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The double crisis generation

Economic insecurity and political attitudes in Southern Europe

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Foreword

A decade ago, Southern Europe was hit particularly hard by the financial and subsequent debt crisis. Those who suffered most were young people with their career options falling apart while youth unemployment rates climbed to staggering heights. The inevitable exodus of skilled talent to Northern Europe caused a lot of additional emotional hardship in a region where family bonds are closer and the climate and the more individualistic lifestyle of the North resonate with only a few.

“Ellos tienen Mallorca, nosotros tenemos Berlín” (“They have Mallorca, we have Berlin”) became a winged word among young Spaniards, as so many of them had left their home country for the German capital, alone. However, they were told that this had been a once-in-a-generation-crisis and soon things would get better. Covid-19 ruined that idea for good. Hence, the title of this study: the double crisis generation.

The Covid-19 economic crisis is posing huge structural societal and economic challenges around the globe. The economies in Southern Europe, mainly due to their deep economic dependence on interpersonal services such as tourism, lack the economic antibodies to prevent a long asymmetric crisis. Those that will suffer the most will be, again, the more unprotected younger generations. In the meantime, partly as a consequence of EU's Great Recession, populist right- and left-wing movements and parties have emerged across Europe, creating a more toxic political environment for center parties and rational, liberal solutions.

Representing Spanish and German institutions, which are strongly committed to the EU and the European integration process, we were keen on finding out if the double economic crisis might fuel populist forces in Spain, Italy and Portugal and thereby creating additional trouble for pro-European forces everywhere.

We hope you enjoy this read!

Sincerely yours,

Antonio Roldán Monés,

director of the Center for Economic Policy (EsadeEcPol)

David Henneberger,

Head of Office, Spain, Italy, Portugal & Mediterranean Dialogue,

Friedrich Naumann Foundation for Freedom

Executive summary

The generation born between 1985 and 1995 has the dubious privilege of being the only generation of the last century that will experience two Great Recessions in the course of their education and integration into the labour market.

This study will offer an in-depth analysis of the socio-economic situation of this generation in Southern Europe (hereinafter the post-crisis generation) and the development of their political attitudes.

In Southern Europe, the post-crisis generation receives a lower income and has a lower rate of employment than the previous generation (those born between 1975 and 1984, hereinafter the pre-crisis generation). The data also reveal lower rates of emancipation, home ownership, fertility and potential wealth. This gap is particularly noticeable in those without higher education qualifications, who come off worse in most indicators.

This generational pattern is specific to Southern Europe. In the remaining countries, the post-crisis generation enjoys better material living conditions than the previous generation.

The perception of a lack of equal opportunity, dissatisfaction with democracy and preferences for greater redistribution of wealth are all more keenly felt in the countries of Southern Europe than in the benchmark country for Central Europe (Germany).

However, political attitudes and the degree of satisfaction with democracy of the post-crisis generation vary significantly among countries in the south. One hypothesis that might explain this variety of attitudes is the way in which this gap interacts with the present and inherited political and institutional context. Of the countries

analysed, each one finds itself in a different situation, but the interpretation may be made that there has been a progressive deterioration of the relationship between representatives and represented:

- Portugal absorbed the tensions created by the opportunity gap, without this leading to a major breakdown of its institutional or party system.
- In Spain, the opening up of the gap represented the first serious questioning of the basic constitutional consensus; its application to the party system therefore remained within the left-right division, and the new political formations ended up fitting into the existing ideological blocks without consolidating the “populist moment”. The process in Greece was similar.
- In Italy, the erosion of the institutions had been in progress for decades; the crisis of 2008-2012 affected a party system that had already collapsed at the beginning of the 1990, producing new political formations with a populist component, but within the classic ideological parameters. In this new advanced phase, the new formations cannot be pinned to the classic categorisations and are closer to a populist synthesis.

It should also be added that in places where populist parties are making inroads to the point of dominating electoral competition, satisfaction with democracy is increasing, in spite of this growth being based on attacks on institutions.

Implications in the present context

Given that the crisis produced by the pandemic may further aggravate the gaps experienced by the post-crisis generation, it may also move countries to a more advanced stage of institutional erosion.

In Spain, preliminary employment data indicate that socio-economic divisions are becoming deeper due to the new crisis: employment is falling more sharply among the post-crisis generation without higher education qualifications, which had already been hit hard by the previous crisis of 2008.

Following the sequential logic of institutional deterioration, the widening of the gaps during the present crisis in Spain and Portugal could increase the attractiveness of populist platforms (those that already exist within the ideological framework or other new ones, as has occurred in Italy) as long as the perception persists that the remaining formations are failing to respond to the breakdown.

To avoid this, we propose four focal points for reconsideration of specific policies, with the clear objective of closing the present opportunity gaps and preventing them from appearing in the future:

- A non-dualised labour market, based on flexicurity and building human capital
- Guaranteeing the possibility of starting a family
- A sustainable social protection system
- A welfare state that seeks to equalise opportunities

A system that is sensitive to these issues will make it possible to rebuild a pluralist, liberal democracy which is functional and useful for the new generations.

1. Introduction

As a result of the two crises in succession of 2008 and 2020, over the last ten years countries in Southern Europe have experienced a climate of uncertainty and economic recession without precedent in democratic times. At the same time, the political stability of these countries has begun to totter with the arrival of new parties and the appearance of a generation gap in perceptions and attitudes. It is important to ask ourselves how this situation is affecting the bases of the social contract that underpins our societies, in which welfare state and pluralist democracy are natural complements.

In theory, the social contract that became widespread in European societies in the post-war period was largely based on the existence of a bridge that connected opportunities with security: the new generations that entered adult life found a whole range of opportunities sustained by a combination of economic growth and a social protection system. As they progressed in their lives, these opportunities were gradually transformed into a safety net, whose characteristics depended to a great extent on the specific circumstances of each country.

In Southern Europe, this equilibrium, which coincided with the consolidation of new liberal democracies, represented an unprecedented improvement in people's quality of life. The young people of the time entered adult life with the certainty that their lives would be better than those of their parents: they would live in environments that were safer, more prosperous and perceived as fairer. In turn, political dynamics charted a course that was also less conflictive than in earlier times.

However, the stability of this social contract is being threatened on various fronts. On the one hand, the capacity of the system to provide the new generations with sufficient opportunities could have deteriorated, which endangers its transformation into a safety net. On the other hand, the political consensus that sustained this social contract has begun to show cracks.

From an economic point of view, the impact of the last decade could have long-term consequences for the youngest generations. In Southern Europe, the generation of young people who became adults in 2008 have had to cope with economic recession, job insecurity and very high levels of unemployment during their first decade in the labour market. Now, faced by the Covid crisis, the generation that saw their life projects delayed due to the earlier crisis might not ever see these come to fruition.

The generation born between 1985 and 1995 has the dubious privilege of being the only generation of the last century that will experience two Great Recessions in the course of their education and integration into the labour market. The macroeconomic debacle of 2008, swiftly followed by the sovereign debt crisis in 2009-2011, had a differential impact among the Eurozone debtor countries located in Southern Europe. From that point on, Spain, Italy, Greece and Portugal were seen as a unit of "losers" as a result of this crisis. But within these countries, not everyone lost in the same way. All these countries share a labour market structure marked by a clear segmentation between insiders or stable workers, who have solid, stable and relatively well protected jobs, and those who, without the benefit of these shields, are at the mercy of harsh macroeconomic forces when a crisis occurs. These are the outsiders; they are outside the system and in a doubly precarious position: in these countries the safety net of the welfare system offers better protection to those who already have a permanent job.

Outsiders have two defining characteristics: one is their youth, and the other their level of education. Integration into the labour market in these countries has proved to be particularly difficult for the new generations in the past, and they have had to wait for unusually long periods of time to achieve stability. These less qualified individuals are in a more precarious position, because they do not have the acquired (or inherited) human, social and relational capital, which, as well as acting as a cushion and a lever for recovery after crises, can assist and strengthen them on their journey into the labour market.

The pandemic has produced a double shock, affecting both supply and demand, and once again this will be more severely felt in the southern part of the continent: account must be taken of both the initial vulnerability of these countries and the particular seriousness of the pandemic in Italy and Spain, resulting in strict confinement measures and the concomitant uncertainty; they have also suffered more than other countries from the pandemic's effects on tourism, since this sector usually offers a refuge for outsiders in southern labour markets.

The economic situation of 'secular crisis' has led to the perception among some sectors of society that it is no longer safe to walk across the bridge towards the opportunities that the youngest were assured and which were due to give them security in their adult lives. The older generations have the impression that the security they had attained is shifting under their feet, while the youngest feel that they will never cross this bridge. And it is precisely in this climate of uncertainty that the new populist movements can find fertile soil in which to sow their seeds.

With a view to understanding these mechanisms, and to beginning to mark out the ground for a possible return to pluralism in an economic context of successive crises, there is a need to carefully measure the parameters of a situation in which the social contract has broken down.

This work represents a first approach to defining the dimensions of this breakdown. The first part is devoted to its material bases: here, we will try to quantify the loss of opportunities. In the second part, we will focus on the repercussions of this breakdown in the political arena. A sub-section serves as a link, with a subjective perception of the conditions of the opportunity structure. In a third section, we aim to extend the analysis to the present moment, completely conditioned by the crisis caused by the epidemic. We close with a conclusion that focuses on drawing possible lessons about public policy, in order to rebuild the bridge of opportunities and close the seam through which part of the support for the European model based on the trio of welfare, freedom and pluralism is escaping.

2. Socio-economic analysis: where did the opportunities go?

What do the socio-economic data tell us?

- In Southern Europe, the post-crisis generation receives a **lower income** and has a **lower rate of employment** than the previous generation.
- The two generations converge to a certain extent with respect to income and employment at around the age of thirty, but the lost time leads to **lower rates of emancipation, fertility and capacity to accumulate wealth**.
- This generational **pattern is specific to Southern Europe**. By comparison, in Germany the post-crisis generation enjoys better material living conditions than the previous generation.

