

By SUZANNE DALEY

Published: June 27, 2010

MADRID — This was the deal that Gema Díaz, 34, thought she had made: When she took a job with this city as a purchasing agent 12 years ago, she knew her salary would be low. But the income would be reliable. She could expect steady raises, manageable hours, six weeks of vacation, a good pension and the usual benefits — from free health care to subsidized housing.

Now, as Spain embarks on a range of austerity measures, the careful math of Ms. Díaz's life is coming undone. Her salary is being cut. Her pension does not look so secure. Even the day care for her second child — due in August — will cost more.

“There can be no more illusions about getting help from the state,” said Ms. Díaz, at home on a recent evening in a charmless, government owned complex on the outskirts of the city. “We talk about it all the time. We talk about it with our friends. We talk about it with our family. The fear is the worst part.”

Hers is a story repeated across Europe, fueling the protests and strikes that have tied up airports, blocked highways and, in Greece, even turned deadly.

For millions of Europeans, modest salaries and high taxes have been offset by the benefits of their cherished social model — a cradle-to-grave safety net which, in the recent boom years, seemed to grow more generous all the time.

Now, governments across Europe say they have little choice but to pull back on social benefits, at least for now. Tax revenues are falling; populations are aging and rising deficits are everywhere, threatening the euro. Cutbacks and higher taxes have been announced in Ireland, Spain, Italy, Greece and Portugal. Even France, until recently a holdout, has now proposed to raise the legal retirement age to 62 from 60.

The reforms, however, may be politically explosive. In Spain, they come at a particularly hard time. The austerity measures are hitting a population that is already reeling from the highest unemployment in the euro zone — 20 percent over all, 40 percent for its young people. In some

cases, entire families are surviving on the pension of a grandparent.

With each new proposal, the popularity of the Socialist government has plummeted. One recent poll found that more than 50 percent of the population wanted Prime Minister José Luis Rodríguez Zapatero to call early elections, which he would lose by more than 10 percentage points.

When Mr. Zapatero announced a move to stimulate the economy last week — an overhaul of the country's labor laws, which make it virtually impossible to fire older workers — unions, traditionally his allies, called for a general strike in September, the first one in nearly a decade.

“These are painful times,” said Ángel Torres Torres, the secretary general of economic policy and international affairs. “We have a model that we value. We are a civilized society. We pay taxes. We take care of your needy. The question is — is this sustainable?”

For Ms. Díaz and her partner, Robert García, also 34, Spain's austerity measures — which include salary cuts for civil servants, pension freezes and the elimination of a \$3,300 baby bonus — have been profoundly unsettling.

Only two years ago, the couple believed that they had made all the right choices, well on their way to a comfortable middle-class existence, with benefits that included subsidized child care and an interest-free mortgage available to municipal workers.

They were able to afford a large flat-screen television and vacations in Russia and China. They retiled the kitchen and bathroom. When their first child, Anders, was born 22 months ago, they used their baby bonus to buy a bigger car.

Now, Ms. Díaz wishes she could take back those purchases. She is already budgeting for the 5 percent cut to her \$2,000-a-month salary and bracing for more. The bare energy-saving light bulbs hanging from the ceiling in her living room will not get fixtures soon. There will be no more evenings out. And the indoor parking space will have to go.

More distressing still is that Mr. García, a driver at a construction site who spent last year unemployed, may lose his job again. The water-distribution project he is working on — earning about \$1,200 a month — may be on the list of capital improvements the government wants to postpone to save money.

Mr. García fumes. He would like to see the bankers he considers responsible for the country's problems taxed and prosecuted. He does not think much of government officials, either. The day the first austerity measures were announced, he saw the mayor of Madrid and his minister of public works on television attending a sporting event in Germany.

"If we have no money, why are they there?" he said. "I don't understand why we are making social cuts. Look at the monarchy. What is that worth? Why are we paying for that? And there is a lot in the public service that could be cut — official cars, official trips."

He voted for Mr. Zapatero last time. But says he will not do so again, though he sees no real alternative. "I hope no one votes," he said. He has every intention of striking in September and is annoyed that he will have to wait that long.

Mr. García and Ms. Díaz are puzzled by the health system in the United States. They see universal health care as a basic right. "In this aspect the United States does not seem to be a first-world country," Mr. García said.

The García-Díazes have virtually no savings, as they consider the deductions from their paychecks going to pay for pension and health care as their basic safety net. In times of trouble, they expected to be able to lean on their parents, who are retirees. But their incomes, too, are being cut. The \$1,600-a-month pension that Ms. Díaz's mother, Marisol Alcala, 62, receives has been frozen, even though Spanish law guarantees cost-of-living increases.

Like many other Spaniards, Mrs. Alcala opted for early retirement. She worked in the kitchen of a private school. But as she got older, it became difficult to lift the heavy pots, she said.

She worries, remembering the days under the Franco government when city dwellers often

could not find enough to eat.

“What is happening now is as frightening as when I was a little girl,” said Mrs. Alcala. “What future will the children have?”

Source: <http://www.nytimes.com/2010/06/28/world/europe/28spain.html?pagewanted=2&emc=eta1>