

How are Spanish local governments dealing with the crisis? An assessment of budgetary, and administrative adjustments

Nadia Khalil

Department of Political Science and Public Law, Autonomous University of Barcelona

Iván Medina

Department of Political Science and International Relations, Autonomous University of Madrid

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Abstract:

In a context of profound crisis, Spanish local governments are immersed in a far-reaching process of administrative and budgetary reforms. While the Spanish central government intends to streamline local expenditures by passing a new local governments law, local governments are undergoing severe economic restrictions themselves, dismissing a large amount of staff, cutting a vast number of policy programmes, and so on and so forth. This article examines the extent of such reforms in two areas: budget, including variations in incomes and expenses, as well as labour costs and services. We focus on the ten major cities in number of inhabitants, namely, Madrid, Barcelona, Valencia, Seville, Zaragoza, Malaga, Murcia, Palma, Las Palmas, and Bilbao.

Keywords:

Spain, local, governments, crisis, reforms, municipalities

1. Introduction

This paper addresses the topic of Spanish local governments coping with the current economic crisis. In so doing, we attempt to answer the following inquiry: are Spanish local governments deploying a common strategy to overcome the crisis or, otherwise, are there significant variances in the usage of public resources and in the making of reforms in the field of local democracy? We do so by comparing the first ten most important municipalities by number of inhabitants, namely, Madrid, Barcelona, Valencia, Seville, Zaragoza, Malaga, Murcia, Palma, Las Palmas, and Bilbao. Our analysis focuses on two areas: budgetary issues and labour costs and services. We have collected data for the period 2005-2013 so as to covering a larger number of years (presumably) not affected by the crisis, whereby we can tame the impact of the economic context on the analysis. This is because, to a greater extent, referring to leadership crisis, administrative reforms, democratic deficits, or fiscal adaptation in the context of local governments in Spain and the whole Europe is nothing but an old debate. The current economic crisis has served as a catalyst for speeding up reforms, rather than as the unique factor leading to the sharp changes happening nowadays. Local governments have long been under pressure both from external inducements and internal pushes to vastly accommodate political demands as well as administrative needs.

On one hand, local governments, although emerging from solid roots in most of the European countries, mostly the Nordic ones, are greatly embedded in multi-level structures and logics, thus they cannot escape from national-based debates on public administration reforms in its entirety. The recurrent example to this is Thatcher's legacy on changing rules and organisational dynamics in local governments in the United Kingdom (Atkinson and Wilks-Heeg, 2000). Other instances follow such a suit. Alba and Navarro assessed the motivations behind local reforms in Spain since mid-1850 onwards and concluded that 'reform attempts have always been a top-down process, and policy entrepreneurs have mainly been organizationally based in the prime minister's office and, more recently, in the ministry of public administration' (Alba and Navarro, 2011: 785). Similarly in federal and quasi-federal states, regional governments often show centralist positions around local projects when it concerns the distribution of territorial power. This implies that local

governments end up suffering a dual hierarchical constraint both from the state and the regions (Wollmann and Bouckaert, 2006).

On the other hand, local governments have manifested a series of local-based pushes for more democratic/participatory advances as well as for more consistency and coherence in policy provision (Wollman and Iglesias, 2011). It is been a while since the theories of new public management (NPM) fostered a lively agenda for organisational reforms, which some authors argue them to have proven successful in Anglo-Saxon countries, in where there is seemingly more inclination to cope with public-private marriage, whereas continental countries challenged deeply-rooted institutional and cultural obstacles for what NPM actually meant (leaner state, outsourcing, higher private involvement), thus moving towards a sort of new Weberian model of local public administration. Democracy-wise, reforms have mainly focused on two aspects. First, the so-called *parliamentarisation* of Major/councillors' relationships, meaning the emergence of a new scheme for how leadership must be driven, how roles must be assigned, and how democratic accountability must be reinforced. Secondly, in parallel, local governments have commenced to foster citizens' local participation, either as an institutional project to empower citizens or as a special request from active citizens willing to part from any given controversial decision (Bucek and Smith, 2000).

Of course, as Wollman (2012) argues, particularities are to be given special attention when it comes to contextualising local governments reforms. Although the various attempts to bring up a limited number of local government traditions in Europe, be it as a North/South divide or as a leadership-pattern model (Norton, 1994; Mouritzen and Svara, 2002), we cannot just tiptoe over the fact that Swedish local governments are responsible for hiring two-thirds of the entire public sector personnel, whereas in Spain such figure barely stood for 23 per cent at the beginning of the last decade (Alba and Navarro, 2003), and roughly amounts to about a modest 15 per cent in Italian municipalities (Dexia, 2008). Other remarkable differences apply to budgets, competences, and career promotion. Hence, this article aims at regarding a sort of "path-dependence scrutiny" to the current reforms in Spain in order to better understand the country's own tradition and trajectory.