Structure of the analysis

In order to understand the variation in the socio-economic opportunities of young people, we conducted a generational analysis of their living conditions. For this purpose, we used data from EU SILC (Survey on Living Conditions in Spain) from 2007 to 2017. This survey provides us with access to key information about the socio-economic position of young people, such as their annual income, employment rates and levels of emancipation. Starting from these types of variables, the analysis focuses on two generations: the **pre-crisis generation**, those born between 1975 and 1985; and the **post-crisis generation**, born between 1985 and 1995. Whereas most members of the **pre-crisis generation** entered the labour market before the Great Recession, **the first years of adult life of the post-crisis generation have been indelibly marked by the crisis**, something which may make an impression on their life trajectories.

One of the key factors when seeking to determine the income of an individual throughout his or her life cycle is the nature of the employment conditions encountered during their integration into the labour market. Therefore, our first approach to gauging the opportunities of each generation begins with an analysis of annual salary, rate of employment and capacity to accumulate wealth during their twenties.

At a second stage, we seek to understand the relationship between the labour market faced by young people in their twenties and the achievement of life projects. For this purpose, we tracked generational changes in the degree of emancipation from the parental home and in the formation of families. With the aim of offering an analysis that is as exhaustive as possible and that also takes account of the differences between young people within each generation, we broke these indicators down according to the level of education attained, dividing each generation into those who have higher education qualifications and those who do not.

The generational analysis was conducted as follows: for each of the generations, we found the average of each variable when the members of a generation had a specific age. This allows us to compare the socio-economic conditions of each group when they are at the same stage of their life cycle. More specifically, we looked at the progression of these variables in the groups between the ages of 23 and 33; this allows us to capture a key decade for the young people: one in which they enter adult life.

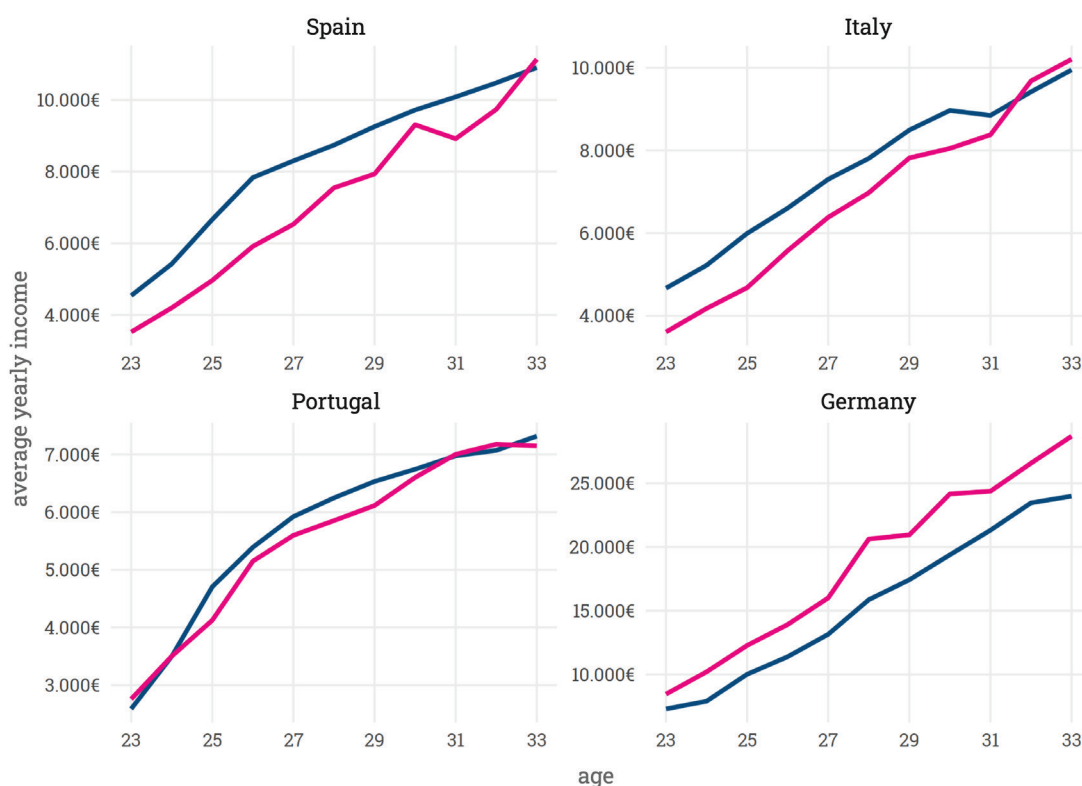
The main focus of analysis is on the countries of Southern Europe, particularly three of these: Spain, Italy and Portugal. In order to compare trends and differences with respect to the remaining European countries, we have included Germany in the analysis as a point of reference. In this way, we can distinguish what patterns in the opportunities of the youngest generations are specific to Southern Europe.

Less opportunities in the labour market

Do the new generations have fewer opportunities than their predecessors? Is it true that the youngest lack an appropriate safety net? A first approach to answering this question is to compare the annual salary levels and percentage of young people in employment for both generations. This data can be seen in Graphs 1 and 2. The analysis here is generational: **we are comparing the levels of each indicator at the same age.**

Graph 1

Evolution of income. Generation: pre-crisis [1975-1984], post-crisis [1985-1994]



Source: EU SILC. Net income except in the case of Germany

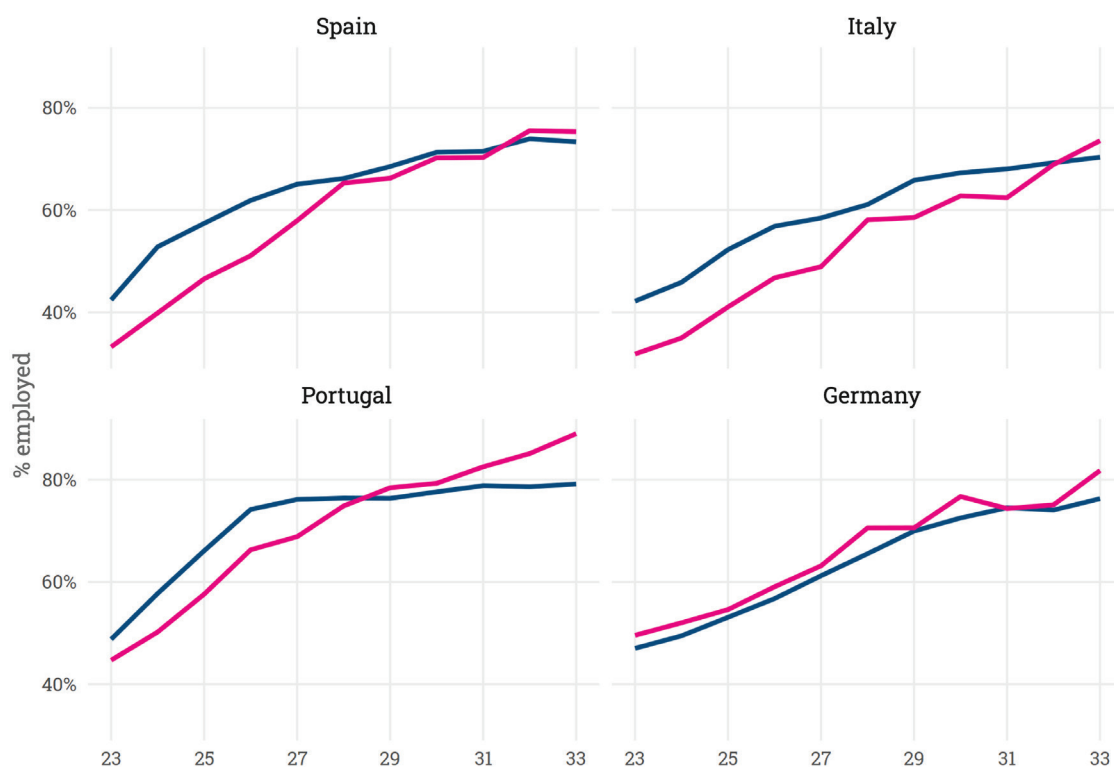
Graph 1 shows **the first signs of the emergence of a generation gap in Southern Europe**. In Spain, Italy and Portugal, the members of the post-crisis generation, who entered the labour market during the Great Recession, **began their working lives with less income** than their predecessors in the pre-crisis generation at the same age. For the post-crisis generation, this pattern continues throughout their twenties, and during this period **their average annual income is less than that of the pre-crisis generation**. Although the difference is slightly smaller in Portugal, this dynamic is consistent across the three countries, and the gap does not begin to close until the young people reach their thirties (which is when the pre-crisis generation began to feel the effects of the economic crisis).

However, this incipient gap between generations is not observed in the case of Germany, where the post-crisis generation's income exceeds that of the pre-crisis generation at the same age, and the lines on the graph never cross. This suggests that **the incipient opportunity gap between generations is specific to countries in the south**, where the economic crisis will have had a more pronounced effect on the post-crisis generation.

Graph 2

Evolution of the percentage of young people in employment

Generation pre-crisis [1975-1984], post-crisis [1985-1994]



Source: EU SILC

Employment levels among young people show another facet of the same story. In Germany, both generations show very similar levels of employment over the same age range, with a slightly higher level of employment among the post-crisis generation. In Southern Europe, however, employment rates are markedly lower for the post-crisis generation compared with the pre-crisis generation, and they do not begin to recover until the post-crisis generation turns thirty, as in the case of annual income.

