Spanish government announces more austerity as unemployment soars

Alejandro López
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Spanish people have come to dread governmental announcements made on Fridays after the Council of Ministers meeting. The weekly custom is for Deputy Prime Minister Soraya Sáenz de Santamaría of the ruling Popular Party (PP) to announce cuts in public spending, tax increases and new attacks on the living standards of workers.

Yesterday was no different.

Sáenz de Santamaria announced the new austerity plan to be submitted to the European Union, with the measures scheduled for the coming months, and its updated economic forecasts of economic decline, unemployment and soaring debt.

The government plan defers for two more years the intention of bringing the public deficit back within the European ceiling of 3 percent of gross domestic product (GDP). It still projects the deficit to go down from 10.6 percent to 6.3 percent at the end of this year. In 2014, the plan states that it will reach 5.5 percent and in 2015, 4.1 percent. In 2016 the fiscal imbalance is supposed to fall to 2.7 percent of GDP, meeting the demands of Brussels.

For this year, the government expects public debt to touch 99.8 percent of GDP in 2016, although the International Monetary Fund (IMF) sees this figure being reached a year earlier. Debt is seen rising to 91.4 percent of GDP this year, to 96.2 percent in 2014 and 99.1 percent in 2015.

The new measures so far announced include a tax on bank deposits applied to the financial institutions from which the government expects to collect between €250 million and €300 million (US$325-390 million). The new tax in all probability will be passed on to depositors as in Cyprus.

Another measure is “a law of indexation of the Spanish economy” to allow the use of a different index in place of the consumer price index for government contracts. It is probable that this will negatively affect pensions, as during the announcement Finance Minister Cristóbal Montoro criticised the “mad increases” in pensions each year. A report by the Labor Ministry recommended that pensions should not rise with inflation but with economic indicators and that the age of retirement should be raised above 67 years. This is only two years after the retirement age was raised from 65 to 67.

The government announced that the increase in the personal income tax in Spain (IRPF) that was supposedly going to last one year will be extended for another year.

These measures are only the tip of the iceberg. More are going to be announced in the following weeks and will affect pensions, taxes and labour conditions.

According to the Soraya Sáenz, the government “will not increase taxes” due to “the deficit reduction [plan] and the great effort of the Spanish people.” In an interview with the *Wall Street Journal*, however, Economy Minister Luís de Guindos pointed out that the contraction in the economy for this year is expected to be revised to between 1.0 and 1.5 percent from an initial estimate of 0.5 percent. The government will either have to impose further savage austerity measures or increase taxes. In the same announcement, Finance Minister Cristóbal Montoro contradicted Sáenz, stating that there is “margin to increase special taxes.”

Representatives of the ruling class are demanding further attacks on working conditions and salaries. The main business association, the CEOE, has demanded more underpaid “mini-jobs” and a new labour reform to cheapen unfair dismissal and to prevent judges from intruding in labour affairs. A report from the Bank of Spain called for “more determined action in the broader area of structural reforms [that] could create more favourable conditions for economic growth."

Yesterday's announcement comes two weeks after the European Union commissioner for economic and monetary affairs, Olli Rehn, presented a report on Spain's economic situation emphasising continuing "imbalances" in order to demand more austerity measures. They included further liberalisation of goods and services markets, the end of the tariff deficit in the energy sector, a new increase in taxes, and another pension "reform". He stated that "steps have been taken, the reform agenda is incomplete, and even the adopted reforms have not shown all its effects due to its delay."

Rehn called for further attacks on working conditions and wages, defending the need for measures to "cheapen unfair dismissal"—making it easier to sack workers—and introducing a single contract that would destroy the relatively better conditions of workers on permanent contracts.

The results of the austerity drive were made clear by the Active Population Survey published by the National Statistics Institutes (INE) for January-March. Unemployment now stands at 6.202 million. The unemployment rate has risen from 26.02 percent to 27.16 percent. In only three months, 237,400 workers have lost their jobs.

The unemployment rate for youth now stands at a record 57.22 percent in the first quarter, representing 960,400 people. Foreign workers have been hit hard by the crisis, with the jobless rate at 39.21 percent and 1.3 million people out of work. Spain lost 322,300 workers who were forced to emigrate.

The latest data means that the IMF forecast that unemployment would peak at 27 percent at the end of this year has already been reached. Analysts are stating that this year could see unemployment rise to 28 percent.

On Wednesday, Prime Minister Mariano Rajoy stated, "Next year we will have growth and jobs will be created in our country." This contradicts all economic indicators. The Bank of Spain has confirmed that the economy slipped back into recession for the second time in two years. "Developments in the Spanish economy over the coming quarters will be subject to uncertainty and to downside risks associated with the possible ups and down of the sovereign debt crisis," the bank said.

The austerity drive has led to a social crisis comparable to the 1930s. The latest INE Active Population Survey shows that the number of households with all of its members out of a job climbed to nearly 2 million households. According to Oxfam, there are around 12.7 million poor in Spain and further austerity measures and welfare cuts will result in an estimated 18 million poor in 2022—equivalent to an unprecedented 38 percent of the population. The Catholic Church-run charity Cáritas has estimated that those living in extreme poverty now make up 6.4 percent of the population, some 3 million people.

Since the eruption of the crisis, the two main unions, CCOO and UGT, have imposed the new working conditions and salaries passed by governments, calling impotent one-day protests while negotiating labour and pension reforms that have worsened the living standards of millions. No call for a new general strike has been made when last year the unions stated that 6 million unemployed was a "red line."

The PP government, aware that its class-war agenda is leading to a social explosion, is criminalizing and repressing any protest against austerity. On Wednesday the police arrested 15 youth in Madrid ahead of a demonstration Thursday organized through social networks by the *Plataforma ¡En Pie!* (Platform: On your feet!) The government ordered the mobilisation of 1,400 anti-riot police at the cost of €120,000, even when sources expected fewer than 10,000 participants and the actual figure was 1,500. The demonstration was violently repressed, resulting in 15 arrests and 29 injured.