2. Overview of the politics of local government reform in Spain

2.1. Topics in local government reforms in Europe

Cities are a topic of great interest for economists, geographers, sociologists, political sciences and other related social sciences disciplines. They are, in fact, containers of phenomena of all kinds at the same time. A vast number of new concepts have emerged during the last decade capturing the most ultimate local transformations, namely, urban sprawl, metropolitanisation, cosmopolitan localism, functional specialisation of space, spatial mobility, and so on (Kübler, 2012). This indicates that society and the market are shifting rapidly, making politics react accordingly. Politics, as referring to concepts related to government (public administration, political legitimacy, etc.), representation (local democracy, leadership, mobilisation, etc.), and outcomes (public services, public policies, etc.), is challenging huge politico-societal demands. Local governments are tackling new metropolitan conflicts that appeal both at the way cities communicate and seek economies of scale, as well as the origination of such supra-municipal needs as infrastructures for transportation; economic growth and industrial districts; poverty and social exclusion; new technological connections; and so on. This is directly related to classic discussions over the size of municipalities, the difficulties in consolidating metropolitan areas, and the overall debate on how to design appropriate spatial policies (Bassand and Kübler, 2001; Erlingsson and Ödalen, 2013), as well as on current preoccupations about the impact of the economic crisis on local policy agendas.

The metropolitan governance literature is inconclusive on most of the issues raised so far. The reform school, the rational choice school, and the new regionalism school are all based on principles so different that it is hardly impossible to interlace a single agenda for reforms. The reform school (Lowery, 1999; Oliver, 2000) opts for merging municipalities and creating metropolitan governments. Such a metropolitan project is likely to save costs, avoid duplication of services, expand the number of channels of participation, and improve the democratic legitimacy large local systems. The rational choice school points out totally opposite principles (Tiebout, 1956; Bish, 1971). Its main contribution is that small is beautiful. Small municipalities compete among themselves making their future be related to

the free choice of citizens who become consumers of public services. The small size of the municipalities, according to this school, promotes the democratisation of politics while there is greater political proximity to politicians and greater visibility of the true impact of political decisions. Finally, the new regionalism poses a radical angle. Authors like Wallis (1994), Keating (1995) and John (2001) are more interested in the ability of municipalities to resolve local conflicts than in abruptly questioning the size of a given municipality. This means new regionalism scholars focus on the dynamics between local actors (local development coalitions) and institutions (decentralisation trends, governance-like structures) as the actual basis for local development and conflict solution. All in all, some scholars would advise to boost metropolitan areas, other scholars suggest fragmenting local boundaries, while other experts are committed to create flexible institutions.

Simultaneously, some authors concern about the democratic deficit and the bureaucratisation of local administrations. This is associated largely to further discussion on the ability of citizens to engage in local politics (the re-emerged concept of ‘deliberative turn’), as well as the functional transformation of local authorities, which is based on the limits and consequences NPM reforms since 1990s onwards. Democracy-wise, again, evident difference is observed between the different European political cultures: Northern countries have been able to develop coherent local representative systems, while democratic identification in southern countries has revolved around the Mayor as a cornerstone of political representation (Haus and Sweeting, 2006). Therefore, the implementation of new mechanisms to strengthen local democracy have had different results and, above all, because of an uneven implementation.

The direct election of the Mayor has served as one of the most acclaimed institutional reforms in countries such as Italy, Poland, Germany, England, Norway, and the Netherlands, all under different stages of development. It is argued that this reform allows greater commitment of mayors with their constituents, as well as strengthening the position of the mayors in local politics. Complementary to the direct election of the Mayor, some countries have opted for a sort of *parliamentarisation* of the executive control and the articulation of demands, whereas other countries have catered (decisional or executive) powers to neighbourhood councils.

Moreover, there is a tendency to seek avenues for citizen participation in such a way the local politics end up being the result of (or take into account) citizen involvement. In this regard, local authorities have deployed a large number of participatory mechanisms, including ‘opinion polls, surveys, focus groups, community panels, public debates, forums, citizens’ juries, round tables, invitation to coffee sessions, civic market research and policy studies’ (Häikiö, 2012: 415). The growing participation of citizens when it comes to solve political conflicts leads us to question the political role of elected representatives. The managerial school suggests that mayors rather perform an intrinsically functional role, giving the ability to implement policy decisions to the appointed officials, who have been prepared to bring efficiency to the bureaucratic process. Alternatively, new forms of leadership reinforce the political and administrative character of mayors and the executive committee. According to Egner and Heinelt (2006), based on surveys of a large number of mayors from across Europe, the so-called ‘organisational leadership’ varies from countries where mayors are likely to colonise the municipal administration to achieve political objectives (France, Spain), countries where local government acquires a de-politicised view (Germany, Portugal, Hungary), countries in which the mayors prefer to have a managerial role (Switzerland, Greece, Italy, Sweden, Poland, the Netherlands), and countries in which the politicisation of local government is an option (England, Ireland, Belgium, Czech Republic, Denmark).

