

Kelley School of Business  
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# Cultural & Economic Analysis of Spain

## Project 1

### **Team Spain**

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## Summary

Spain is a rapidly evolving Spanish-speaking country in Southwestern Europe. Traditionally known for the typical Hispanic cultural traits such as male dominance and a heavy emphasis on large families with close bonds. Today much more equality is present between the sexes, university education has become more common practice, and families do not tend to be as tight. Since the termination of the dictatorship of James Franco who ruled Spain for thirty-six years, the country has also transitioned to a democracy and the economy has opened up to foreign trade. Spain is currently run by a parliamentary monarchy government system.

Spain's literacy rate was up to 97.7% as of 2010 due to the increase in education. Education is now viewed as very important and an educational law in passed in 2006, "Ley Organica de Educación" or "Fundamental Law of Education," recognizes this notion and established the current educational system.

Spain currently operates multi-system parties at the national as well as regional levels. The two dominant political parties are the Spanish Socialist Workers' Party (PSOE) and the People's Party (PP). The Spanish legal system practices civil law with regional variations.

The major regions of Spain play a large part in how Spaniards identify themselves, at times considering the regional identity more defining than the national. The major regions are the Basques, Catalans, Galicians, and Castilians. Spain has many descendants from former colonies as well.

Spain now has a large middle class, with a significant gap from the upper class. The majority of the country holds quite high standards of living, with less than a ten percent overcrowding rate. Spaniards engages in a wide range of sports and recreational activities, with a very large following of soccer.

In Spain, social security is a standard for workers, students, and those serving the country. Individuals' social security contributions are put towards coverage for a list of potential needs, including illness, retirement and unemployment. Any person who is a registered member of the Spanish social security system is automatically issued a certificate to obtain medical assistance and may apply for a health card.

Spain's economy has seen sizeable growth in recent decades; however this growth has been slowed by the recession since 2008. Spain continues to see significant population growth, with the majority of its residents between ages twenty-five and fifty-four years and an average household income of about \$22,800.

Even after seeming to have emerged from the recession in 2011, the Spanish economy is still struggling with the deleveraging of its private sector, rise of inflation showing decrease in demand, and atypically high unemployment rates. Labor force growth has also plateaued due to the recession. The services industry is by far the largest contributing industry in Spain.

Spain also encompasses an extensive transportation system, which is beneficial considering its high mineral production. Spain is involved in a wide range of industries that each contribute significantly to the economy.

Spain's top three major exports consist of cars, medicaments, and petroleum oils. Similarly, cars, motor vehicle parts and accessories, and petroleum oils also comprise the top three major imports for the country. Spain is creating a mutually beneficial market by continuing support of local shops in addition to expanding to welcome larger supermarkets and retail stores. The wholesaling market also holds a strong presence. This creates the ideal market according to research on the developing sales channel to consumers.

## **Cultural Analysis**

Spain is a first-world European country with a strong sense of regionalism. As in any Hispanic culture, family is seen as the traditional basis in society. However, this developing nation is quickly outgrowing this age-old tradition. In present society, families tend not to have such a strong bond, and it is less common for children to grow up and work in/take over the family business. Current Spanish society also sees equality between men and women, with an increasing presence of women in the workplace and in universities. In fact, university education is more common in general, now considered the standard. Despite the development of most of these traditional beliefs, Spanish society as a whole still holds very strong religious beliefs, with the majority of its residents actively practicing Roman Catholic faith (Marketing).

Spain was ruled by a dictatorship from 1939-1975. Under this rule, the country ran a very closed economy. In 1955 Spain joined the United Nations, and in 1959 it slowly began liberalizing trade as well as capital flows. However, measure by comparison of foreign trade to economic activity, Spain continued to operate the most closed economy in Western Europe. Throughout the 1960s and 1970s, a large middle class was developed and its tourism sector came to life as the country transformed into a modern industrial economy. In 1975, its dictator James Franco died and the country took to a much more rapid liberalization process. Under new rule, the country was quick to transition to a democracy, approving a democratic constitution in 1978. Trade has since opened up very significantly allowing rapid growth of the economy (Spain: History).

Traditionally, the family includes both immediate and extended family, which is the most important social unit as well as the basis of the social structure in Hispanic culture. In most Hispanic families, there are patriarchal environments where the father holds the central place,

and the mother is usually responsible for the home. As the country has been developed and the education level has been increased, however, the women tend to play a critical and an equalitarian role not only in family, but also in society.

In Hispanic culture, the families hold very strong ties, even with the extended family. It is common practice for the children in Hispanic culture to play with their own brothers, sisters, and even with cousins as friends, which makes them feel a strong bond from their childhood. However, as the values that inspire family relations have changed, it is less common than previously for family members to work in a family business.

