

# BUSINESS

## Labour costs show an increase of 3.5 per cent in first quarter

*Madrid spends just over 1,800 euros per employee, registering highest in Spain*

Information on labour costs in 2004 has been gathered by the National Statistical Institute of Spain (INE). The institute found that the average monthly labour cost per employee in the first quarter of this year was 1,985.91 euros, a 3.5 per cent increase from the same period last year. Meanwhile, the salary cost was of 1,457.21 euros, up 3.2 per cent.

Hourly labour costs went up 4.4 per cent in the first quarter, a greater increase than that of labour costs per employee, which is due to the 0.9 per cent decline in the total number of working hours.

The general wage - not counting bonuses or overdue payments - grew 2.6 per cent, six tenths less than the total salary increase.

Similarly, other labour costs went up 4.4 per cent in the first quarter, and the most significant element, the compulsory National Insurance contributions, increased by 3.1 per cent during the same period.

The contracted working hours by employee and month were 157 in the first quarter, while the hours actually worked reached 143 and the ones that were not (for whatever reasons) were 14.

Taking a look at sectors of economic activity, industry registered the highest, where the average monthly cost per employee totalled



Spanish minister of labour Jesús Caldera at a women's conference yesterday in Madrid / EFE

at 2,241.36 euros (4.3 per cent more than the first quarter of the last fiscal year). The service sector went up 2.9 per cent, with an average of 1,927.43 euros per month. Construction costs increased by 6 per cent from last year, now at 1,867.47 euros.

The last sector mentioned registered the highest growth in hourly labour costs, having gone up 6.6 per cent, while industry went up 5.5 per cent and services, 3.8 per cent.

The highest cost in wages was in industry, with a monthly gross of

1,635.04 euros (4 per cent more than last year's first quarter), followed by the service sector, at 1,433.16 euros (up 2.7 per cent) and construction, at 1,292.95 (up 5.2 per cent). Madrid topped the list with the highest costs, followed by the Basque Country.

## Spanish minister of economy Solbes announces reforms for budget stability law

Spanish economy minister and deputy prime minister Pedro Solbes announced yesterday before the entire parliament the government's plans to reform the budget stability law, in order to make it "more effective." The previous law was seen by territorial governments as an attack on their autonomy. With this claim in mind, and the aim to meet EU EcoFin standards, the left pacted to propose reforms on the law that involve greater input by the autonomous communities in negotiating the deficit. Solbes made it clear that the bilateral agreement has to be ratified by the fiscal and financial policy council (CPFF).

The announcement came just after parliamentary debate and approval the state spending limit for 2005, which will be 121,537 million euros.

After stating budget stability objectives for 2005-2007, Solbes

spelled out the reform plan in four main parameters. The first point is to establish a budget deficit in terms of the growing economy, and making it flexible in relation to economic cycles. Secondly, determining what the deficit will be for the autonomous communities and their municipal administrations. The third parameter will be to reform the procedures stipulated by the law which hinder the efforts by all the public administrations towards working up a budget. Lastly, Solbes emphasised the importance of transparency in public accounts, which will allow economic and social partners to be more efficient.

The deputy prime minister pointed out that the Spanish constitution recognises the "financial autonomy" of the communities and municipalities. In this way he confirmed that any decision about stability goals should count on the



Spanish economy minister Pedro Solbes

agreement between the different territories. "It's a system of checks and balances of some communities over others," Solbes said, after ex-

plaining that it is the same logic applied by the EU. The European Commission makes proposals related to the different countries, that subsequently must be ratified by the European Council, where all the representatives from each member vote.

The minister called it a "reasonable" model, based on "institutional loyalty", where the CPFF has the last word on bilateral negotiations between communities and the central government. Solbes hopes that will the greater balance of power, autonomous governments will apply the stability law because they believe in it, not because it has been imposed upon them, as has been the case until now.

All these reforms will be made with "maximum consensus", subject to the approval of the CPFF and the National Commission of Local Entities.

### RESEARCH

#### New R&D programs

Pedro Mejía, the Trade and Tourism Secretary, announced yesterday that the government plans to "create specific R&D programs for the hotel sector, given that this is a tremendously important sector".

Mejía, who was opening the first work meeting of the Spanish Confederation of Hotels and Tourist Accommodation, said that the hotel sector shares the same aims as the government, since "the better things go for you, the better they go for Spain and for all of us".

The Secretary explained that significant changes were taking place in the sector with respect to supply and demand, and that it "is vitally important to understand them in order to foresee any future problems".

### HSBC

#### Massive job cuts

The British bank HSBC, which is the main organisation of its kind in Europe, announced yesterday that they will be cutting back on around 3,500 administrative jobs, most of them at their main branch in London.

The company stated that these employees would either be made redundant or transferred, as they would be creating one thousand new jobs at their various branches.

Last October, HSBC announced that they were transferring 4,000 employees to Asia, most of whom would be working in customer service centres which have been set up in China, India, Malaysia and the Philippines.

Last year the HSBC announced record profits of 12,800 million Dollars.

### U.S. ECONOMY

#### Future trends index set to rise

The future trends index for the U.S. economy showed an increase in May for the thirteenth month out of the last fourteen, according to a survey by The Conference Board, a research centre.

The study revealed that the future trends index for the U.S. economy stood at 116.5 points in May, 0.5 points above the April figures, which in turn rose 0.1 points compared to March.

The future trends index is based on the study of a series of economic variables, and represents a view of what is expected to take place in the U.S. economy during the coming three to six months.

### MOBILE PHONES

#### 11,200m euro invested

The four mobile phone operators with UMTS licences - Telefónica Móviles, Vodafone, Amena and Xfera - will be investing 11,200 million Euro during the first ten-year period in 3rd-generation mobile phones, which was the figure first agreed in 2002.