Finally, an important part of the reforms are aimed at relaxing the institutions to ‘foster the mobilisation of civil society and promote the formation of networks and partnerships that can provide a basis for economic and social progress’ (Pike *et al.*, 2006:123). The introduction of governance mechanisms has generated inclusive dynamics of actors and resources in local governance. In practice, the tendency towards *policy networks* involves the establishment of a relational model of policy-making and policy provision in which new areas of cooperation between public and private actors are created. As such, the city administration is inclined to consult with local associations on issues that deserve to enter the public agenda, while cooperating in the development of alternatives and, if possible, open the doors to the formal cooperation in the implementation (private public partnerships, etc.).

2.2. Old topics in local government politics in Spain

Botella (1992) argues that the Spanish tradition conceives the municipality as the starting point of the process of regeneration of the political system. With this cultural background, it is not surprising that the Spanish town has been an ideal place for the meeting between political parties and neighbourhood interests, while the new democratic regime was likely to create local governments with a high degree of autonomy following the examples of the neighbouring countries. Since 1978, local government's main challenges have been the modernisation of administrative structures, the redistribution of scarce resources, the adaptation to a series of supra-municipal structures (*Diputaciones, Consejos Comarcales*), the creation of local democracy mechanisms, as well as the management of a growing number of policy issues that, in many cases, were not formal responsibility of local authorities. The particularities of Spain, which in recent years has gone through severe economic crises and important political processes, which has seen the emergence of new territorial dynamics as a result of the implementation of regional governments and the unequal distribution of wealth, have created a sort of 'local government style' focused on the search for resources before the central government, while Mayors have struggled to integrate the community of local actors into local decision-making. The political function of Mayors has led to strengthening the role of political parties as 'active machineries' in the elections and in the daily life of the city council (Sweeting, 2012: 232). In this regard, Borraz and John note that:

“Mayors had close contacts with other local political actors and citizens, and they used their gatekeeper role to access resources from central government. Strong mayors occurred in post-Napoleonic states where the primary units of local governments were small and had few functions. This pattern of local political leadership applied, with some differences, to France, Italy, Spain, Portugal, Greece and Belgium. The legal discretion and financial autonomy was low, but leaders had good access to the centre and this was the basis of their legitimacy” (Borraz and John, 2004: 109)

The definition of the role of the Mayor in Spain and local governments as a whole was accompanied by a series of political tensions that were typical of a country that was redesigning its new cleavages of political and territorial competition. Local elites have sought to ensure some independence in a process of consolidation of local levels of government

that has been characterised by the intervention of both the central government and regional governments (Márquez Cruz, 1997). As a protective measure, there have been a handful of attempts to create supra-municipal institutions in major Spanish cities in order to, on one hand, avoid interference from higher governments and, on the other hand, create large areas for the provision of public services. Of course, the lower power of local governments in relation to the upper governments made these initiatives fail. In this regard:

“We also find this strong hostility in urban institutions among the upper levels of government in Spain, notably in Barcelona and in Madrid. Following the democratic transition that followed the dictatorship of General Franco, the Spanish political system opted for a very decentralised internal organisation built on a very strong regional level of administration, the Autonomous Communities. In Barcelona, a latent conflict quickly developed between the Autonomous Community of Barcelona and the urban institution, the *Corporacion Metropolitana de Barcelona*...Because the Spanish legal system grants organisational responsibility to the Autonomous Communities, this conflict resulted in the suppression in 1987, somewhat along the lines of the British model, of the urban institution. This same type of conflict between territorial levels occurred in Madrid where, for many years, local elected officials from the city centre had demanded the creation of an urban structure but met with the refusals of the Autonomous Community of Madrid which had little desire to see a potential challenge to its established authority erected on ‘its’ territory.” (Jouve, 2005: 288)

Political issues aside, several authors have indicated that Spanish local governments have suffered from a certain lack of coordination and coherence in the delivery of public policy (Subirats, 1997), which has affected the coordination in the areas of government and its territorial divisions (Baena, 1997).

2.3. Current debates in local government reforms in Spain

The current stage of local government reform is still under definition and scrutiny. Even if with some delay caused by a lack of political consensus, the current reform falls within a major desire from the Spanish government to accomplish with the European Union’s recommendations to correct macroeconomic figures. In fact, the overall reform of public administration initiated by the *Partido Popular* is just a small chunk of a large package of reforms included in the *Plan Nacional de Reformas* to be completed from 2013 to 2016. In this

regard, the Ministry of Finance and Public Administrations, hand in hand with the Ministry of Economy and Competitiveness, has settled an ambitious, far-reaching plan for reforming and streamlining local governments. The Ministry holds maximalist stances in intending changes in all areas from size to services provision, as well as in the clarification of local matters. At first sight, the government's proposal seems to address three issues quite popular in Spanish public opinion, namely, the over-accumulation of sub-national government administrations and public companies, the exaggerated number of politicians, and the little control over municipal spending. Embid Irujo (2012) argues such economic goals may have structural consequences. The author tells us that the inability of local governments to accumulate debt implies saying goodbye to a past model of administrative organisation. In this regard, the current reform of Spanish local government would be one of the most important of those carried out in recent years. In this case it would be appropriate to question the constitutionality of the reform, especially if the state raises a very 'market-driven' goal that would collide with a number of constitutional aspects (Velasco, 2013). For the time being, the central government highlights the following goals:

