

# Spain's Popular Party government announces unprecedented budget cuts

Alejandro López  
5 January 2012

The new right-wing Popular Party government, headed by Prime Minister Mariano Rajoy, has announced €16.5 billion worth of budget cuts and outlined details of the first nine billion.

The unprecedented austerity package will be presented to parliament on March 31. However, it is already clear that even these cuts will prove insufficient to meet budget reduction targets agreed with the European Union and the international financial institutions and more will be demanded.

The measures are a frontal attack on the living standards of workers, especially those employed in the public sector. They include:

- A rise in the working day for civil servants from 35 hours a week to 37.5 hours without extra pay. In 2010 their salaries were cut by up to 15 percent. Any civil servant who does not want to work more hours will have their salaries proportionally reduced.
- Public sector vacancies will remain unfilled in 2012, except for those in hospitals, university professors, labour inspectors and military and state securities where just 10 percent of vacancies can be filled.
- The elimination of €210 in state aid provided monthly to youth (over half of whom are unemployed) to pay their rents.
- Keeping the minimum wage, received by more than 30 percent of the Spanish workforce, at €641.40 per month in 2012. The promise to increase it annually was given by the unions as a major reason for their continued co-operation with the Socialist Workers Party (PSOE) administration, which lost office in November.
- Cuts in subsidies and loans for research and development by €600 million, mainly in the area of foreign policy cooperation.

- Increase in personal income tax of 0.75 percent for those on lower incomes, and 7 percent for those who earn more than €300,000 annually.

- An increase in property tax on all “above average value” houses, which, in reality, means 50 percent of urban real estate.

- Cuts in subsidies to political parties and trade unions expected to save nearly €85 million.

- Budget cuts in the ministries: €485 million in employment, €439 million in the inland revenue, €409 million in the health ministry, €401 million in agriculture, €340 million in defence, €163 million at the interior ministry, €48 million in the justice department, €1.6 billion in the ministry of works and €1 billion each in the foreign, industry and finance ministries. Jobs and services will be slashed.

An increase in pensions by one percent was also announced, but much of this will be swallowed up by the increase in taxes on personal income.

Rajoy said the budget cuts were necessary to maintain the confidence of European bond markets and blamed them on the budget deficit, which was higher than previously stated by the outgoing PSOE government. It is now expected to reach 8 percent of the GDP this year, two percentage points above the 6 percent target agreed with the European Union.

Deputy Prime Minister Soraya Sáenz de Santamaría said, “We are forced to take extraordinary decisions and adopt unexpected measures,” and warned, “These measures are the beginning of the beginning of a package of structural reforms designed to cut the deficit and stimulate the economy.”

Treasury Minister Cristobal Montoro blamed the increase in the deficit on the continued overspending by the autonomous regions, which have responsibility for vital public services including education, health, and

social services. Although the PP won control of most of the regional governments in elections in early 2011, many of them have been under their control for years.

Last month the Bank of Spain said the combined debt of the country's 17 regions totalled over €135 billion—12.6 percent of GDP and up 22 percent from the year before. However, the bank's estimates omit the tens of billions of euros in unpaid bills believed to be "hidden debt" in the regions. In Catalonia the estimate of debt to regional GDP has recently been doubled, from less than 2 percent to 3.8 percent.

The ruling elite, domestically and internationally, continues to put pressure on Rajoy not to relent and prepare those workers who still enjoy relatively better pay and more stable working conditions to accept their destruction.

*Público* declared, "In total, the measures taken by the government sum up as €15.1 billion, only 40 percent of the hard adjustment that the executive will have to carry out this year... Thus, the government will have to cut the deficit by an additional €21.4 billion and will likely be forced to adopt new cuts and measures in the 2012 Budget, which [the government] will develop over the first quarter and is expected to have ready before March 1st."

The *Guardian* stated, "Rajoy, who won the election without promising anything at all, still seems to be holding back on deep reform. The cuts are more slash and burn than structural and the government is still ducking the issue of employment reform. Spain's employment laws have created a two-tier system of virtually unsackable employees with cast-iron contracts—doggedly defended by the trade unions—and a much larger group of workers with no job security."

The depiction of the unions as "dogged defenders" of the working class is the reverse of the truth. Since the eruption of the crisis the Communist Party aligned CCOO along with the PSOE-controlled UGT have been negotiating one set of "reforms" after another to hard won rights to pay, conditions and pensions, all of which have worsened living standards.

At the same time as union leaders denounce the latest cuts as "unjust" they have agreed to take part in negotiations over further labour reforms alongside the Spanish Confederation of Employers' Organizations (CEOE).

In the capital Madrid, the three biggest unions—the

CCOO, UGT and CSI-CSIF—have just signed an agreement with the new PP administration led by Ana Botello, the wife of former PP Prime Minister José María Aznar. Salaries will be frozen in exchange for the promise there will be no redundancies, but this is based on the central government not ordering further cuts. An official said that it "will guarantee an absence of labour unrest for the next four years" as the city slashes public services, raises municipal taxes, delays or cancels a host of infrastructure projects and sells off real estate in an attempt to half the city's €6.34 billion debt by the end of 2016. Some economists say this is an impossible task based on the PP's current proposals and more cuts are inevitable.

The unions have presided over a social catastrophe in Spain. The jobless rate soared to 22 percent (50 percent amongst young people). A recent report by the OCU consumers' organisation shows that between 2002 and 2012, salaries rose by an average 14 percent while food prices went up by 48 percent, housing by 66 percent, transport by up to 58 percent, and fuel by 82 percent.



To contact the WSW and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**