The Spanish education system includes compulsory education beginning with preschool, primary school, and middle school as well as non-compulsory education, which refers to high school, vocational training programs, and universities and other forms of higher education. In the Spanish education system, there are three categories: public schools, state-funded private schools, and private schools. According to the CIA World Factbook, Spain's literacy rate was 97.7% of total population in 2010, due to the growth in education. As the country's development has accelerated, the education plays a pivotal role in the middle of improvements. In addition, the current system was established by an educational law of 2006, LOE (Ley Organica de Educacion), or Fundamental Law of Education.

Spain, also Kingdom of Spain as a conventional long form, is run by a parliamentary monarchy governmental system. Also, Spain is divided by 17 autonomous communities. The executive branch includes: chief of state King JUAN CARLOS I since 1975; the head of government President (Prime Minister equivalent) Mariano Rajoy; and the cabinet, which is the Council of Ministers designated by the president. The parliamentary hold bicameral system consists of the Senates (208 seats) and the representatives (350 seats). Among the Senates, 48 of

them are appointed by the king and the rest of them are elected by vote. The vote and the appointment are held every four years. Generally, Spain is operating multi-party systems at both the national and regional level. Nationally there are two dominant political parties, Spanish Socialists Workers' Party (PSOE) and People's Party (PP).

For the legal system in Spain, they are practicing the civil law system with regional variations. For international law, Spain accepts compulsory International Courts of Justice (ICJ) jurisdiction with reservations as well as accepts International Criminal Courts (ICCt) jurisdictions.

Spain's identity consists more of an overlap of different regional identities than of a sole Spanish identity. Some of the regional identities may even conflict with the Spanish one. Due to the divided distinct, its traditional regional identities within Spain includes the Basques, Catalans, Galicians, and Castilians, among others. In addition, Spain has a number of descendants of populations from former colonies like Latin America, North Africa, and smaller numbers of Sub-Saharan countries. For its ethnicity groups, Spain consists mostly of Mediterranean and Nordic ethnicity.

In Hispanic culture, especially in Spanish culture, religion traditionally played a fundamental role in daily activity and in overall society. More than 94% of the total population of Spain believes in Roman Catholicism. However, it no longer has official status by law. Although it lost its official status, Catholicism is the only religion class that is officially taught at the public schools. As time goes by, only 71% of the population identify themselves as Catholics, still 22% of the entire Spanish population attends religious services at least once per month. On the other hand, about 3-4% of the total population of Spain are Muslim.

Spain is located in Southwestern Europe on the Iberian Peninsula. Its coastlines run across the Atlantic Ocean and the Mediterranean Sea. Spain actually claims territory in Morocco and is bordered by France and Portugal. Its climate is relatively temperate, with the inland regions experiencing hot summers and cold winters. Its capital Madrid's average temperature ranges from 37 degrees Fahrenheit in the winter to eighty-eight degrees Fahrenheit in the summer. It is also common to experience extreme temperatures reaching far beyond this range. The coastal areas of Spain are generally subjected to both cool summers and cool winters (Geography).

A generally high standard of living is held amongst Spaniards. Spain's overcrowding rate is less than ten percent, which is low comparatively to many other European countries. The most common form of housing is flats, occupied by 64.9% of Spain's residents. The other two popular types of housing are detached houses and semi-detached houses (Housing). As far as purchasing homes, a rent-to-buy system is becoming increasingly popular in Spain. Generally this allows two years living under renter's terms before the tenant makes the final decision to purchase a home (Rent-to-Buy).

Sports play a big role in Spanish culture, with soccer (referred to as "football" in Europe) being by far the most popular. Basketball is also a common sport in Spain, and individual sports such as golf, tennis and cycling are becoming more popular. Motor sports, water sports and bull fighting are also commonplace (Popular).

One of the major recreational activities in Spain is spending time on the beach and swimming. The beaches in Spain are beautiful and are a major tourist attraction. Spaniards also often participate recreationally in hiking, mountain climbing, biking and horseback riding (Tsareva).

Another popular activity in Spain for locals and tourists alike are cultural festivals. One of the most well known is San Fermin, or the “Running of the Bulls” festival held annually in July in a city named Pamplona. During this festival, the city essentially turns into one giant party for a week, with a number of traditional activities taking place throughout the day. There are also a vast number of museums that are visited commonly throughout the country. Shopping is a big attraction as well.

All workers residing in Spain are required to be registered for social security. The social security system in Spain covers employed workers, self-employed workers, students, workers affiliated with a work co-operative, civil servants and military personnel. Contributory and non-contributory schemes of social security are identified. For contributory workers, individual contribution rates are determined by classification into labor categories. An employee’s contributions begin as soon as employment commences and determined percentages are paid by both the employee and the employer (Health).