- Clarifying municipal powers, eliminating duplication and improper powers. Moreover, devolving such welfare policies as social services, health and education to the regions over a period of five years.
- Empowering Provincial Councils (*Diputaciones*) in the provision of public services, while threatening with dissolution to voluntary supra-municipal entities (*mancomunidades*) that do not have accounts within three months.
- Reducing administrative procedures to start up a business.
- Achieving a net savings of €7.129 million between 2013-2015. This includes the elimination of remuneration to approximately 82 percent of the councillors, whereas the salary of the remainder members of local governments will be set annually in the State Budget.
- Reducing the number of temporary employees and full-time public office based on the population of the municipality.

To the extent that this plan sees the light a few years after the crisis started, the government has been able to mature an encompassing proposal based on the cost-benefit assessment of the adjustments carried out by municipalities so far. In fairness, local governments have commenced to adjust their personnel and spending as there has been a very remarkable decrease in taxes incomes and local economic activities. The largest amount of issues revolves around the institutional side, in that the central government is asked to clarify by law the new role and competences local governments are now meant to carry out. Amidst this debate, a number of key actors are getting involved in the discussion.

The FEMP (Spanish Federation of Municipalities) mostly agrees with the lion's share of the central government proposal. It comes as no surprise since the *Partido Popular* controls the federation because a conservative Major heads the majority of local governments. The FEMP advocates for ceding powers over education, health and social services to the regions, even with regard to the maintenance of public buildings intended for those policies. For now, the only discrepancy with the central government focuses on the treatment provided to local governments with fewer inhabitants, especially its will to eliminate the councillors' salaries and bureaucratic rigidity on economic control. Contrary to this, the PSOE (socialist party) opposes the reform as the transfer of competences to the regions hardly guarantees that these policies are going to be offered, especially in a very unfavourable economic climate for regional budgets. Thus, PSOE criticises the perverse discourse of making local governments more (virtually) efficient by way of reducing the catalogue of welfare policies they can provide. Trade unions (CCOO and UGT) raise a severe opinion against the reform for being an attempt to eliminate public employment in favour of private companies (roughly 81,000 according to CCOO's forecast). Unions fear this reform can lead to massive lay-offs, poorer salaries, and increasing privatisations. Finally, there happens to be a regional movement against the reform, mostly headed by those regions led by parties other than the *Partido Popular*, in which a number of limits are set up to either block or confront the reform. The Basque Country has urged the central government to respect the *foral* uniqueness of its municipalities, a call supported by the Association of Basque Municipalities (EUDEL), while the regional president has pledged to pass a genuine Basque municipal law as soon as possible. Similarly, the Catalan government has reacted to the news with the announcement of a Catalan law on local governments, which in political terms is a proclamation of self-

government since the contents are convergent with the proposal of the central government in aiming at reducing costs and avoiding administrative overlapping. The Catalan Council of Local Governments (*Consell de Governns Locals de Catalunya*) totally backs the Catalan government.

Therefore, the politics of local reform does not seem to be a minor issue in the current public agenda in Spain. An agreed solution seems an unattainable goal for now. As in many issues in Spanish politics, it seems that the formation of coalitions around the local government reform follows a twofold pattern: ideology-based dynamics (the *Partido Popular* and the FEMP vs. the socialist party and trade unions) as well as territory-related conflict (the central government vs. the (non-PP) regional governments).

3. Assessing the last stream of reforms in ten Spanish cities

3.1. Main figures

This section discusses the main trends in Spanish municipalities in the areas of number of municipalities, revenues, expenses, staff and elected officials. The following sections focus on specific aspects of the ten municipalities selected. To begin with, it is expected that adjustments in all areas other than municipal elections began to occur from 2008 onwards. The crisis was evident from that year and the reforms introduced by the central government started since. The reform of the electoral issues of municipalities, meaning reducing the number of councillors and Mayors, has not been an issue until recently thanks to the impetus to reform local government, as well as other public debates on the number of regional parliamentarians, the high salaries of politicians and, in general, the emergence of a broad critique of the performance and representation of political parties. If anything, the crisis affected very directly the issues of the government budget. A sharp drop in incomes led to a decline in spending. Spending refers to two main local areas, namely, the services and administrative resources, including staff. The following table shows the evolution of these points from the year 2005 to 2013.

