



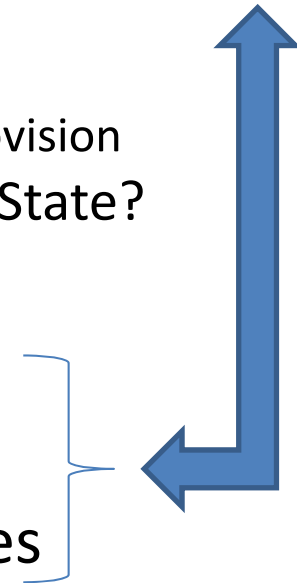
***Adjustments in the Public Sector in Europe:  
Scope, Effects and Policy Issues***

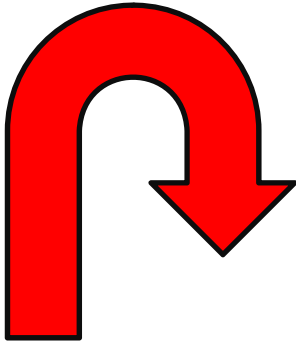
**SIGNIFICANT QUANTITATIVE ADJUSTMENTS IN  
THE PUBLIC SECTOR: THE EXAMPLE OF SPAIN**

**Rafael Muñoz de Bustillo  
University of Salamanca**

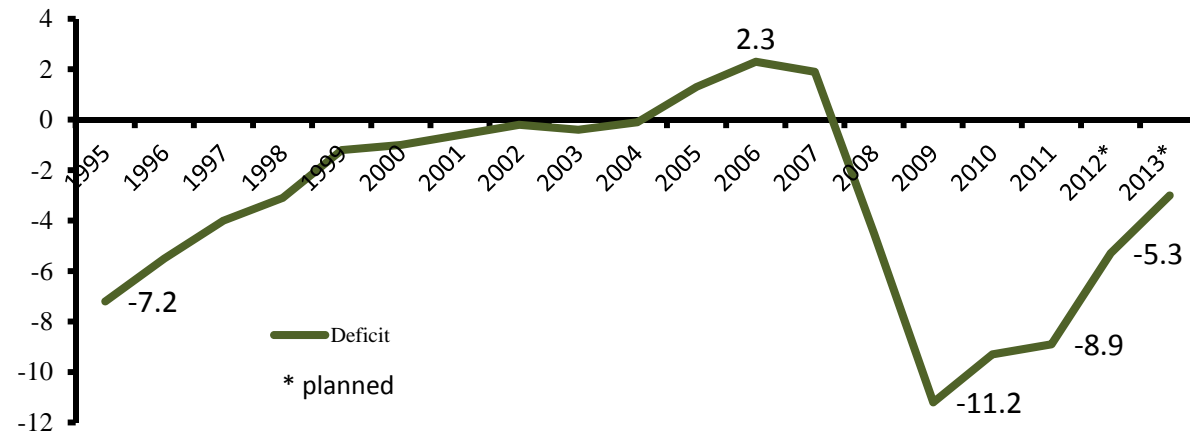
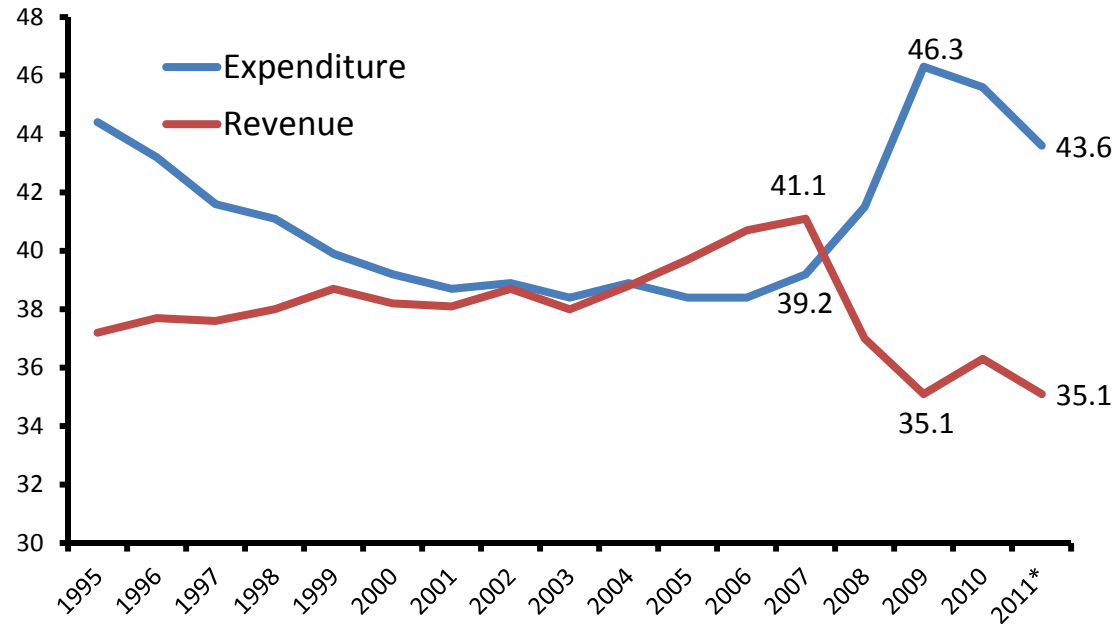


