Head of Spain’s largest bank calls for an end to Europe’s welfare state

Daniel O’Flynn
31 August 2004

Earlier this year the head of Spain’s largest bank said there was not much time left to destroy what remains of social welfare in Spain.

In a well-publicised leak of his speech at a private lunch of the Financial Club in Bilbao, “The economic situation in the world, Spain and the banking market,” Alfredo Sáenz told like-minded people from the business and financial sector that Spain must dismantle the welfare state just as governments throughout Europe are doing.

Sáenz stated, “We must improve our labour and financial markets structurally, and accommodate our tax levels to those countries that are going to compete with us, and we must accommodate our regulatory practice to much more liberal concepts, or really we are going to have a problem”.

He continued, “It is not possible to think that European welfare can continue, much less after the entrance of the ten new members in the European Union [on 1 May 2004]... Welfare, I reiterate, it is necessary to disassemble it and we do not have too much time to do it... The question is how long we have to do it, and it is not much time, not more than 15 years.”

As chief executive of Banco Santander Central Hispano (BSCH), Sáenz echoes the thinking of the leading representatives of the Spanish bourgeoisie. BSCH is also the largest banking concern in Latin America and has close relations with regimes there that have imposed structural adjustment policies that have produced a social catastrophe in the region. Governments like that of Lula, in Brazil, who began his political career as a leader of the militant metalworkers’ union, and has now implemented labour “reform” legislation that makes it easier for employers to fire workers, cut wages and eliminate benefits, work closely with Santander bank.

The Spanish government in general and BSCH in particular have over the last period increased their political and economic ties with Latin America to the tune of US$87 billion. The type of regimes that BSCH works with in Latin America is being offered by Sáenz as a template for the Socialist Party government of José Luis Rodríguez Zapatero to emulate.

The Zapatero government’s reaction to the speech was typically dismissive, whilst the Spanish trade unions, the Comisiones Obreras, called Sáenz’s remarks “indecent”. The unions declared, “We have to protect the [welfare state] from liberal hooligans, particularly from the financial world, who are always willing to sacrifice the welfare of others to ensure their own.”

Answering the public furor, Sáenz repeated that though he was not a politician who must carry out a programme, “It is unquestionable that long term economic growth is intimately connected with several factors, one of which, and not less important, is the reforms in the labour market and that means social security, subsidies, working hours and unemployment benefits.”

Sáenz views are common currency throughout the boardrooms of financial and industrial corporations and government circles in Europe. Magazines such as *Business Week*, *Time*, *Newsweek* and the *Economist* all call for the end to the welfare state and warn that the social conditions of workers in western Europe should be more akin to those in eastern Europe. There are further warnings that India, Bangladesh and China still undercut all the above.

Figures on labour costs and hours worked show the scale of the offensive being prepared by the governments of Britain, Germany, and France, and also how Spain’s traditional advantage over its competitors, of low wages and long hours, has been undermined.

Placing additional pressure on western capitalist governments are the lower levels of corporate tax in the new accession countries, and the widespread tax exemptions available to international investors. The average corporate tax rate in the ten new EU member states is just 21.3 percent. Whilst corporate tax is not the only factor which corporations consider when switching production to a different country, when the tax is coupled with production costs the equation becomes clear.

The *Economist* magazine published a supplement on June 26 called, “The second transition: a survey of Spain”—the first being the transition in 1975 from Franco’s fascist state to bourgeois democracy. The supplement praised Spain’s “effective democracy”, particularly former Prime Minister José Maria Aznar’s programme of economic liberalisation—a euphemism for deregulation and privatisation.

The Spanish economy depends on inward foreign investment. Openness to foreign investment did not start until the 1980s and developed with a vengeance in the 1990s under the Socialist

Party government of Felipe Gonzalez, when the phrase “Spain for sale” was coined. Net foreign investment in Spain trebled from 413 billion pesetas (US$3 billion) in 1983 to 1,235 billion pesetas (US$9 billion) in 1992. Frequently such investment was made to secure markets and distribution channels through the acquisition of Spanish companies. In contrast there were relatively few Spanish multinationals.