<i>Year</i>	<i>Local governments</i>	<i>Personnel</i>	<i>Incomes (€ thousands)</i>	<i>Expenses (€ thousands)</i>	<i>Councillors</i>	<i>Mayors</i>
2005	8109	607400	46111310	45640681	65522	8108
2006	8110	605500	52151417	51646588		
2007	8111	637600	53729740	53296718	66162	8111
2008	8112	613300	58532888	58131042		
2009	8112	650300	57564788	57060072		
2010	8114	655500	54704758	54182114		
2011	8116	660100	50069285	49247781	68462	8116
2012	8116	616100	48355352	47143236		
2013	8117	560500	N/A	N/A		

Source: INE; Spanish Ministry of Finances and Public Administration; Spanish Ministry of Interior

The data collected in this table indicates a lag between the impact of the crisis on incomes and the response of local governments to adapt to it. Data on expenses and staff clearly shows that the first reaction of local governments was to reduce services while the reduction of the staff was not carried out until a couple of years later. In fact, local governments hired 40,000 people during the period 2008-2011. This decision stems from the initiative ‘Plan E’ which was intended by the Socialist government to alleviate the destruction of jobs through public works projects in the municipalities. With the arrival of the Conservatives to the office there was a change in economic priorities that has led to the requirement of minimising municipal staffs. The reduction is significant to the extent that the number of municipal employees for 2013 is much lower than that of 2005. The most affected by the lay-offs were temporary workers and temporary civil servants.

Moreover, there is no clear intention to reduce the number of municipalities. Since 2008 there are five new municipalities in Spain, which means an increase of five new mayors compared to the previous election period. In addition, there is a large increase (about 2000 people) in the total number of councillors. It is true that the central government’s proposal focuses on the merger of municipalities, but we believe that this matter will generate a large tension considering the conflicting nature of local governments in Spain. This is a goal that, however, has already been applied to other European countries in crisis. Greece has been forced to significantly reduce the number of municipalities, while the Italian government led by Mario Monti proposed a reform of local governments that raised similar measures. In any

case, the upward trend in the number of municipalities is contrary to the Spanish government's desire to reduce costs.

3.2. Budgetary issues

We have collected data on the municipal budgets of the ten most populated cities in Spain, namely in this order, Madrid, Barcelona, Valencia, Seville, Zaragoza, Malaga, Murcia, Palma de Mallorca, Las Palmas de Gran Canaria, and Bilbao. As we can see in Table 2, with the exception of Bilbao, these cities present a high municipal debt accumulated during the last years. In 2012, the three biggest cities gather the highest municipal debt figures, being the municipal deficit of Madrid the largest by far¹. As for the debt per inhabitant, the highest amount is for Madrid (2297 EUR/inhabitant), followed by Malaga (1318 EUR/inhabitant) and Zaragoza (1298 EUR/inhabitant). The smaller debts belong to Murcia, Las Palmas and Bilbao, while the lowest debt per inhabitant is for Bilbao (only 6 EUR per person), followed by Las Palmas (324 EUR/inhabitant) and Murcia (507 EUR/inhabitant).

<i>City</i>	<i>Inhabitants</i>	<i>Debt (thousand €)</i>	<i>Debt/inhabitant (€)</i>
Madrid	3233527	7429664	2297,7
Barcelona	1620943	1178000	726,7
Valencia	797028	975791	1224,3
Seville	702355	480093	683,5
Zaragoza	679624	882235	1298,1
Malaga	567433	748373	1318,9
Murcia	441354	224046	507,6
Palma	407648	336697	826
Las Palmas	382296	124187	324,8
Bilbao	351629	2151	6,1

Source: Own elaboration. Population data from INE, and municipal debt data from the Spanish Finance Ministry.

In order to obtain the municipal budgets of these cities, we sought on the official websites of each city council. Thus, we were also checking the availability and free access to obtain this kind of public information. As expected, every council offers these pieces of

¹ Only 37 percent of the Spanish municipalities, that is to say 3.056 out of 8.116 towns, present no budget deficits and a zero debt, according to the data from the Finance Ministry.

information to its citizens in very different ways. As we can see in Table 3, it is not possible to find municipal budgets previous to 2010 in all the sections dedicated to municipal budgets in the websites. Madrid, for instance, only offers its municipal budget documents since 2010, and Barcelona and Malaga, since 2009, while Valencia and Zaragoza have their budget information available since 2002 and 2001, respectively. Since we aim to analyse the effects of the crisis in the municipal budgets, we focus on the period of time from 2008 to 2013. Although the international crisis started in 2008, it arrived to Spain later and with longer effects than in other parts of the world, as it is still affecting Spain in a very strong way. The financial crisis started in 2008 became systemic, “affecting productive activity, the labour market, public revenues and household economies” (Laparra and Perez Eransus, 2012). Spain has been especially sensitive to these effects, which are lasting longer, achieving record unemployment rates in 2013². The municipal budgets within these years not available in the 'Budget Section' of the official websites of Madrid, Barcelona and Malaga were found in different official documents and even in a different, but also official, website in the case of Barcelona (www.conselldeciutat.cat).