- The great U turn in 2010
- Focus on the expenditure side
  - From a theoretical point of view is difficult to defend since expenditure cuts are more contractionary than tax increases.
  - But two other considerations:
    - Debate about the excess of public employment (overstaffing) and inefficiency in the public sector
      - [“Cut the fat retain the muscle”](#)
      - Redefinition of the core areas of public sector provision
    - A hidden agenda? Deconstructing the Welfare State?
- Outcome:
  - Reduction in employment and wages
  - Reduction in the provision of public services

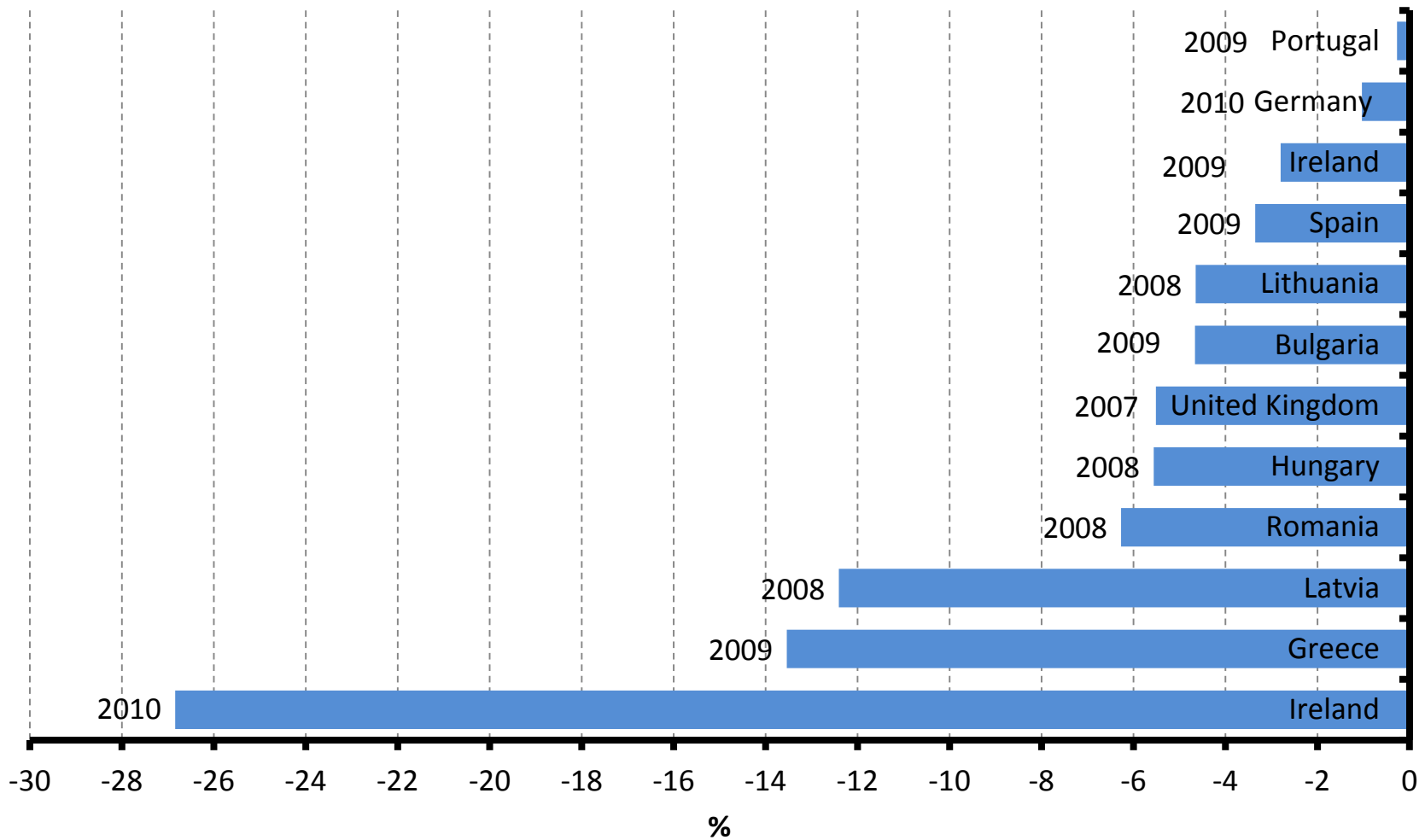




# The Great U turn: Spain

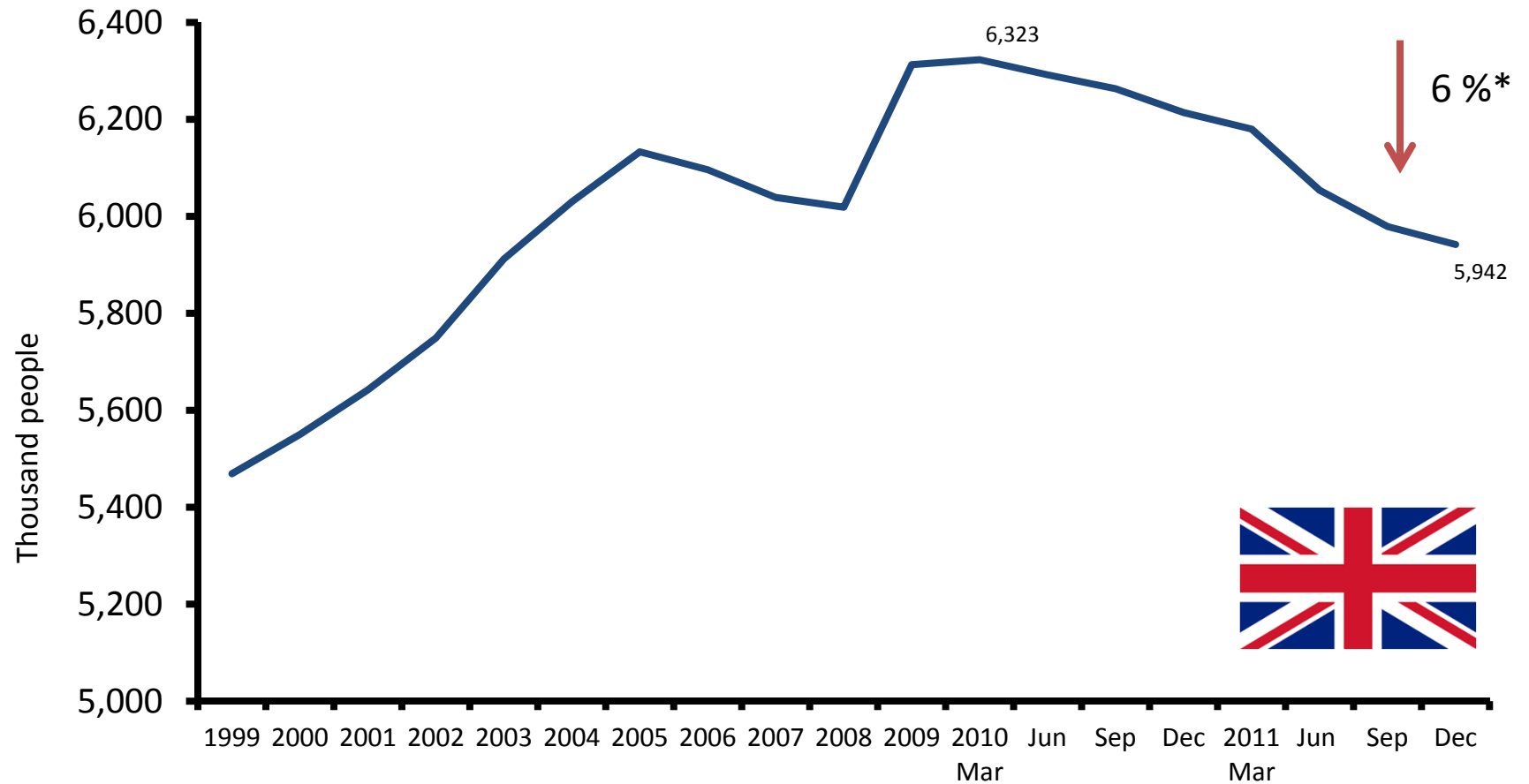


## Reduction in nominal public expenditure from peak year to 2011 (%)



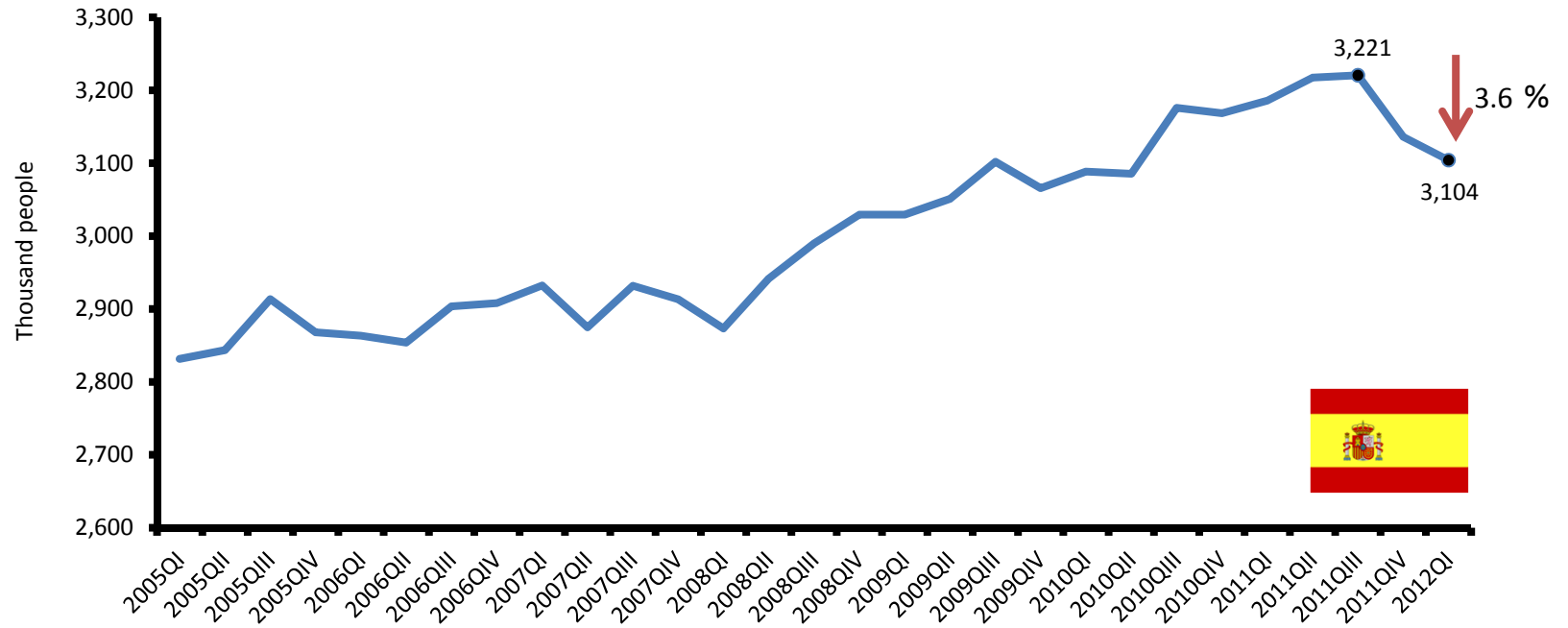
(\*) More intense reduction in terms of [cyclically-adjusted financial balance](#) (Deficit as % of potential GDP)

## Total public sector employment in the UK (1999-2011)



\* Compared to an increase in total employment of 1,7%

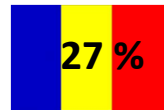
Total public employment in Spain (2005-2012)



+ Wage cuts:

- - 5% nominal in 2010
- Wage freeze in 2011 and 2012
- Further reduction in specific regions:
- Reduction wage + working hours for non civil servant public employees.

Catalonia: - 3%  
 Madrid: - 3,3%  
 Andalusia: - 5%  
 Valencian C.: - 5%  
 Canary Islands: - 5%  
 Castile-La Mancha: - 3%  
 Etc.