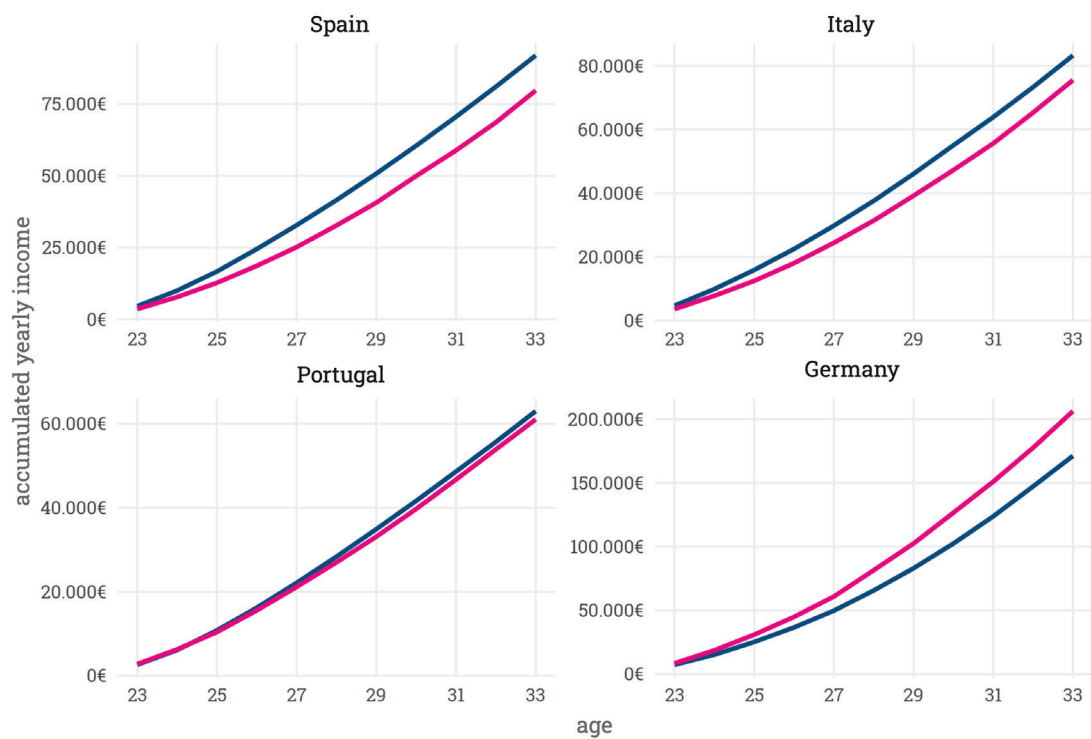
Both the income and employment level data show that in all three Southern European countries these indicators gradually recover when members of the post-crisis generation reach the age of thirty. **However, this recovery does not mean that the opportunities have evened out**, for the “time lost” by the young people during their first ten years in the labour market may particularly hamper the development of their life projects.

This “lost time” is represented in Graph 3, which shows the *capacity to accumulate wealth* of each generation, charting the accumulated sum of average annual income of each generation over time. Thus, the ends of the lines, when the individuals are aged 33, show the maximum accumulated income that the average person of each generation could have at that age.

Graph 3

Capacity to accumulate wealth. Generation: pre-crisis [1975-1984], post-crisis [1985-1994]

The y-axis represents accumulated income for this age and generation



Source: EU SILC.
Net income except in the case of Germany

Once again, a north-south pattern may be observed. In Germany, the post-crisis generation has a greater capacity to accumulate wealth than its predecessor, implying that the living conditions have improved with respect to the previous generation. But this is not the case for any of the southern countries. **In Spain, Italy and Portugal, the young people of the post-crisis generation have a lower capacity to accumulate wealth than their predecessors.**

These data illustrate how the convergence in levels of income and employment shown by Graphs 1 and 2 does not necessarily imply that the post-crisis generation has reached the level of its predecessor in material terms: this is borne out by the generation gap in terms of the capacity to accumulate wealth.

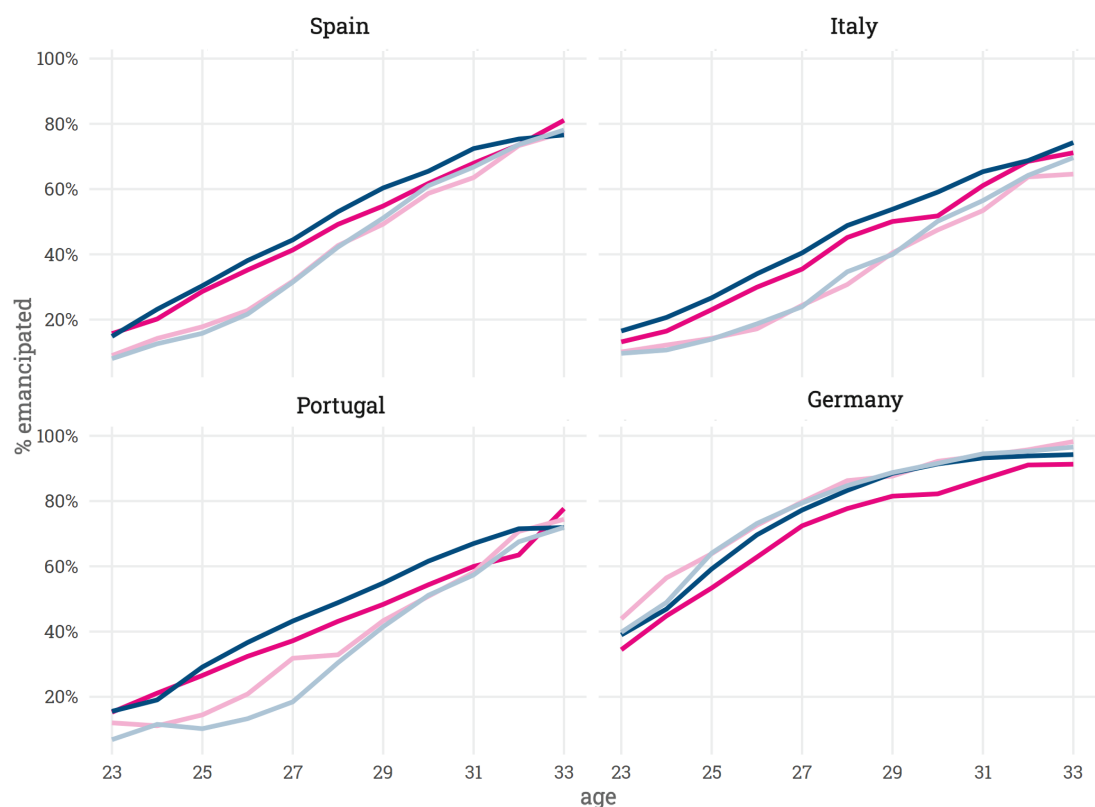
From employment opportunities to the construction of a life project

The aforementioned data show how, in Southern Europe, in comparison with their predecessors, young people belonging to the post-crisis generation had to cope with less favourable conditions when they entered adult life and the labour market. And **although income and employment levels begin to recover when these young people turn thirty, this lost time can affect the construction of life projects**, postponing the possibility of taking decisions such as leaving the parental home, buying somewhere to live or starting a family.

Graph 4 shows the percentage of young people who no longer live with their parents, broken down according to level of education. The first thing that stands out is a clear north-south pattern with respect to the level of education: whereas in Germany levels of emancipation are higher for young people with higher education qualifications, in the south it is the young people without these qualification who leave home earlier.

Graph 4

Evolution of the percentage of emancipated young people. Generation & education attainment: pre-crisis [1975-1984] without o with tertiary educations, post-crisis [1985-1994] without o with tertiary education



Source: EU SILC

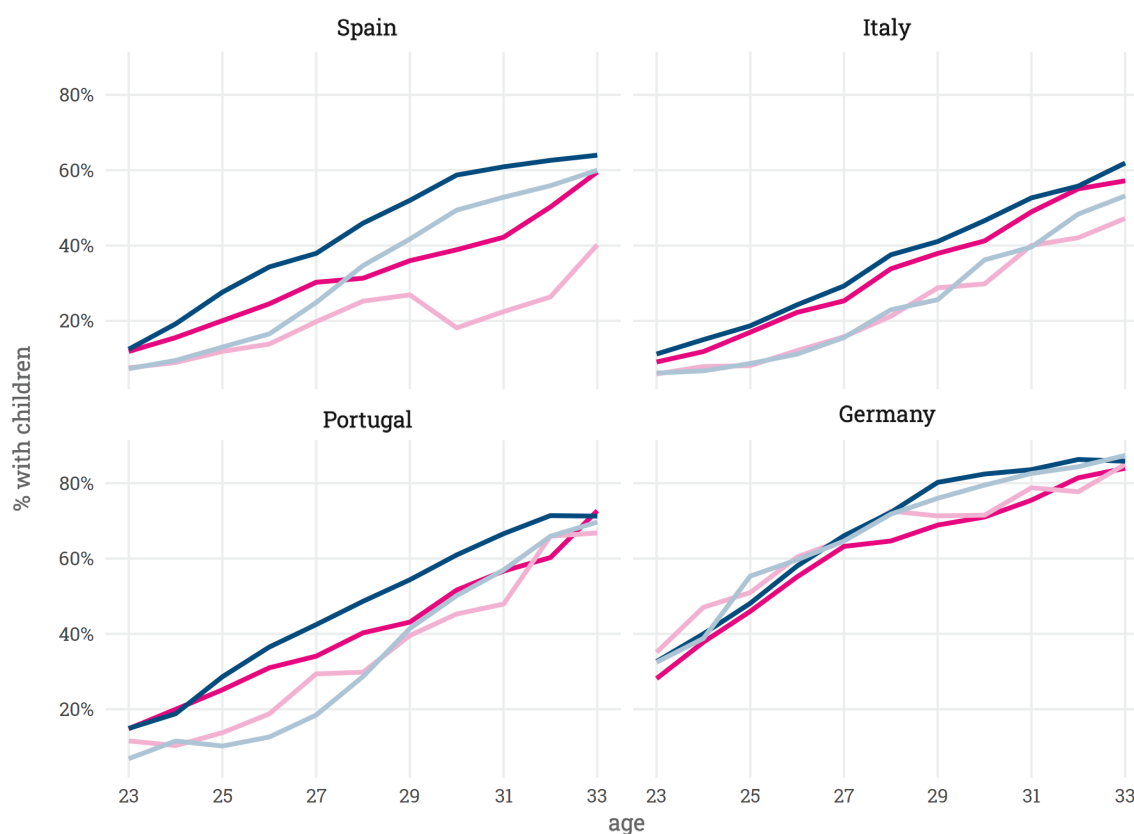
From a generational perspective, in Southern Europe barely any variation can be observed in the case of young people with higher education qualifications, but differences can be seen in the case of those without such qualifications. Thus, **with regard to emancipation, a generation gap opens up among those without higher education qualifications**, insofar as young people of the post-crisis generation leave their parents' home later than their predecessors, a clear example of life projects being postponed.