Hostility to the attacks on living standards by González’s government grew in the working class. Unemployment reached 25 percent by 1994, with social discontent leading to several general strikes as well as large mobilisations of miners, workers in heavy industry and the public sector, and farmers. By 1996 the ruling class regarded the Socialist Party government as a spent force—unable to defend its interests in the midst of a rapidly developing internationalised market economy and to fend off public opposition to its socially destructive polices.

Aznar’s Popular Party was elected in 1996 as a minority government in coalition with Catalan and Basque nationalist parties. He immediately set out to further deregulate and privatise the economy, and to make drastic changes in the labour market. He went some way to achieving this, with a 1997 Pact between the government, employers and the trade unions that made dismissing workers easier and allowed the greater use of flexible and temporary contracts. Aznar praised the union leaders for their “enormous maturity” and for abandoning their “prejudices” for the sake of “consensus”.

Faced with a thoroughly compromised “opposition”, Aznar was reelected in March 2000 with an overall majority and brought forward plans to open up Spain’s electricity and gas supply industries to competition. The following year Aznar, emboldened by the lack of any opposition from the unions, pushed through further drastic reforms of the Spanish labour market that included breaking up long held working time regulations, giving employers greater freedom to tailor shift patterns and hours to the needs of big business.

With the Zapatero Socialist Party now in government, the calls for a “second transition” refer not just to a continuation of the last government’s policies, but their acceleration. In June the Spanish-based telecommunication operator Telefónica announced the shedding of 15,000 jobs in Spain by 2007 as it tries to compete in the global telecommunications market. It has concentrated its operations in Latin American countries like Chile, Mexico and Peru, where labour costs are much lower and it can take advantage of the common language between Spain and its old imperial dominions.

In addition, because Spain was once regarded as one of the poorest nations in the European Union, it received large subsidies. It was the biggest net beneficiary of the EU’s regional funds, to the tune of 8.4 billion euros. With the introduction of the ten new states into the European Union on May 1 this year, Spain has become a net contributor for the first time. While Spain is still a low wage economy, it has been undercut by lower wage levels in Eastern Europe and its subsidies have also gone.

The National Statistical Institute (INE) examined the social fallout from this whole period for the third quarter of 2003. Its survey shows that 10 percent of families had what it called “great difficulty” covering monthly costs. A further 46 percent said they were also feeling the pinch. Fully 65 percent of those surveyed said they were unable to save any of their income.

Sáenz’s speech came only a few weeks before a report from the European Union showing that in 2003 over 33 percent of Spaniards had “low quality” jobs and over a third of employment contracts in the country were temporary. Of these contracts, six out of ten were of less than six months duration, making Spain the worst country in Europe in terms of insecure working conditions.

A recent article called “Biting the Bullet” in *Business Week* explains the response by companies and governments in Germany, Spain and France to the drive for global competitiveness—imposing longer hours, lower pay and destroying welfare and employment protection. Beginning with Germany, the magazine pointed out, “This dynamic is shaking up not only Daimler[Chrysler auto] employees, who’ll now be working longer hours with no extra pay. In June, workers at two Siemens telephone equipment factories in Germany agreed to increase their working week from 35 to 40 hours, after the company threatened to move jobs to Hungary. Auto maker Seat, which earlier had shifted some manufacturing from Spain to Slovakia, won concessions from Spanish unions in May that will require workers to put in extra hours during peak production, without overtime pay. Even France is having second thoughts about the maximum 35-hour working week enacted in 1998. On July 20th employees at a Robert Bosch auto-parts factory near Lyon voted overwhelmingly to start working an average 36 hours weekly, after the company said it might move operations to the Czech Republic”.

This is not just a catalogue of job losses and speed ups, but an indication of the offensive that is well under way though Europe and which will gather pace in Spain despite the weasel words of the PSOE and the trade unions.