Social security contributions provide coverage for: illness, non-work-related injuries, retirement, maternity and paternity leave, work-related injuries and occupational illness, overtime, unemployment, a Wage Guarantee Fund, and occupational training. Self-employed workers are not entitled to unemployment or industrial accident coverage. Enrollment in the social security system automatically issues a certificate which allows the resident the right to obtain medical assistance. Residents may use this document to obtain a health card. Private health insurance is available to those not qualified for social security; health insurance, however, is not required in Spain (Health).

Spanish is, of course, the official language of Spain. Spain is the originating country of the Spanish language and, as such, many older forms of the language are still alive across the

country. Official regional languages include Catalan, Valencian, Galician and Euskera. All are variations on the Spanish language (Other). Many different dialects are also found throughout Spain. The most popular are Andalusian in Southern Spain, Murcian in Southeast Spain—the Autonomous Region of the Community of Murcia, and Castilian in Northern and Central Spain (Khodorkovsky).

### **Economic Analysis**

The recession in late 2007 impacted countries across the world, and although Spain had continuous growth for years, economically they were unable to withstand the inevitable recession. In 2008 the recession took a toll on Spain's economy with large numbers becoming unemployed and the collapse of domestic construction and real estate sectors.

Spain has historically had a relatively strong economy with a very large population that represents 1 of every 151 people in the world totaling 47,042,984 (July 2012 est.). Spain's population continues to increase with a growth rate of 0.654 (2012). The majority of the population resides in the capital city of Madrid with 5.762 million, and Barcelona with 5.029 million residents. Madrid and Barcelona are undoubtedly the largest cities in Spain, with Valencia following with a mere 821,000 residents in 2009. Spain has 46.5% of their residents between the ages of 25-54 years old.

The average household disposable income for a Spanish family is about \$22,800 dollars. Housing takes up about 20% of their disposable income each year. On average, each household hold has 1.8 rooms per person; this is higher than the OECD average of 1.6 rooms per person (Trade in Spain.)

Spain's economy was affected in 2008 and was considered to be one of the last major countries to appear to emerge from the global recession in 2011. Although Spain seemed to emerge from the recession they nearly immediately halted growth and slowly fall back into the recession with the deleveraging of their private sector, rise of inflation showing decrease in demand, and unemployment rates as high as 25%. Since 1997, Spain has had a substantial increase in their labor force size. In 1997, they had approximately 16.2 million people in their labor force. It has increasingly grown over the past sixteen years but from 2008 and now, it has been steady between 22 and 24 million (Trade in Spain.)

Spain had a 16-year growth trend in terms of GDP, which ended in 2009. Currently with a GDP (PPP) of \$1.407 Trillion, they are continuing to lose growth from 2011-2012 by -1.5%. This also shows with a decline in GDP Per Capita decline from \$31,000, to \$30,400. The distribution of family income or the GINI index in 2005 showed 30. This was a decline from the numbers 32.5 in 1990.

Spain heavily relies on the services industry with 72.6% of GDP, compared to 24.2% industry, and 4.2% agricultural. They were significant producers of minerals including gypsum, fluorspar, sand and gravel, and cement. Spain has an extensive transportation infrastructure with 154 airports, a railway system ranking 18<sup>th</sup> in the world with 15,293 km in length, and a roadway system of 681,298 km, which is the 10<sup>th</sup> largest in the world. These resources are important in offering opportunities with the number of minerals and other resources found throughout Spain.

Spain is involved in many different industries that are essential in the sustainability of their economy. Although agriculture only accounts for a small portion of 4.2% of GDP, they produce a wide range of products ranging from grain, olives, sugar beets, to dairy products, poultry, and fish. Other industries that Spain is involved in are apparel, food and beverages,

shipbuilding, automobiles, machine tools, textiles, and pharmaceuticals. All of these industries that Spain is involved in shape the economic potential and sustainability for years to come.

Of Spain's major exports, cars, medicaments, and petroleum oils round out the top three. Cars account for around \$26.2 billion, medicaments \$10.3 billion, and petroleum oils are about \$9.8 billion. Like their major exports, cars are also their major import. Following cars are parts and accessories for motor vehicles and petroleum oils. Car imports are valued around \$13.2 billion, car parts/accessories are valued around \$13.1 billion and petroleum oils are around \$12.6 billion. Spain's major trade partners for both imports and exports are France, Germany, Portugal, China, and Italy (Trade in Spain.)

According to [globaltrade.net](http://globaltrade.net),

“Sales channels to consumers have developed significantly in the last few years, ranging from traditional distribution methods, in which wholesalers sell to traditional shops and those shops sell to the public, to more sophisticated methods, with an increased presence of large multinational supermarkets, retail stores and central purchasing units”

This is extremely important because not only is Spain staying true to its local shops, but also, they are expanding to larger supermarkets and retail stores. There are many wholesalers in Spain that range from art distributors, to electronic companies to, grocers.

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