A deteriorating position in the labour market, together with delaying the moment to leave the parental home, can have a significant impact on the decision to start a family, this being a decision that many young people take during this ten-year period of their lives. Graph 5 shows the average percentage of emancipated young people who live with minors (those who live with their parents have been excluded from the analysis in order to avoid confusion regarding kinship).

Graph 5

% of population with children. Generation & education attainment:

pre-crisis [1975-1984] without tertiary education, post-crisis [1985-1994] without tertiary education, post-crisis [1985-1994] with tertiary education



Source: EU SILC

This indicator shows a generalised decrease in fertility in all the countries in the sample. In seeking an explanation for this, the decision to have children does not depend solely on the level of income or employment; there are other factors such as the postponement of maternity by women who want to give priority to their careers, or the availability and accessibility of policies for balancing work and family life in each country. In this respect, fertility levels among those who have left home are lower in countries in the south.

It is also of note that whereas the decline in fertility levels in Germany is generational (the post-crisis generation shows lower levels than the pre-crisis generation, independently of the level of education), **in Southern Europe the patterns are more closely linked with the level of education:** young people with and without higher education qualifications show parallel trends. In this respect, the most notable case is Spain, where the percentage of young people who have left home and have children barely reaches 20% in the case of the post-crisis generation with higher education qualifications, twenty percentage points less than the remaining groups.

A pessimistic perception of opportunities

Material conditions acquire their true social and political dimension when they are reflected in the perceptions of the people who experience them. This interaction between perception and reality often shows fundamental variations: sometimes the perspective is more pessimistic, more optimistic or it presents certain difficulties with respect to the numbers observed with a detached analysis like the one we conducted in the previous section.

In order to trace the contours of this interaction, we have looked to the data of the European Social Survey (ESS), the benchmark source for analysis of public opinion in Europe. In its ninth edition (the most recent to date, with fieldwork undertaken between 2018 and 2019), the ESS included a new battery of questions about opportunities as perceived by the citizens of each country. The main questions are on the subject of education, work and salaries. The survey requests the degree of agreement with the statements “compared with other people in my country, I had a fair opportunity to attain the education I sought” or “the work I was looking for”. Opinions are gathered according to a scale that ranges from 0 (in total disagreement) to 10 (in complete agreement). If we convert the responses into averages for each of our four categories of analysis (pre/post-crisis generation, with/without higher education qualifications), the higher the average value for each group, the greater the perception of equality of opportunities in education and employment among that particular group.

The variations in the sample sizes of the ESS, in addition to the complexity of interpreting patterns in perception (particularly idiosyncratic) in six different societies, led us to the decision to reduce our analysis to the three countries in Southern Europe, maintaining Germany as a constant reference.

Confirming the initial caution, the evidence is indeed somewhat more mixed. It is true **that the average perception of opportunities is always lower in the south** than in Germany, which would be in line with the material opportunities analysed earlier. However, country by country, the first thing that stands out is the low average perception of opportunities in Italy, which is particularly sensitive to the marker of educational studies. But in Spain and Portugal, not only are the values appreciably higher, there are also less differences when consideration is taken of class and generation.

Graph 6

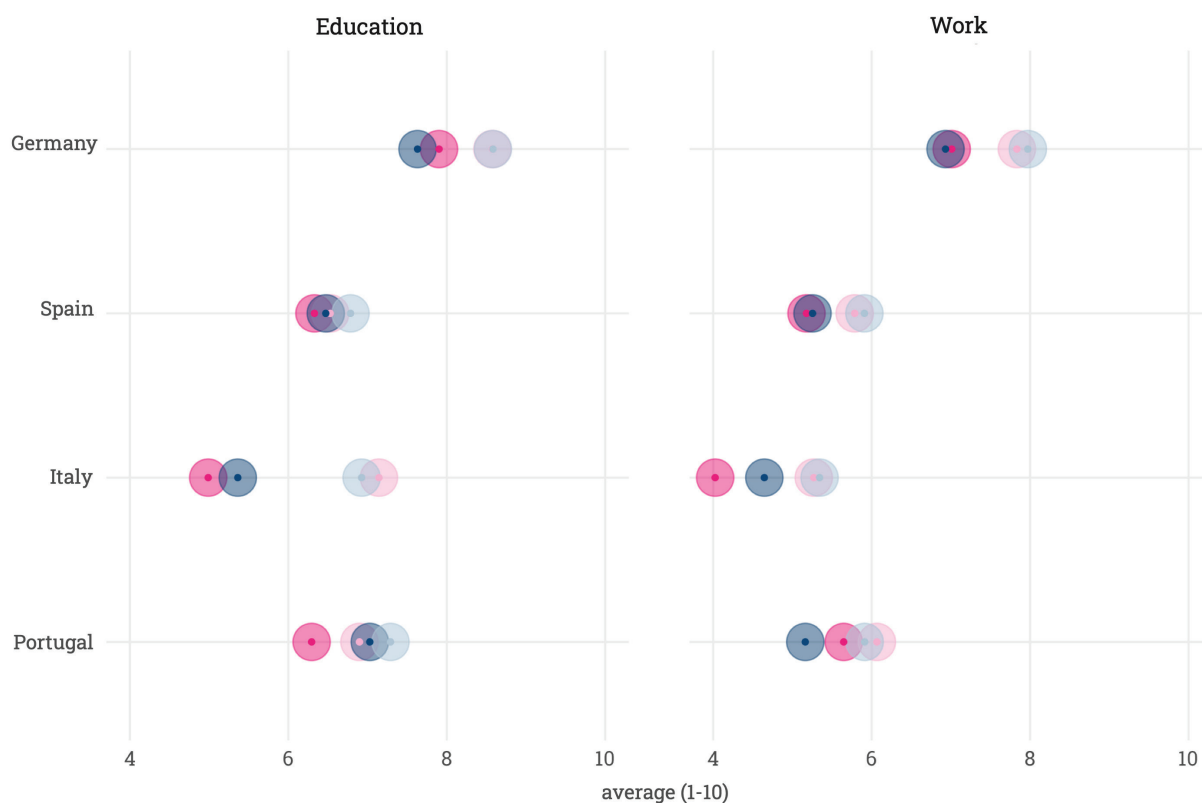
“Compared with other people in my country, I had a fair opportunity to attain the education I sought” or “the work I was looking for”.

0 (in total disagreement) to 10 (in total agreement)

Generation & education attainment:

pre-crisis [1975-1984] without o with tertiary education,

post-crisis [1985-1994] without o with tertiary education



Source: European Social Survey, 2018-19

There is, then, a certain difference in the perception of opportunities, but the pattern observed is far from being as clear as it was in the material conditions. Beyond the differences between Germany and Southern Europe, and the distinctively negative opinions of the post-crisis generation without higher education qualifications in Portugal, **there is no clear correlation between the size of the gap measured and the extent of the injustice perceived**, either in the questions about salaries, or in those about opportunities. This is an important and significant finding in itself, which provides evidence to support an idea present in the arguments about **the reconfiguration of the political divisions in Europe after the Great Recession: these divisions only align to a certain extent with the absolute differences in opportunities**, there being an intermediate layer of perception that mediates between the baseline conditions and their political activation.

3. The breakdown of the contract

What do the data tell us about political attitudes?

- The perception of a lack of equal opportunity, dissatisfaction with democracy and the preferences for a greater redistribution of wealth are all more keenly felt in the countries of Southern Europe than in the benchmark country for Central Europe (Germany).
- These trajectories highlight the difference between absorbing the tensions of the opportunity gap without this leading to a particularly severe breakdown for the country's institutional system (Portugal), doing so after an erosion of the institutions that has been in progress for decades (Italy), or the opening up of the gap representing the first serious questioning of the basic constitutional consensus since its creation (Spain).

The collapse of the bridge of opportunities, which was never particularly robust or fair in Spain, Italy or Portugal, has coincided with a growing questioning of the political equilibrium that made it possible. This questioning has frequently taken the form of amendments to the whole, structured around political strategies of a populist nature, understanding the term as aggregations of demands that were claimed to represent a majority, or at least a growing number of people, due to the inclusion of population segments which, in theory, were being left aside.

However, the parallelism between who ends up outside the system and *who thinks (or votes) as if they were outside the system* is less obvious than what the general picture of the previous paragraph might suggest. Just as the perception of opportunities does not fit like a glove into the material reality of life paths, political attitudes show a gap with respect to this point of reference that proves to be informative in its details.

It is fundamental to start from a comparative framework of reference to interpret how these changes have occurred in each of the Southern European countries:

In **Italy**, the party system prior to the Great Recession collapsed in the first half of the previous decade. The old social democracy mutated into a 'third way' centrist social liberal party with Matteo Renzi as a reference and internal struggles as a determining factor, and both the PD and the classic right – the heir of Berlusconi – were overcome by two animals of a purely populist temperament: the Lega as a prototype of the far right that seeks to combine a nativist discourse with arguments of a material order, in which the supposed loss of national autonomy is blamed for the economic decline of the Italians (of any Italian); and the 5 Star Movement, which also underlines sovereignty as a mechanism for the recovery of lost opportunities, but adds, perhaps, a greater generational emphasis.

In **Spain**, the change in political dynamics more closely resembles a gradual fragmentation of positions. The generational division is even more evident than in Italy, with a renewal of the focal points that occurred after a movement that was leaderless (the 15M, in 2011), but clearly dominated by the post-crisis generation, particularly in its segments without higher education qualifications. The anti-institutional component of the socialisation of the new generations was much more important here than in Italy (where the breakdown of trust in institutions had already occurred in the early 1990s, with the undermining of the post-war democratic system). From this embryo, two clearly generational parties were born, one from the far left which feels it is the direct heir of the 15M movement (Podemos), and another in the centre of the political spectrum (Ciudadanos). Both proceeded to launch discourses about the lack of opportunities, albeit in clearly different tones, and with very different strategies and recipes. Shortly afterwards, the far right would set up its own platform, initially with cultural identitarian traits, but then it would gradually take on concepts similar to those of the Lega and the French Front National, as it realised that nativist logic also functioned on a material level.

