Spanish government imposes labour reforms

Vicky Short
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The rightwing Popular Party (PP) government has pushed through a drastic reform of the Spanish labour market. This breaks a long standing agreement with the trade unions, and seems to go against existing European Union (EU) policy for member countries to achieve the fullest participation of the “social partners” (EU jargon for the employers and unions).

Primer Minister José María Aznar said his decision was due to the failure of the employers' federation and the two main trade unions to come to an agreement. However, the unions and the opposition parties accuse the government of having resolved the dispute by simply legislating in the interest of the employers.

The most immediate impact of the reforms is to reduce the cost of dismissals and allow more flexibility of hours for part-time contracts. Under the new regulations, the amount of compensation paid to a dismissed worker will go down from the equivalent of 45 days pay for every year worked, to 33 days. The maximum amount paid as a monthly allowance is also reduced from 42 to 24 monthly payments. The government aims to reduce this even further to 20 days pay per year worked, paid for a maximum of 12 months. In addition, the employers will have a free hand in setting shifts and hours for part-time employees, with greater labour flexibility in companies, greater geographical mobility of the workforce, willingness to change job description and variable hours of work and wages.

The unions had already expressed their potential agreement with the terms being offered by the government and the employers on the first two issues, if concessions were granted on their demand for a reduction of temporary jobs and the implementation of a 35-hour week. Concessions on this controversial issue would have provided the unions with a fig leaf for agreeing to the main reforms.

In the event, neither the employers nor their representatives were prepared to give an inch. All they conceded was compensation on dismissal for temporary workers of a miserly 8 days pay for every year worked. This is a symbolic gesture, as since the average duration of these contracts is three months this would result in compensation of just two days pay. According to trade union sources, 63 percent of all temporary contracts last less than one month.

Government ministers have said that a second round of reforms is also on the cards. This would involve a thoroughgoing reform of collective bargaining, as well as the “modernisation” of social security contributions, unemployment benefits and pensions (lengthening the period of time over which pensions are calculated).

Both the unions and the opposition parties complain that the government has ditched its promise not to use its absolute parliamentary majority to bypass the opposition. In his speech on election night last year, Aznar claimed: "Social dialogue will be one of the government's priorities in the next legislature". He announced his intention to start a round of consultations with the “social partners” to reach a consensus on new labour reforms. He also met with the general secretaries of the Workers' Commissions (*Comisiones Obreras*, CC.OO) and the General Workers' Confederation (*Unión General de Trabajadores*, UGT) and the chairperson of the Spanish Confederation of Employers' Organisations (*Confederación Española de Organizaciones Empresariales*, CEOE) even before forming his new government.

When Aznar and the PP first took power five years ago, after 14 years of rule by the Socialist Party (PSOE), his government needed to ameliorate the distrust of the workers. At that time, the PP could only rule as a minority government, in a coalition with the Catalan and Basque nationalists. The PP made every effort to involve the unions, and in 1997 struck a social accord with them, known as the Toledo Pact. This sowed the seeds for the present reforms, with the unions accepting lower dismissal costs for specific sectors of industry. Now enjoying an absolute majority, the PP government believes it no longer needs such social pacts.

The government's decision to dispense with the unions' services has thrown them into a crisis, as they search for a response that will still preserve their position within the decision-making process. It is straining the 13-year unity of action agreement between the two main unions, CC.OO. and UGT. Some union officials think the mere threat of a general strike might force the government to bring its erstwhile social partners back, while others fear workers might take them at their word and begin to demand such an action against the reforms.

Why is the Spanish government rushing through its labour reforms, heading for a potential social explosion, while abandoning those forces in the unions that have served them so well?

In line with EU norms, Spain has a highly regulated and taxed labour market, as opposed to the more free market practices of the United States and Britain. The EU's “Social Contract” was introduced supposedly to facilitate the creation of jobs, thus reducing Spain's existing high unemployment rates and to pursue a fairer distribution of wages and conditions. This, it was argued, would prevent a pronounced wages gap between skilled and unskilled workers, as exists in the US and Britain.

In Spain, the problem of ending high unemployment was resolved by absorbing large numbers of people into the public sector, linking training to job creation and creating thousands of temporary and casual jobs both in the public and private sectors. This has produced the present exceptional levels of temporary and casual contracts that exist today. In Spain, 31.6 percent of the working population are employed under these types of contracts compared to 13.8 percent in the European Union as a whole. In some health centres up to 65 percent of the workforce is on personal temporary contracts. Among the young in Spain the rate is a staggering 73.1 percent, against 36.6 percent in the EU. This is accompanied by one of the highest levels of industrial accidents and deaths in the Western world, particularly in construction but also in other industries such as agriculture, hotels, health and education.

Spain's GDP on a per capita basis is three-fourths that of the four leading West European economies, however, and overall productivity still remains low compared to leading EU countries. Spain's ruling elite must therefore further reduce the drain on national wealth represented by various benefits and concessions won by Spanish workers in the aftermath of the end of Franco. The labour reforms are vital for Spain to improve its competitiveness within an expanded EU, as it harbours ambitions of providing investment in the new member countries, particularly moving into the energy sector, which Spain has just liberalised.

In addition, the expansion of the EU to incorporate several poorer Eastern European countries with substantial agricultural sectors means Spain faces the loss of considerable subsidies to agriculture and other industries that have for 15 years enabled it to maintain a certain economic stability and attract some inward investment.

The reforms achieved in 1997 through the Toledo Pact with the unions and subsequently are not sufficient for the employers, even though they have been the only ones to benefit from such corporatist collaboration. The following assessment in reports from the European Union gives an idea of how both “social partners” have fared under the Pact.

* The overall number of strikes has been drastically reduced.

* The reduction in overtime, a commitment that was made in the April 1997 agreements, is still pending: there has been no legislative reform in this area.

* Despite the 1997 reform, which sought to promote stable employment, the rate of temporary employment has hardly fallen at all. The employers' abusive use of temporary recruitment and the exploitation of temporary workers (all analyses indicate that wages for temporary workers are falling and their working conditions are deteriorating) are fostering divisions in Spanish society.

* Figures up to November 1999 show that the unions despite a robust economic growth and increased company profits pursued wage moderation.

* Wage revision clauses were eliminated from collective bargaining with the result that wages have suffered.

* The tendency to freeze seniority supplements and to abolish them in the case of newly recruited workers has become a norm applauded by the Spanish Confederation of Employers' Organisations.

* Despite the high workplace accident rate in Spain (for example 1,010 workers died between January and November 1999 and 10,798 suffered serious injuries), collective bargaining since 1997 has paid little attention to health and safety at work.

When they accepted a limited reduction in the cost of sackings in 1997, the unions claimed this would ensure the government and employers would respect workers' conditions. However, they have simply mortgaged worker's futures, preparing the way for more wide-ranging attacks affecting the great majority of the workforce as are now taking place. The only ones who benefited from such collaboration were the wealthy shareholders, who are now seeking even greater inroads into the incomes and social benefits of the vast majority of working people.

See Also:
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