Spain: National talks break down as big business demands offensive on wages

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National wage talks in Spain have broken down as big business demands an offensive against workers' wages and conditions. The talks have collapsed over proposals to index the minimum wage (Salario Minimo Interprofesional, SMI) to inflation. The SMI is currently 490 euros a month ($636)—about 35 per cent of the average wage—and is paid to half a million workers. It has an important indirect effect on setting nationally agreed pay rates, social security benefits and pensions.

Jose Luis Rodriguez Zapatero's Socialist Party (PSOE) government and the "social partners"—the employers and trade unions—were due to sign a deal on December 29, increasing the SMI to 513 euros in 2005 and linking it to the rate of inflation in the future. However, Labour and Social Affairs Minister Jesus Caldera refused to sign after the Economy Minister Pedro Solbes intervened, saying that he was against the principle of indexing.

Officials from the two Socialist- and Communist-linked trade unions General Workers' Confederation (Union General de Trabajadores, UGT) and Trade Union Confederation of Workers Commissions (Comisiones Obreras, CC.OO.) walked out of the meeting. CC.OO. official Fernández Toxo said, "As of today, a climate of absolute distrust, of a lack of trust in those [we are] negotiating with, has been created, because it is not acceptable that one of the parties decides to unilaterally pull out of an agreement."

The unions appealed to Zapatero to step in and resolve the dispute. The next day, Caldera backtracked, saying that the government had "always defended the annual revision" of the SMI. He said he needed more time to explain the details of the agreement to the rest of the Cabinet and that he would sign it the following week with only a "slight modification."

However, on January 10, the Spanish Confederation of Employers' Organisations (Confederacion Española de Organizaciones Empresariales, CEOE) refused to attend a meeting with the trade unions to ratify the agreement, saying they were also against the principle of indexing. The CEOE called an emergency meeting for January 12, declaring that there was no agreement on the SMI or pay awards for 2005-8 and, contrary to Caldera's new claim, a deal was not "imminent." Talks have not yet resumed.

The refusal of big business to countenance an index-linked minimum wage is in line with its demands for an offensive against what remains of secure wages and conditions for Spain's workers.

Despite major labour reforms in the 1990s, some 70 percent of Spain's 7.5 million workers are still covered by collective agreements and open-ended [long-term] contracts that guarantee wages will rise with inflation and protect other conditions and rights. The relative security still offered by these arrangements—won as the Franco dictatorship collapsed—has always been the object of sustained attack by big business and international financial institutions. Their demands for changes have reached a crescendo over the last few months.

An IMF report published in March 2004—the same month that the PSOE replaced the Popular Party in government—warned, "Spain's ability to preserve [its] gains is unclear: higher price and cost inflation has been eroding competitiveness and productivity growth has been disappointing." The economic situation will only get worse in Spain, the IMF stated, because it will no longer qualify from mid-2005 for European Union structural funds and is threatened by the accession of Eastern European countries to the European Union. These countries have lower wages than Spain, and the workforce is better skilled. Their exports are very similar to Spain's, where nearly half of exports comprise machinery and road vehicles. As a result, investment is switching from Spain to these countries and further afield.

The IMF report called for labour market reforms to boost productivity, saying that "the guiding principle in tackling this issue has to be that of increasing, not decreasing, labour market flexibility, with the primary avenue thus being a reduction in the rigidity of standard open-ended contracts."

The PSOE government agreed. Economy Minister Solbes declared that Spain had "a major weakness that has become increasingly acute: the little contribution of productivity to growth." The director of the Zapatero government's Economic Office, Michael Sebastian, called the lack of productivity the "Achilles heel of the Spanish economy."

The European Commission's latest economic survey (November 2004) says Spain is one of the euro-zone countries to have suffered most in international competitiveness since the fall of the dollar (about 40 per cent fall since 2002), and calls for the reduction of "excessive unit labour costs" and "wage rigidities."