Nothing of the aforementioned occurs in **Portugal**, where there is no sign of the emergence of new parties or the familiar earthquake in political attitudes that usually accompanies these.

These trajectories are the essential filter in order to make sense of the data we offer hereunder: these data clearly show the difference between absorbing the tensions of the opportunity gap without this leading to a particularly severe breakdown for the country's institutional system (Portugal), doing so in a repeated iteration of an erosion of the institutions that has been in progress for decades (Italy), or the opening up of the gap representing the first serious questioning of the basic constitutional consensus since its creation (Spain).

Greater wishes for redistribution

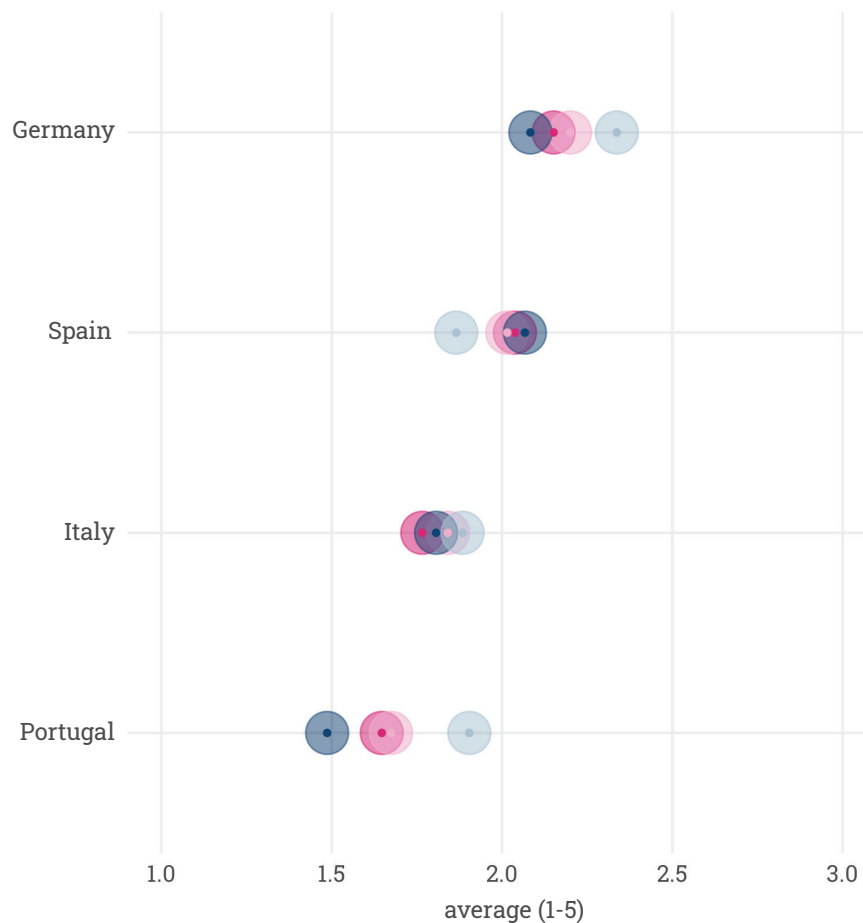
Preferences for redistribution policies are a good public opinion synthesis of attitudes with regard to material issues. The ESS compiles these through a question on the respondents' position regarding the need (or not) for the state to have an impact on the redistribution of income. As was to be expected with the previous results (both on the socio-economic front and in perception), on average, **southern countries have a more pronounced preference for redistribution** than Germany. Although all of them reflect a stance in favour of redistribution (honouring the European tradition), Portugal's position is decidedly different. This country also shows the greatest variance between groups.

Graph 7

The State must redistribute income. - 1 (strongly agree) to 5 (strongly disagree)

Generation & education attainment:

pre-crisis [1975-1984] without tertiary education, post-crisis [1985-1994] without tertiary education



Source: European Social Survey, 2018-19

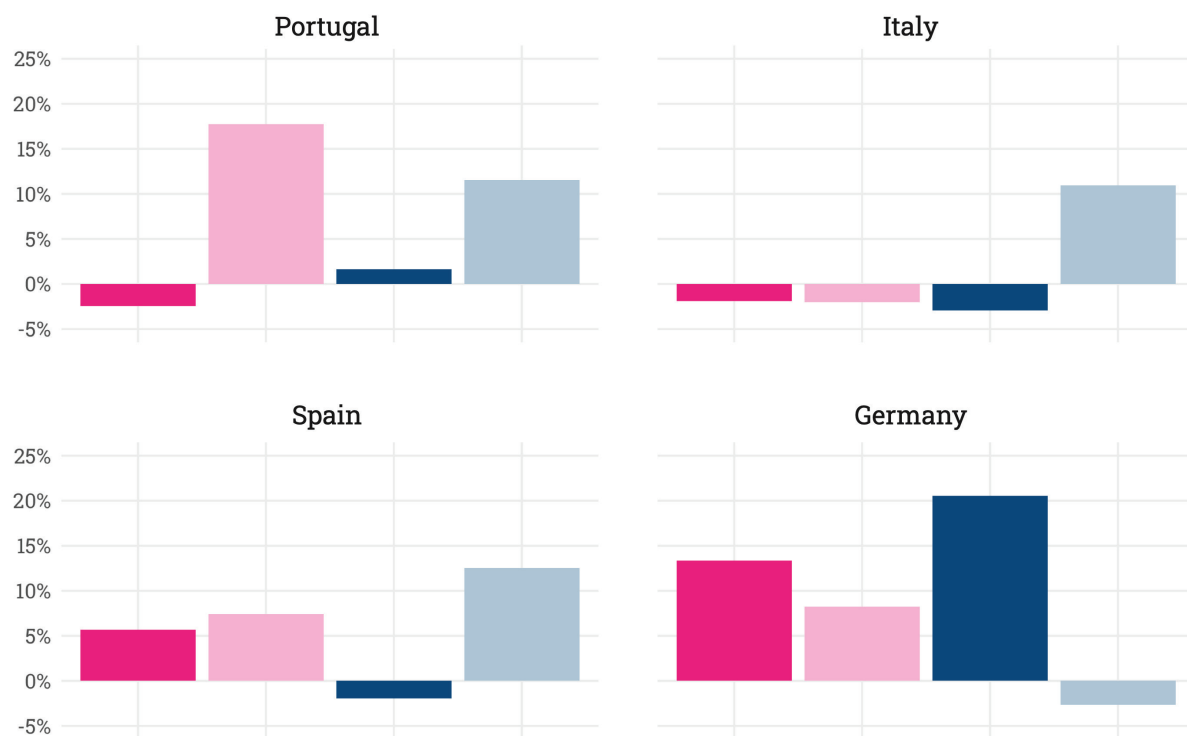
The pre-crisis generation without higher education qualifications is the segment with the strongest redistribution preferences in Portugal; in Spain, it is the pre-crisis generation with higher education qualifications, a group that is particularly distanced from the others; it is in Italy where the opportunity gap appears to show a clearer shift towards demands for redistribution, but the distances between groups are, at all events, much smaller.

One way of interpreting these data is that **the ideological conflict with a material basis is deeper seated in Portugal** (and revolves around axes of class, particularly in generations before Generation Y), something that fits in well with both the gap identified between levels of education in the EU-SILC data and the competitive logic among different ideological blocks that continues to leave its mark on political dynamics in Portugal, within the pluralist framework established in the last quarter of the 20th century. In Italy, however, the pronounced compression of positions indicates that the driving force of the material disputes in the political arena follows a logic different from traditional logic, as actually occurs; these disputes are strongly coordinated around the idea of sovereignty. Spain would be more or less between the two extremes.

In short, it would appear that **the positions on the redistribution axis are determined to a great extent by factors characteristic of each country.** To verify this, we looked at the variation in this question between the second edition of the ESS (with field work completed in 2004, in years of economic prosperity before the current gap became larger) and the latest wave. In Germany, there is a pattern strongly influenced by socio-economic factors: age is not important, but education is. Nevertheless, the gap has deepened among those who would, in theory, need less of these redistribution tools. In other words, it is the people with higher education qualifications that have moved. In none of the three countries in Southern Europe is the evolution in redistribution preferences tied to the dimension of class in exactly the same way as Germany, but the evolution in Italy shows certain similarities. Indeed, these are the young people belonging to the post-crisis generation, and so the existence of a generational pattern is indicated that cannot be observed among the Spanish or the Portuguese. Yet we also find those with higher education qualifications from the previous generation. Once again, an evolution that does not fit in well with the traditional patterns of pluralism with a material basis.

Graph 8

The State must redistribute income: % change in the average, 2004-2019. Generation & education attainment: pre-crisis [1975-1984] without o with tertiary education, post-crisis [1985-1994] without o with tertiary education



Source: European Social Survey

Spain and Italy coincide here, particularly in the marked shift in average preferences towards redistribution in the case of people with higher education qualifications in the generation born between 1975 and 1984, a pattern which is not observed in Portugal. There, the increase in redistribution is a phenomenon of (1) later generations and (2) people with a lower level of education. Portugal follows the pattern that one would expect based on the socio-economic data, and perhaps this helps an understanding to be gained of why and how conflicts in the existing system have overlapped. In Spain, in contrast, and as we noted earlier, the politicisation of redistribution is limited to the pre-crisis generation with higher education qualifications.