<i>City</i>	<i>Available budget</i>
Madrid	2010-13
Barcelona	2009-13
Valencia	2002-13
Seville	2007-13
Zaragoza	2001-13
Malaga	2009-13
Murcia	2008-13
Palma	2008-13
Las Palmas	2008-13
Bilbao	2005-13

Source: Own elaboration.

We hypothesise that the financial and economic crisis and the deficit situation in all the city councils are compelling local governments to increase their incomes and reduce their expenses in their municipal budgets. To test this hypothesis we compare how the city

² *The Guardian*: Spain unemployment soars to record high, 25th April 2013: <http://www.theguardian.com/world/2013/apr/25/spain-unemployment-soars-record-high>

councils have reduced or increased their budgets due to the financial and economic crisis during a limited period of time. This period of time is 2008-2013 for all the cities, since it includes the budgets approved at the start of the international crisis to the last ones.

It is interesting to note that the Organic Law on Budgetary Stability and Financial Sustainability of Public Administrations compels the city councils with surplus budgets to use that surplus to relieve municipal debt by means of the implementation of the principle of budgetary stability³. Surplus budgets are those with anticipated revenues that exceed expenditure. In this crisis and deficit situation, local governments are expected to look for solutions to settle their debts. One way of relieving their debts is seeking for surplus budgets. We analyse the initial budgets of the most populated cities in Spain in order to see whether they plan to obtain exceeding revenues and to decrease the expenditure and, also, if they are sensitive to the crisis effects.

In Table 4, we can see the surplus budgets approved by the city councils in their initial municipal budgets. These figures are the initial municipal budgets approved by each local government and do not include the amounts in expenditure and revenues related to the autonomous bodies which work together with the city councils, as they are not consolidated budgets. Thus, we observe that since 2011, Madrid, Seville and Murcia presented two surplus budgets (all of them in 2011 and 2012); Barcelona and Las Palmas presented one (both in 2013); and Zaragoza approved a surplus budget in 2012, and Malaga and Palma one in 2008. Only Valencia and Bilbao do not have approved any surplus budget in the last years. Therefore, the general trend is to approve balanced budgets until 2011 (with the exceptions of Malaga and Palma). From this year on, six of the studied councils have presented surplus budgets. However, as shown in Table 2, a majority of initial municipal budgets are approved as balanced budgets. According to our data, there is a general trend to decrease both, expenditure and revenues, in all the cities of the present research but not so clear as expected.

³ This act has been recently changed and now it allows using the surplus amount in two exceptional cases: sustainable investing, meaning structural reforms with positive long-term budgetary impact, and emergency situations (natural disasters, state of emergency, serious economic recession).

Table 4. Budgets per city. Balanced budgets (Revenues=Expenditure) and Surplus Budgets (Revenues-Expenditure).

	2008	2009	2010	2011	2012	2013
Madrid	5221,88	5136,94	4932,11	4564,19-4521,01	4656,9-4636,24	4295
Barcelona	2352,72	2438,05	2459,77	2233,57	2295,9	2082,5-2062,61
Valencia	893,5	913,67	876,37	693,71	715,84	731,3
Sevilla	688,04	881,88	776,05	707,09-697,61	762,05-728,65	776,36
Zaragoza	814,03	767,72	728,2	676,63	653,07-643,7	652,3
Malaga	557,1-553,18	574,4	554,36	504,31	515,96	527,38
Murcia	522,4	434,88	450,62	421,27-417,35	410,37-408,96	391,84
Palma	418,24-414,9	478,94	415,38	402,63	384,87	363,96
Las Palmas	351,99	309,46	304,07	291,09	295,96	302,42-295,82
Bilbao	543,3	536,35	500,17	498,9	472,2	454,8