+ Increase in weekly working hours by 2.5 hours



# Reduction in the provision of public services

- **Education**

- Increase in teacher's class hours
- Increase in the number of students per classroom
- Reduction in the number of teachers
- Increase of teaching load of university teachers (up to 50%)
- Increase in tuition fees at university and higher level of vocational training

- **Health care**

- De-universalization of health care (illegal immigrants)
- Increase in copayments in medicines, prosthesis, transport...
- Downward revision of the catalog of provided health services (?)
- Reduction of supply (closing of hospital wings, reduction of opening hours of certain primary health services, etc.) => Increase in waiting lists



VNiVERSiTAS  
STVDII  
SALAMANIINI





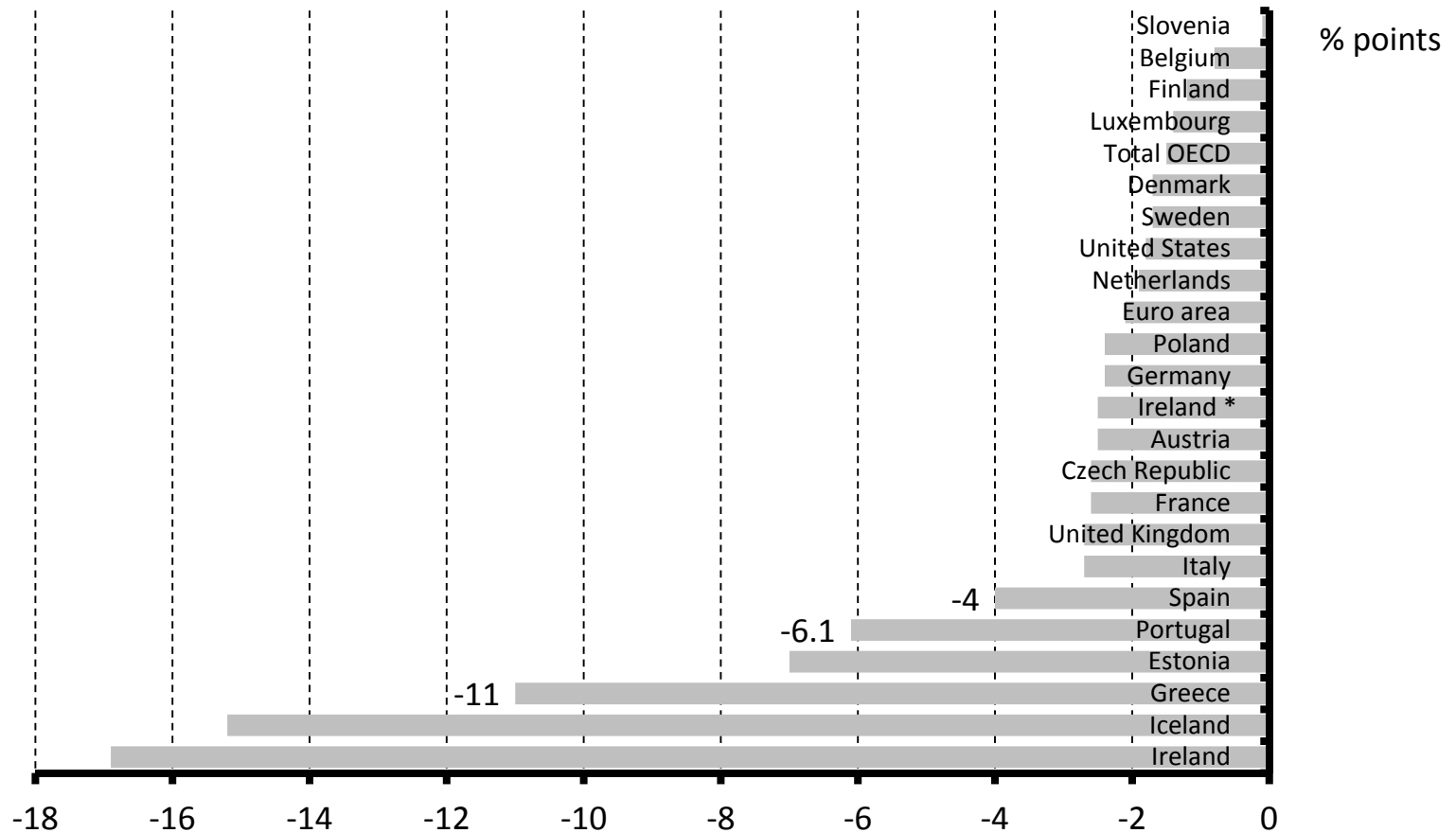
“To strengthen the research system in our country we must slim it down, but it is important to cut back on quantity, not quality”.