The paradox of institutional trust

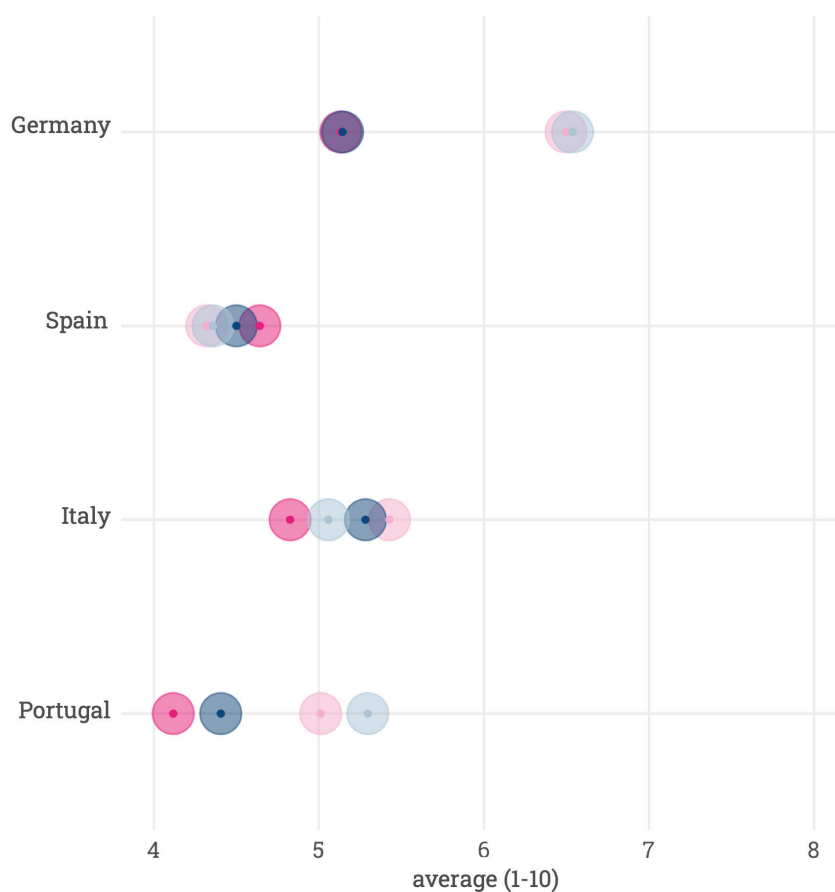
The trends in systemic satisfaction complete the triple image in Southern Europe and consolidate the different framework of reference for each country. Once again, Germany shows not only higher average satisfaction than the others, but also a classic inter-class division: according to the ESS of 2018-19, it is the people with higher education qualifications regardless of which generation they belong to who have the greatest confidence in democracy in Germany. Once again, Portugal mirrors Germany in terms of the division, albeit with an average level of confidence that is appreciably higher and a certain differentiation between generations whereby those born since 1985 have less confidence. Once again, here we find the result to be expected of a dynamic closely interwoven with political rivalry. The results for Italy and Spain, on the other hand, are much less clear.

Graph 9

Satisfaction with democracy - 0 (very dissatisfied) to 10 (very satisfied)

Generation & education attainment:

pre-crisis [1975-1984] without tertiary education, post-crisis [1985-1994] without tertiary education



Source: European Social Survey

In Italy, it is of note that the division between class and generation is not very obvious. The most significant result is the position of the post-crisis generation without higher education qualifications below the average satisfaction of the others, coinciding with Portugal. In Spain, however, it is those born post-1984 with higher education qualifications who occupy this position, although the differences between segments are very small, and this is perhaps the central finding: the transversal nature of the relatively low level of trust in democracy in Spain, a natural correlation to the institutional crisis which began in 2011.

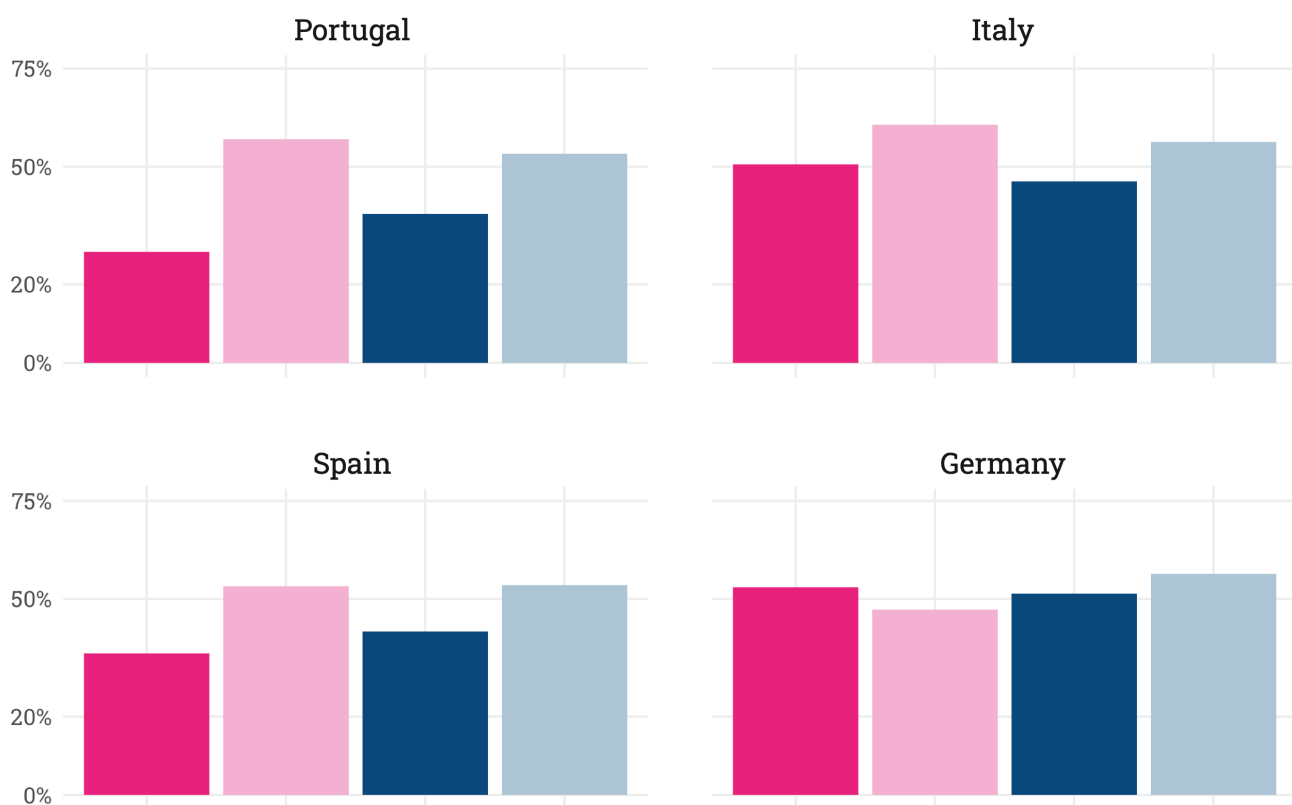
Where a more consistent pattern among the Southern European countries may be observed is in closeness to political parties, the main dynamo for the transmission of people's demands in a pluralist democracy. The gap in closeness according to education is particularly large in the three countries. In Spain and Portugal, the lack of attachment is particularly notable among the members of the post-crisis generation without higher education qualifications, while those in this same age segment who did pursue a higher education show identical affinities to their generational predecessors.

Graph 10

Feels close to a party (%)

Generation & education attainment:

pre-crisis [1975-1984] without tertiary education, post-crisis [1985-1994] without tertiary education, pre-crisis [1975-1984] with tertiary education, post-crisis [1985-1994] with tertiary education



Source: European Social Survey, 2018-19

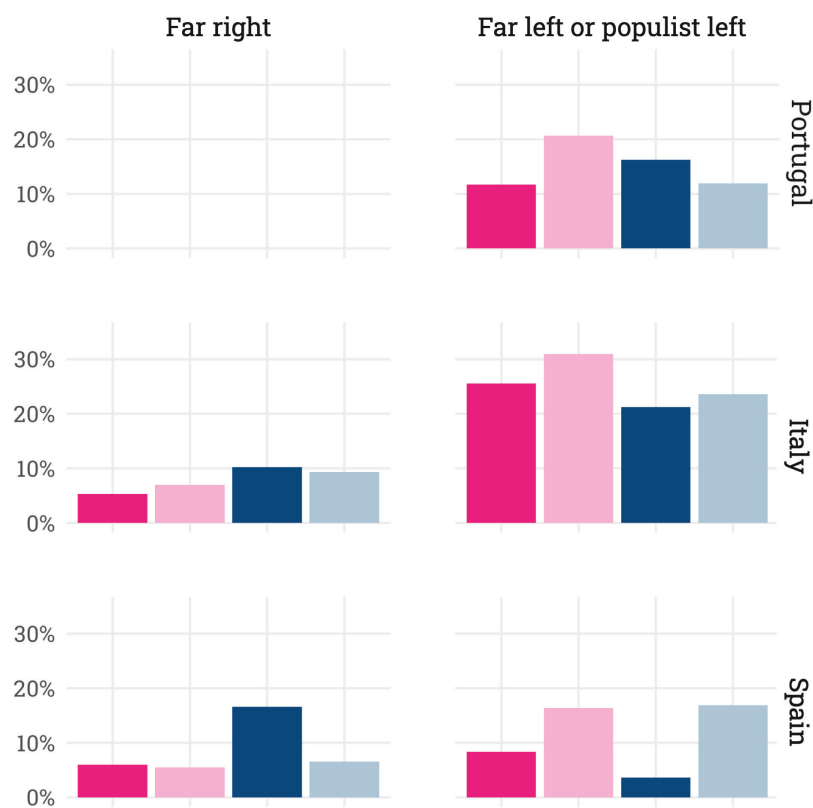
In these two countries, then, we could put forward the hypothesis that the new demands produced by the growing socio-economic gaps were not covered either by the old parties or the emerging formations. In Italy, however, the drifting of the party system would appear to have connected with the new generations, including the most underprivileged, partly explaining the marginally better result for satisfaction with the system than we observed in the previous section. This opens the door to a tough paradox, one that is difficult to resolve, or rather a warning: **in places where a plurality of populist parties are making headway to the point of dominating electoral competition, satisfaction with democracy is increasing (in generic terms), despite the fact that its institutions are being questioned in the long term.**

The way this transfers to votes clearly represents the different forms of this paradox. In Italy, the new populism of the 5 Star Movement appeals particularly strongly to the new generations, without leaving those of the post-crisis generation without higher education qualifications behind. In contrast, in Spain, the new populist movements on the left (Podemos and its circle) are especially attractive for people with higher education qualifications.