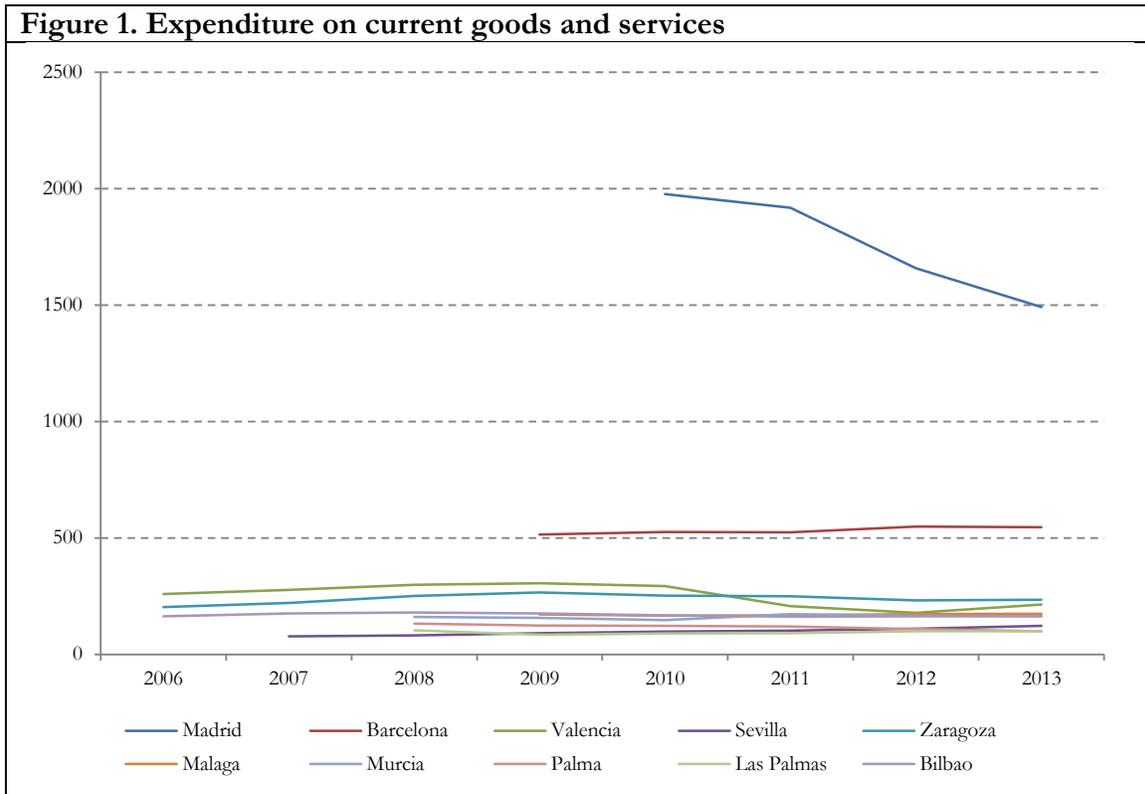
Source: Own elaboration. Data from official municipal websites. Figures in million EUR.

In the same vein, we find that the highest budget approved in each council correspond to the years 2008, 2009, and 2010, whereas the lowest are mostly located in 2011 (Valencia, Malaga, and Las Palmas), and 2013 (Madrid, Barcelona, Zaragoza, Murcia, Bilbao, and Palma). Only Seville presented their lowest budget in 2008. Moreover, according to our data, all the initial budgets presented by the councils were increasing until 2011 for Madrid and Barcelona, and 2010 for the other cases. In other words, four cities presented their highest budgets in 2008, other four in 2009 and two in 2010, whereas six out of ten of these cities presented their lowest budgets in 2013 and the other three in 2011.

3.3. Personel and services

Below, we focus on the labour costs and current goods and services allocations since they are the two largest line items in the expenditure budgets in all the cases. This current goods and services allocation includes, e. g., property rentals, provisions, transportation, security, institutional advertising, communication, office supplies, assurance premiums, etc. In Figure 1, we present the data of the expenditure on these allocations for the last years. The highest figures are not concentrated in any particular year. Only in 2008 we find the highest allocation for current goods and services presented by Palma, Las Palmas and Bilbao, whereas the highest for Valencia and Zaragoza is located in 2009, for Madrid in 2010, for