“Turn Spain’s budget crisis into an opportunity”, *Nature*, June 2012  
Carmen Vela, Spanish secretary of state for research, development and innovation.

22.5% decrease in R+D public expenditure in 2012  
(-5.5% in 2010 and -7.4% in 2010)



## Reduction of cyclically adjusted deficit from peak year

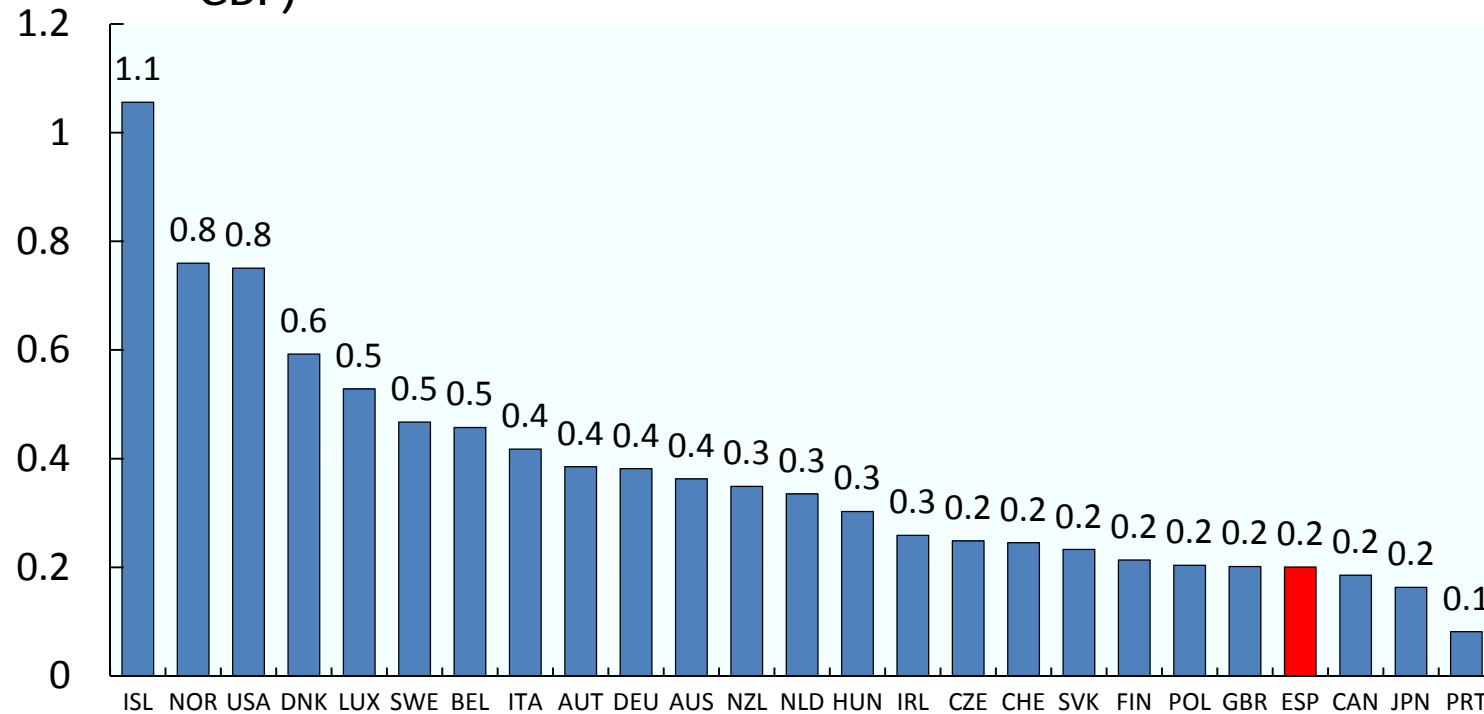


Note: For more details on the methodology used for estimating the cyclical component of government balances see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: Author's analysis from *OECD Economic Outlook 2012/1*, p. 240



