Spanish government imposes more austerity measures

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Spain's Popular Party (PP) government has announced another raft of measures aimed at slashing the budget deficit to the European Union's 3 percent target by 2016.

The Public Works Ministry has announced plans to close 48 state-run rail routes and reduce services by an average of 32 percent on 127 others in order to save €86.5 million a year. Routes marked for closure include the Valladolid-Ávila, Madrid-Ávila and Vigo-Ourense-Ponferrada lines. Routes between Extremadura and the western Andalusian province of Huelva will be seriously affected. The changes will affect 1.65 million passengers a year.

The fare prices for the intercity buses will increase for the second time this year by an average of 3 percent.

The Ministry of Industry has published a report on the energy tariff deficit (the difference between market cost and the bills paid by consumers), which is about €28 billion. The aim of the government this year is to reduce this by €4 billion with cuts centred on subsidised solar power and wind plants and an increase in electricity tariffs for consumers.

Industry Minister José Manuel Soria said that bills will rise between five and seven percent this year on top of the estimated 70 percent increase over the past six years.

The price of gas bottles, which are used by about eight million households in Spain, has just risen by 2 percent, reaching €17.5, following a five percent hike in March.

The PP government has announced plans to cut €9 billion from the budgets of local government administrations, having done the same to regional governments last year. A study conducted by the Ministry of Finance and Public Administration asserts that 5,900 of the 8,116 different local councils in Spain are "inefficient" and charge too much for poor services. One of the central aims is to slash the jobs and wages of over half a million local government workers.

Madrid city council has already announced it will replace permanent with more "precarious" wages and conditions, affecting 29,000 public employees in the capital. This is to include cutting the special allowance paid to workers in specialised, more responsible or dangerous jobs. These workers have already suffered wage cuts of between five to 15 percent in 2010, the elimination of their Christmas bonus, an increase in working hours and a worsening of their working conditions.

Another sector badly affected by the cuts are "dependent" people—generally those who need assistance caused by disablement. According to the National Plan of Reforms passed last month, the government will cut over €1 billion from the system used to help them.

The Ministry of Labour and Social Security is planning further attacks on working conditions and pensions. There been a major debate within business circles and media sparked by the demand of the European commissioner for employment, László Andor, for Spain to introduce a single work contract to eliminate the duality in the labour market between workers on permanent and precarious contracts.

In reality the introduction of such a contract would mean the elimination of better paid permanent contracts, in a country that already has the highest rate of temporary workers within the European Union, and at a time when the unemployment rate stands at 27.2 percent (57 percent for under 25 year olds). This situation has been facilitated by successive labour laws passed by the previous Socialist Party (PSOE) government and the current PP government that have made it cheaper and easier to sack workers.

For the time being the government has rejected such a step. Labour Minister Fátima Báñez has argued that the current labour reform introduced last year is having positive effects and that the Spanish Constitution is an obstacle to the introduction of a single contract.

Juan Rosell, the chairman of the Spanish Confederation of Business Organizations (CEOE), Spain’s largest employer group, has insisted that the current system (with 41 different types of labour contracts) needs to be simplified and that the government has to do “whatever” is necessary to change it. To do this he suggested a single contract, which may be indefinite, but which includes a reduction of redundancy payments agreed beforehand between employer and employee.

The CEOE is also demanding more underpaid “mini-jobs” and a new labour reform to cheapen dismissal and restrict the ability of sacked workers to appeal to the courts.

Labour Minister Báñez has set up an “expert committee” to investigate the “sustainability” of the pension system. According to the daily *Público*, eight of the 12 experts in the supposedly independent committee work for banks and insurance companies, eager to promote private pensions schemes. Another expert is the Madrid university professor, Víctor Pérez-Díaz, a neoliberal sociologist who has worked for the PP think tank FAES.

The committee will produce a report that rubber-stamps calls for the dismantling of the current pensions system in accordance with the dictates of the troika of the International Monetary Fund, European Commission and European Central Bank. Several ways to reduce pensions have been floated, including the use of other indices in place of the consumer price index and relating the amount paid to life expectancy, the number of contributors to the social security system and economic growth.

The committee’s task was made clear by the Institute of Fiscal Studies (Instituto de Estudios Fiscales), which is linked to the Ministry of Economy. In a report issued a few days ago, it advocated a 22 to 45 percent cut in pensions.

The attacks on labour contracts and pensions go hand-in-hand, creating a vicious downward spiral. Cutting wages will cause a loss of purchasing power that will mean future pensions will be reduced. Pensions and labour contracts are seen by the ruling elite as obstacles to the accumulation of wealth. Using the economic crisis as a pretext, they will be gutted in order to make Spain more competitive in the world market.