Graph 11

Vote given in the last national election for a party... (%). Generation & education attainment:

pre-crisis [1975-1984] without tertiary education, post-crisis [1985-1994] without tertiary education, post-crisis [1985-1994] with tertiary education



Source: European Social Survey, 2018-19

On the right, VOX is a project with clear appeal for people without higher education qualifications from the pre-crisis generation. This is also the segment that the Lega mainly attracts in Italy, although here the division is more generational than class-related.

A scale of institutional deterioration

In summary, political attitudes and the degree of satisfaction with democracy of the post-crisis generation vary significantly among countries in the south. The pattern of the degradation is not completely clear, but a certain scale of gradual erosion can be observed. To explain this variety of attitudes then, we may consider the way in which the gap interacts with the present and inherited political and institutional context. Of the countries analysed, each one finds itself in a different situation, but the interpretation may be made that there has been a progressive deterioration of the relationship between representatives and represented:

- Portugal absorbed the tensions created by the opportunity gap, without this leading to a major breakdown of its institutional or party system.
- In Spain, the opening up of the gap represented the first serious questioning of the basic constitutional consensus; its application to the party system therefore remained within the left-right division, and the new political formations ended up fitting into the existing ideological blocks without consolidating the “populist moment”. The process in Greece was similar.
- In Italy, the erosion of the institutions had been in progress for decades; the crisis of 2008-2012 affected a party system that had already collapsed at the beginning of the 1990s, producing new political formations with a populist component, but within classic ideological parameters. In this new advanced phase, the new formations cannot be pinned to the classic categorisations and are closer to a populist synthesis.

It should also be added that in places where populist parties are making inroads to the point of dominating electoral competition, satisfaction with democracy is increasing, in spite of this growth being based on attacks on institutions. The central paradox is that democracy may erode by itself, if the dominant parties do not take stock of demands and needs and respond to the perceptions of their voters, and particularly of the new segments that are joining the decision-making process. In this respect, given that the crisis caused by the pandemic may further increase the gaps faced by the post-crisis generation, it may also push countries into a more advanced stage of institutional erosion.

4. The new crisis: possible scenarios

After a decade in which Southern European countries have had to cope with the effects of the Great Recession, in the present context we find ourselves facing an emergency due to a new crisis: the crisis of the pandemic. In this new situation of economic instability, there is a possibility that the post-crisis generation, who were born between 1985 and 1995, and whose life projects were put on hold following the crisis of 2008, will not be able to see their plans for the future materialise. Hereunder, we will look at data from the most recent Active Population Survey published in Spain to evaluate to what extent the gaps that have been described might recur and widen in the new crisis. In doing so, our aim is to underline the need to consider the possible scenarios to which the new recession could lead us. One is a virtuous scenario, with reforms and reconstruction of the social bridge in the south of Europe, taking up the process that was barely explored and then abandoned after the previous crisis. Another is entropic, in which the lack of reforms prevents the post-crisis generation from recovering the time lost in the last decade.

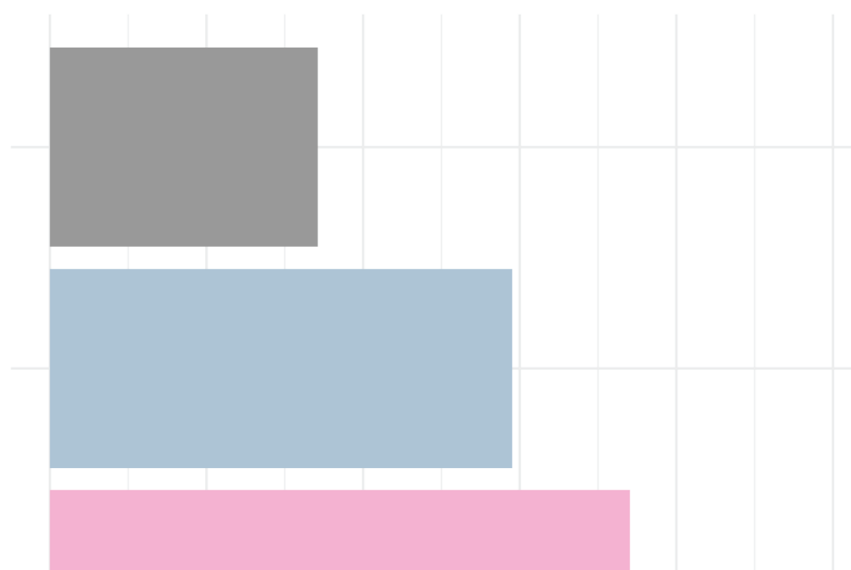
The gap grows during the pandemic

By analysing data from the Active Population Survey of the second quarter of 2020 (the period between April and June, the months in which the pandemic has had the greatest impact to date) and comparing these with the same period of 2019, we may observe how the socio-economic gaps visible in section 2 are getting bigger as a result of the new crisis. Graph 12 shows the difference between the percentage of people in employment (those who say they have done paid work in the previous week) in the second quarter of 2020 and in the corresponding period of the previous year. The data refer to the generations in our analysis, broken down according to level of education, and the rest of the active population.

Graph 12

Difference in % of people in employment between the 2nd quarter of 2019 and 2020.

Generation & education attainment:
pre-crisis [1975-1984] without tertiary education,
post-crisis [1985-1994] without tertiary education



Source: Encuesta de Población Activa

Once again, the data in the graph show the two gaps present throughout the analysis: the generation gap and the gap linked with level of education. On the one hand, it is those persons without higher education qualifications who show a greater decrease in their levels of employment in comparison with 2019. On the other hand, a comparison between generations shows how the drop in employment is greater, independently of level of education, for the post-crisis generation – those born between 1985 and 1995. Once again, it is the members of the post-crisis generation without higher education qualifications who come off worse in an economic crisis, a disadvantage compounded by the fact that this generation started out from a more vulnerable position.

Therefore, the first evidence to be gleaned from the first few months of the pandemic points to a pessimistic scenario, both for those without higher education qualifications and for members of the post-crisis generation. For although this generation began to recover in terms of income and employment after the Great Recession, a new crisis could interrupt this recovery and once again put back the fulfilment of their life projects indefinitely. Therefore, the data suggest that in the absence of reforms, the current gaps could be accentuated even more, leading to consequences not only in the economic arena, but also in areas such as trust in institutions or the stability of the party systems in Southern Europe.

Improvement scenario, erosion scenario

Improvement scenario: reforms and rebalance. In an improvement scenario, the Covid-19 pandemic can represent a window of opportunity for governments in Southern Europe, insofar as they can undertake reforms required to reconstruct the social bridge, placing **emphasis on policies that safeguard the opportunities of the youngest members of society as they enter adult life and the labour market**, as well as when they come to start a family. In this way, this bridge would carry young people towards an adult life once again, where they would have a safety net, one of the principal objectives of welfare states.

Reaching this point would require a series of structural reforms to **ensure the efficiency and adaptation of social policy to those groups that are in most need**. One example of this kind of initiative is the approval during the pandemic of a Minimum Vital Income in Spain, a measure that will contribute to the **redistribution of income, but above all opportunities for the most vulnerable groups** in a country with a pronounced polarisation of social protection, a key characteristic of Southern European countries that heavily penalises equality of opportunity. This type of policy should, in turn, be accompanied by measures such as **active employment policies or a labour reform** that combats duality, so that young people (particularly those with a lower level of education) are not so severely penalised in the labour market. At the same time, it is crucial to ensure the sustainability of the system, something which includes measures such as completing the reforms to the pensions system, applying the sustainability factor planned in these.

For our post-crisis generation, which entered adult life during the Great Recession, this may be a crucial point when defining their life projects. Although the data presented throughout this document have shown an especially unfavourable entry into the labour market and a postponement of this generation's life projects, in a situation of recovery and economic well-being they could simply begin these projects at a later stage. In a situation of crisis, however, public policies that help to carry through these projects are essential.

The spillovers from taking this course of action in the political and institutional field are potentially enormous: by returning the centre of political gravity towards the (re)construction of a contract between classes and generations, making the democratic system sensitive not only to the perceptions, but particularly to the basic material needs of the new generations, the pluralist centre of gravity would be easier to recover and to reform under parameters that would ensure it will flourish rather than be questioned. Populisms, particularly those that focus on the goal of inclusion in decision-making of segments excluded from this process are no more than an imperfect substitute for this sensitivity.

Erosion scenario: consolidation of breakdowns. In the opposite scenario to the one we have just described, **the current crisis will accentuate the dynamics that have been shown throughout this analysis**, causing a breach in the bridge of opportunities for the new generations that may be irreparable. Thus, in the absence of reforms, **the structural characteristics of the countries in the south will continue to make the generation gap bigger**, leaving outsiders and new segments unprotected, and offering the most vulnerable groups insufficient protection.

In this context, the beginnings of socio-economic recovery shown by young people belonging to the post-crisis generation as they approach the age of thirty could be interrupted by the new crisis, and life projects such as emancipation, starting a family or buying a home might never come to fruition. At the same time, **the patterns observed for the post-crisis generation throughout the Great Recession could recur in exactly the same way in those young people who are joining the labour market today**: a new generation lost.

Politically, this scenario could lead to an even greater fragmentation of the political arena in Spain and Italy, continuing the trend observed in the last few years. This is a dynamic that could also affect Portugal. In the previous crisis, Portugal saved its institutions thanks to the capacity of its democratic system to incorporate demands within pluralist logic. However, there is no guarantee that it can do this again in a new recession. Of course, as has already been confirmed in Spain and Italy, reforms become less likely as the continuing fragmentation towards extreme poles increases, in addition to the rise in the prevalence of arguments of an all-embracing and populist nature ("we want it all" is in fact the slogan of a far-left, pro-Catalan independence party, which entered the lower chamber of Spanish parliament following the latest round of the various general elections Spain has held since 2015).