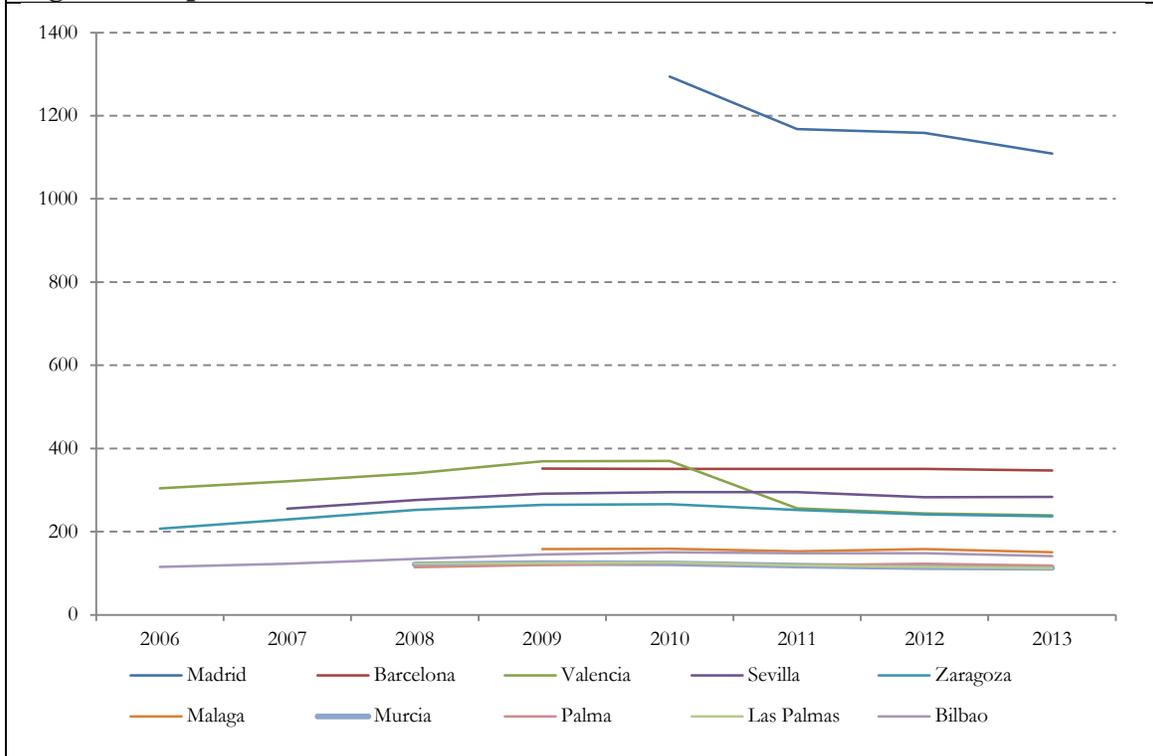
Murcia in 2011, for Barcelona in 2012 and, finally, in 2013 for Seville and Malaga. Regarding the lowest allocations, there is no concentration either: the lowest for Barcelona, Seville and Malaga are located in 2008, for Las Palmas in 2009, for Murcia in 2010, for Bilbao in 2011, for Valencia and Zaragoza in 2012, and, finally, for Madrid and Palma in 2013.



Source: Own elaboration. Data from the official municipal websites.

Regarding labour costs, this item line includes all kind of payments and remunerations, social security expenses, social services, pensions, etc. In Figure 2, we can observe how the highest and lowest allocations for labour costs are concentrated in two years. In 2010 for seven of the studied cities (Valencia, Seville, Zaragoza, Malaga, Palma, Las Palmas and Bilbao) presented the highest allocations, whereas Barcelona and Murcia had the highest lines located in 2009 and Seville in 2013. As expected, the lowest allocations are situated in 2013 for six cases, namely, Madrid, Barcelona, Valencia, Zaragoza, Murcia, and, Las Palmas; and in 2008 for Seville, Malaga, Palma and Bilbao.

Figure 2. Expenditure for labour costs.



Source: Own elaboration. Data from the official municipal websites.

4. Conclusions

The findings of this descriptive and exploratory analysis show that the main city councils in Spain have difficulties to face their municipal debt. With the exception of Bilbao with a very low debt, all the city councils present high public deficits. The financial and economic crisis seems to have had an impact on the municipal budgetary plans as we can conclude from the fact that the highest budgets are concentrated before the crisis arrival (2008, 2009 and only one in 2010) and the lowest are located after it, in 2011, 2012 and 2013. Although, the initial municipal budgets have been irregularly decreasing from 2008 to 2013, city councils do not seem capable to overcome the difficulties to decrease the expenditure and increase the revenues. Revenues, mainly, come from taxes and fines, which are very unpopular in the current situation of high unemployment rates and lower purchasing power.

The hardness of the economic crisis, which lasts for five years now, has led local governments to adopt adjustment measures in the areas of municipal services (education, social services, grants to associations, among others) and, especially in the last two years, they

have taken special interest in reducing the number of personnel. Madrid is a city where there is greater adjustment, conditioned by high initial labour costs and huge budgetary deficit. The other cities have undertaken a series of adjustments, although these are mild in comparison to Madrid. In fact, Madrid is a clear example of an unfortunate run in the boom years, which has had to make many efforts in a short period of time. Apart from Madrid, the other cities have adapted to the crisis gradually.

Therefore, the answer to our initial question is that there are no major differences in the way the ten most populous Spanish cities have faced the crisis. Madrid has carried out more reforms, but the rest has also suffered the effects of the crisis. Future research may need to do new research questions focused on more specific aspects of public policies such as investment in infrastructure, social services or education. Or, otherwise, the most interesting of the crisis is not what is happening today but what happens once this is over. The government's current reform promises serious changes that could somehow mark the evolution of local authorities. In fact, the reform aims to remove the local powers on education, health and social services. In administrative and political terms, the initiative itself can have a real impact on the local government model. At the moment, largely municipalities are managing the distress of a country with serious economic imbalances.

Future reforms will give more evidence of the future model of local government in Spain. It may end up being neither a model Nordic nor a metropolitan model. It seems that simply we face a process of re-centralisation and re-concentration with the excuse of creating a much more efficient local level. In this case, the literature has already come to realise that many blame for the current situation is that the municipalities were responsible for managing a number of public services that other levels of government have long neglected.

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