calculation.

Maternity leave benefit is also higher in the case of Catalonia even after separation and benefit decrease due to this. Catalan monthly paid maternity leave benefit represents 108.8% of Spanish benefit.

CONCLUSION

This thesis showed the importance of analysis based on numbers. The topic of separatism is still important, especially within Europe and particularly European Union. For this reason, it is necessary to analyse the incentives, whether they are based on moods or economic unfairness. Also, to see the consequences of a political decision, which might have a great impact not only on Catalonia and Spain themselves, but also on their trading partners. For me myself, this thesis has brought an insight into the topic of separatism but more specifically into the problematic of Catalan calling for independency. This thesis looked at a specific part of the Catalan budget and self-sufficiency in case of social security, thus whether from the economic point of view would be beneficial to leave Spain and be better off, not only regarding their budget, but mainly regarding their citizens in order to be able to increase their benefits. Before doing so, it was necessary to create the theoretical background providing the information by literary research about the basic models and funding of pension system, since the first aspect of Catalan social security was retirement. Another one was dedicated to the theory of maternity leave, providing several extremes around the world, as the length and benefit can differ significantly mentioning Finland as highly social state on one side and the United States on the other side when the initiative of social protection is held by employers themselves, not the state. This also provided me the possibility to compare several concepts of maternity leave benefit and to have a better notion about social certainty.

To understand better the problematic of separation generally, many attempts were collected and described, their incentives and consequences. For the case of Catalonia was dedicated a separate chapter to see the development from calling for bigger independency to full independency and what role played the politicians there. A huge initiative came in 2006 with the Statute of Autonomy leading to several referendums for independency afterwards, with the latest attempt for separation in 2017, followed by trial with the representatives of Catalonia, who are being suited for rebellion. Formal and informal institutions had a great role in this process, not only from the position of Catalonia, but also from Spain in terms of tax setting or culture differences. To identify the differences, sometimes different routes, several chapters were dedicated to the development of the Kingdom of Spain

and Catalonia. Historical, political or economic development as defining the path dependency of both parts. The economic part was significant for Catalan contribution on the Kingdom's growth and stability even at the time of crisis. The data showed that Catalonia is one of the strongest autonomous community of Spain, with great contribution to the GDP, with the lowest unemployment rate, even though Spain on average have been struggling from high unemployment rate without any change for years, caused also due to high regulation and employee protection.

The aim of the thesis was to analyse, besides the pension system and maternity leave, the legitimacy for separation based on economic causes in terms of their social security. And it was successful because the thesis proved that, in terms of Catalan social security system, the separation is not based on legitimate economic reasons because the beneficiaries would not be any better. **Thus, the thesis disproved the main hypothesis that separation would have positive impact on Catalan social security system.** In fact, provided the condition of *ceteris paribus*, Catalans would be worse off as the released money would not cover the whole deficit Catalonia has in the social security system, which would have to be covered in these terms. Money not paid to the central budget as contribution to the central social security or other autonomous communities which is over 6.2 billion euros, over 19 % of the total expenditures, Catalonia paid to the kingdom, the social security balance in case of full independency would stay in 0.5 billion deficit as based on the data from 2016 as newer data has not been provided regarding social security nor Catalan budget. Thus, an average retiree would be 13 euros per month worse off, and an average maternity leave beneficiary would be 17 euros worse off. Generally, there would be 0.2 billion euros decrease in the budget for retirement and 9 million euros decrease for maternity leave. These two aspects watched in my thesis would be decreased by 2.09 billion euros in total, the rest of the deficit would be covered by other aspects of the social security as the ratio to decreased was calculated from the relative ratio to total expenses. ***This part also disproves the first and the second sub-hypothesis that retirees would have more money to spend in one's old age and maternity leave benefit would increase after separation.*** However, the balance of the whole Catalan budget would be in 0.5 billion euros surplus caused by restrictive fiscal policy applied when decreasing the transfers to social security as a consequence of separatism. This surplus might be used to level off the transfers or for investments. Under the condition of *ceteris paribus*,

this step is not a part of my thesis. Even if this surplus is used for the social security system, the beneficiaries would not be any better off from the separation. The result of the third sub-hypothesis is different. ***The thesis proved that the separation would have positive impact on the whole budget.*** As the separation would make it worse for Catalonia to take loans to cover their deficit, they would be forced to create balanced budgets. Rather surplus in order to create reserves so they would not run out of resources. Nevertheless, this would be a political decision followed afterwards.

Several aspects of the pension system and maternity leave in Spain might serve as inspiration for other countries to support their budget as Spain provides partial retirements as well as partial maternity leave to support higher labour market participation. Spain might also serve as an inspiration for countries, where women have low retirement benefit due to childcare, as their retirement benefit increase according to number of children. The struggle is not avoiding to Spain either, so they, as many other countries, decided to increase the age condition for retirement, as well as contribution period to be able to receive the whole benefit. This reform started in 2011 and is gradually implemented until 2027, when the minimum age for retirement is set for 65 if the condition of 38.5 years is met, otherwise the age requirement increases to 67 years. Starting in 2019, the pension benefit will be also calculated based on the life expectancy which might lower the paid benefit. The analysis of the selected aspects of the social security system showed the development of number of beneficiaries and expenditures during a decade, the effect of crisis in 2008, caused mainly by house oversupply which led to ghost towns, areas full of houses without people living in them. Retirement has ascending trend, while maternity leave has descending trend.

The problem is not only in the number of beneficiaries but also in the average benefit which is higher than in the rest of Spain. This opens discussion for the opportunities of full independency, as adjusting the laws, taxes, social security benefit conditions. They would be still facing deficits in their budget, especially in the pension system to which is not contributed from the whole Spain. The decision of separation always needs to face to the all potential loss of not being a part of the European Union.

From the economic point of view based on several calculations, I cannot recommend separation due to worsening off the conditions for fully independent Catalonia as per their social security system.

The problematic of Catalan separatism is a huge topic which might be analysed more deeply. And this thesis might be a part of a cost-benefit analysis considering all aspects of the separatism. How the taxes are set with regards to autonomous communities, the differences are takings. The investments into regions based also on the contribution. Is Catalonia feeling grievance due to underinvesting into their community despite contributing the most? How about leaving the European Union and its consequences respectively to big firms transfers? If Catalonia gets full independency, what would be the consequences on all sections?

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ATTACHMENTS

Picture 1: Spanish Ghost Town in Aragon



Source: Markel Redondo (The Telegraph, 2018)

Picture 2: Spanish Ghost Town in Ciudad Real



Source: Markel Redondo (The Telegraph, 2018)

Picture 3: National Day of Catalonia



Source: ACN (La Clau, 2018)

Picture 4: National police trying to evict pro-referendum supporters



Source: AP/Manu Fernandez, 2017. The Times of Israel.