5. The future path for beginning to close the gap

The Great Recession and its consequences have led to a deterioration in the living conditions of young people in Southern Europe, in addition to a postponement of their life projects. The particularly severe impact of the crisis, together with welfare states that are not well adapted to the needs of the population, have been key factors in this trend. Thus, while in countries such as Germany, France and Sweden the post-crisis generation, those born between 1985 and 1995, live comparatively better than their predecessors, this is not the case in Spain, Italy or Portugal.

With the advent of a new recession, this situation runs the risk of continuing for the post-crisis generation and repeating itself for the generations beginning their working lives now. In the previous section, we have outlined two extreme scenarios: one in which the pandemic offers a window of opportunity for closing the gap that is opening, and another in which the failure to act with public policies will consolidate a generation gap. But what are these public policies that could contribute to a virtuous circle? We propose four groups of specific measures.

1. A welfare state with a focus on equal opportunities

According to the OECD, a characteristic feature of Southern European countries is a social protection system that mirrors the duality of their labour market, concentrating social transfers among those people who contribute most to the system. Furthermore, unlike in other European countries, this system based on contributions is not complemented by a safety net that protects the most vulnerable. Therefore, it is essential to adapt public spending, redirecting funds towards the groups that need them most. Without these mechanisms for rebalancing income, inequality of opportunity will continue to recur generation after generation.

Efficient redistribution systems focused on future generations. If opportunities are tied to household income, transfer systems that maximise the reduction of income differences will have a redistributive effect, ultimately producing what we might call efficient redistributions: focusing transfer programmes on those households where spending will have a positive effect on the generations to come will lead to improvements for society as a whole, insofar as it will become easier to avoid talent being wasted and careers being cut short. Moreover, linking social transfers to disposable income in the household ensures that these are directed to the sectors of the population that most need them at a given moment.

Education with skills for real life. Education systems that penalise creativity and diversity in cognitive abilities hinder the consolidation of skills that will help to equalise opportunities, beginning with the assumption of risks based on an individual calculation. Socio-emotional skills also count: the work of economists such as James Heckman and Tim Kautz underlines the importance of aspects such as responsibility and diligence, opening up to new experiences, extraversion, agreeableness and the ability to work with others, in addition to emotional stability. The construction of a more flexible educational curriculum, oriented towards individual accompaniment and consolidating equality of opportunity, is one of the cornerstones, but it will not stand firm without all the other pieces in place.

Accessible housing. A feature of the housing markets in Southern Europe is the high ownership rate. Policies focused on strengthening and horizontalising the rental market, increasing supply and legal stability around it, would reduce this barrier and assist in the construction of careers (and homes) that are more stable and sustainable.

Freeing creative potential. All of the aforesaid must be done without increasing the number of bureaucratic and other obstacles that hinder the creation of sustainable careers. The new welfare system must function effectively and efficiently, moving into the background while it ensures constant protection for those who wish to risk, experiment and participate in the market. In fact, obstacles must be reduced to a minimum, imposing a dramatic reduction of unjustified requirements for creating new businesses. At the same time, it would be a good idea to consider a far-reaching reform of the social contribution systems for self-employed/independent workers, following a model of progressive contributions with a gentle curve conditional on income, incentivising the initial investment of time and money, while allowing individual initiative some breathing space in its earliest stages.

2. A non-dualised labour market, based on flexicurity and building human capital

In Southern Europe, there is still a considerable difference in the protection of workers who are in stable employment and those who are not, despite the (partial) labour reforms that were implemented during the Great Recession. However, the object of these reforms (partial reduction of dismissal costs in the case of indefinite contracts) does not have an impact on margin unless costs are levelled out for any type of contract, accompanying this process with a protective network focused on providing workers with security, so they can increase their human capital: the objective must be to protect the individual and their capacity to generate profit for themselves and for society as a whole, over and above protecting the post occupied.

Equalise levels of protection against dismissal. Labour regulations in Southern Europe tend to protect highly skilled and long-term jobs in particular, shifting all the flexibility to the new generations of workers (particularly the less skilled segments). To close this gap, it would be advisable to consider a model that evens out protection levels throughout the life cycle. A unified contract with compensation for dismissal that increases by a marginally decreasing amount (adding a progressively smaller sum to the cost of dismissal every new year) would turn into a system for destroying temporary work, penalising it in favour of the promotion of more stable relationships. To complete this, it would be essential to add a growing protective mechanism in the form of a 'backpack', which is described a little later.

Generational rebalancing of protection against unemployment. When transfers for unemployment protection are excessively conditioned on the previous contributions made by the worker, the mechanism becomes generationally regressive. Within the framework of equalising opportunities, it would be advisable to redirect part of this spending to those labour profiles that are yet to accumulate contributions, precisely with the aim of ensuring that they can invest the periods of unemployment in the construction of human capital, with a view to re-entering the labour market under better conditions. In this respect, this rebalancing should of necessity be joined by a structural reform of active policies like the reform we will proceed to describe.

Genuinely effective active employment policies and life-long learning. The system par excellence for promoting recruitment in Southern Europe is to be found in the grants and subsidies for new jobs offered to companies, particularly small and medium-sized companies. Besides this spending, active policies have historically been dependent on capture by business entities and trade unions that do not usually have incentives to select what will more greatly benefit their potential competitors (new companies, new workers). Reorientation genuinely aimed at promoting recruitment and generating opportunities should start from decentralised, competitive management that is focused on the life-long learning market, with a particular emphasis on the new generations that did not complete higher education.

3. Guarantee the possibility of starting a family

Another of the structural characteristics of welfare states in the south is the fact that the tasks of care largely fall to the responsibility of the families. This characteristic, which makes it difficult to reconcile work and family life, has two negative consequences. On the one hand, many women postpone or even abandon the idea of motherhood, which has a negative effect on the fertility rate of these countries. On the other hand, the difficulty of combining work and family life leads to particularly low employment rates among women in these countries, which diminishes the possible social contributions of this sector of the population. In this context, it is crucial to carry out reforms such as those undertaken in other European countries, which will ensure suitable provision of services for balancing work and family life.

A universal and accessible network of nursery schools. Services for balancing work and family life that are affordable, flexible and of a high quality are key to providing the opportunity for combining work and childcare, especially for mothers. In order that these policies may be effective, it is important that nursery schools should be both affordable, so that the cost does not present a barrier to the enrolment of children, and universal, with enough places to cover the entire population who are eligible. Moreover, the hours of nursery schools should be flexible and adapt to the daily working hours of parents. Finally, it is of crucial importance to offer a high-quality network of nursery schools that will contribute to the socio-emotional development of boys and girls and help to reduce inequalities of opportunity.

Balancing work and family life beyond the age of 0-3. The existence of services to help balance work and family life must be a priority throughout children's growth, not just during the first three years of their lives. These types of policies can include programmes like extracurricular activities throughout the school year, or specific programmes for the summer, which should feature a wide range of activities and appropriate supervision of minors by professionals. These types of programme assist parents in balancing work and family commitments, and help to reduce socio-economic opportunity gaps among children.

Time off work for parents. An appropriate system of remunerated permits for parents is crucial when seeking to help parents balance work and family life. This includes both the first few months of the child's life and the possibility of taking a set number of days off for childcare during infancy. To ensure that this type of policy is appropriately designed, the evidence suggests that permits must be of equal length for mothers and fathers, non-transferable between the parents, and with a level of compensation as close as possible to the original salary paid. It is also desirable that permits should be flexible with respect to dates and their duration, and that they can be adapted as much as possible to the working life of parents.

Towards a greater flexibility of working hours. On the part of companies, there are a number of measures that can help parents combine work and the care of their children. These include the possibility of making the times for starting and finishing work more flexible, reducing the hours in the working day for the purpose of childcare, and trading extra hours worked for time off (flexitime). From the perspective of public policies, it is possible to regulate the right of the worker to request these types of programmes. It is also desirable that these programmes should be available to all the workers in the company, not only those with care responsibilities, in order to avoid the stigmatisation of beneficiaries.

4. A sustainable social protection system

Demographic factors, together with the reality of employment in southern countries, represent a challenge when financing social protection systems in these countries. Therefore, it is crucial to move towards sustainable pension systems that take account of the ageing of the population and the capacity of taxpayers to finance these systems.

Guaranteed and sustainable pensions. The gradual ageing of the population in Southern Europe creates a vicious circle of public policy decisions that is unsustainable: as the average age of voters increases, so too do the short-term incentives to direct public spending towards these segments of the population. But the more the scales are tipped, the less political action is focused on the new generations, reducing the incentives to create homes, and paradoxically placing the stability of the safety nets for the elderly at risk. It is essential to consolidate systems so that their sustainability is guaranteed in the long term (in Spain, the introduction of sustainability formulas has been delayed since the Great Recession).

A backpack of protection to accompany people. In addition to tying the payment of pensions to sustainability, it would be advisable for a portion of savings to be tied up with individuals, since this is also an essential complement to the single contract with marginally decreasing compensation proposed earlier. We refer here to a fund associated with each worker (a 'backpack', as it is commonly known), financed periodically by the employer (a percentage of the worker's salary every month). When the employment contract ends, and under certain conditions, the worker could decide whether they want to withdraw the fund or maintain it until they retire. This fund linked with the indefinite contract with marginally decreasing compensation consolidates the penalisation of temporary work, without renouncing effective protection that grows as each individual extends their working experience. This would also help the sustainability of the social transfer system.

Efficient spending adjusted to the needs of citizens. In the recent past, the Spanish government has shown a tendency towards inefficiency in public spending, particularly in stimulus packages during times of crisis. Starting immediately with the upcoming arrival of funds of European origin (2021), an evaluation system should be applied on each new euro spent, based on efficiency and equity criteria, counting on the participation of autonomous entities (at the national and regional level) and avoiding excessive power concentration and lack of accountability in the decision-making process.

We believe that these framework ideas should serve as a reference for ongoing debate, with the clear objective of closing the current opportunity gaps, preventing future gaps and rebuilding an inclusive pluralism which, within a setting of liberal democracy, will be functional and useful for the new generations.

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