## Potential savings from greater efficiency in school spending (% of GDP)

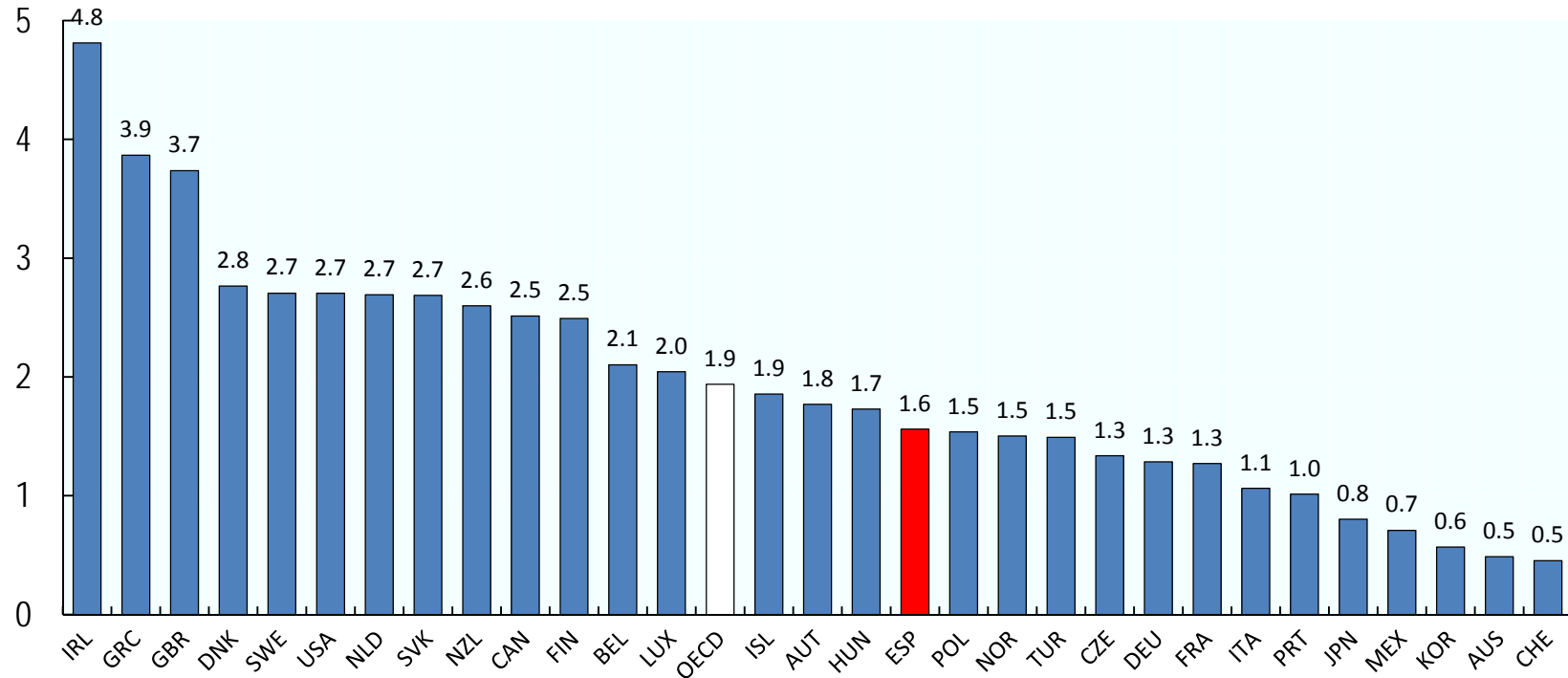


Source: Sutherland, D., R. Price, I. Joumard and C. Nicq (2007), "Performance and Indicators for Public Spending Efficiency in Primary and Secondary Education", *OECD Economics Department Working Papers, No. 546*, OECD Publishing. In OECD (2012) [Fiscal Consolidation: How much, how fast and by what means?](#) **An Economic Outlook Report**, *OECD Economics Policy Paper No. 1*, 12 April 2012



## Potential savings from greater efficiency in health care spending

% of the 2017 GDP



*Note:* Potential savings represent the difference between a no-reform scenario and a scenario where countries would exploit efficiency gains. The no-reform scenario assumes that between 2007 and 2017 life expectancy and spending increase at the same pace as over the previous 10 years and that the mix between public and private spending remains constant over time.

*Source:* Joumard, I., P. Hoeller, C. André and C. Nicq (2010), *Health Care Systems: Efficiency and Policy Settings*, OECD Publishing.