In the same month, CEOE chair Jose Maria Cuevas repeated that Spanish companies were losing out in the domestic market, exports were stagnating and companies were relocating. He demanded more flexibility, lower taxes and reduced labour and social costs. He said the PSOE victory in March had been "rather unexpected," but the CEOE had maintained good relations with the government, as the joint declaration between the social partners on the future agenda for social dialogue proved.

The joint declaration Cuevas referred to was the July 2004 document *Competitiveness, stable employment and social cohesion*, signed by the CEOE, unions and government, which set out the objectives for "social dialogue." All agreed that greater productivity and competitiveness were needed. The document called for a reduction in the high rate of temporary work contracts—which affect 32 percent of workers. But it advocated accomplishing this reduction by cutting the cost of open-ended contracts through reductions in employers' social security contributions and a lowering of dismissal costs. It also said that social benefits would be linked to a new index initially set at 460 euros—some10 percent below the SMI.

The trade unions, Cuevas added, must agree to more flexible forms of recruitment and wage moderation. There is no doubt they will agree to these demands, as they have done in the past.

The unions, along with social democracy and Stalinism, aided and abetted by petty-bourgeois radicalism, have played a decisive role in diverting social discontent and propping up Spanish capitalism. Their role can be seen in the way pay has decreased as a proportion of Spain's GDP.

In 1964, during the Franco dictatorship, it stood at 53.2 percent, but rose to a maximum of 64.5 percent in the period 1976-1977, as the regime disintegrated in the face of the world economic crisis and the upsurge of the working class.

The level has gradually fallen. During the period of the PSOE government led by Felipe Gonzalez—1982-1986—, for example, wages as a proportion of GDP fell from 50.4 percent to 45.9 percent, with a corresponding increase in the proportions represented by business profits and taxes.

In 1994, the PSOE government passed the Labour Reform Law, which included deregulation of the labour market, incentives to foreign investors, privatisations and cuts in welfare, as well as tax cuts for the rich and casualisation of jobs. Hostility to the attacks on living standards by the PSOE grew within the working class.

Unemployment reached 25 percent by 1994, with social discontent leading to several general strikes. By 1996, the ruling elite regarded the PSOE government as a spent force, unable to defend their interests in the midst of the fast-developing globalised market economy and to fend off public opposition to its socially destructive polices.

Jose Maria Aznar's Popular Party was elected in 1996 as a minority government in coalition with the Catalan and Basque nationalists. He immediately set out to further deregulate and privatise the economy and to make swift changes in the labour market. In 1997 business, unions and government signed the Toledo Pact, which made job dismissals easier and increased the use of flexible and temporary employment contracts. As a result, today one-third of all Spanish workers work under contracts of this type. Aznar praised the union leaders' actions as an example "enormous maturity," in which they had abandoned their "prejudices" for the sake of "consensus." The unions, for their part, claimed this would ensure the government and employers would respect workers' conditions, but they simply prepared the way for more wide-ranging attacks.

Re-elected with an absolute majority in 2000, the PP government was urged by business to press ahead with additional measures, including a further reduction in the cost of dismissals, cutting the size of employers' Social Security contributions and the privatisation of state pensions. Aznar was forced to abandon his attempt to reform the pension system in the face of a general strike.

Zapatero's government has responded to the demands of Spanish and international capitalism by encouraging companies to relocate "the most labour-intensive production stages" in the hope that Spain will develop more high value-added products. There are now 300 Spanish textile firms, for example, operating in Morocco, where one-man hour of garment production costs about 0.11 euro, compared to 30 euros in Spain. The trend is being followed in the auto industry and other labour-intensive industries.

In response, the unions have already agreed to wage cuts at several companies, such as Talgo, Caballito and Nissan. At Nissan, one of the largest companies in Spain, the unions have accepted a dual-wage system in a new agreement for 2004-7, whereby new workers start on lower wage levels. This was after winning a court ruling in 2003 that said the two-tier system was "invalid." Workers will also have to work another 27 minutes per day, and the number of vehicles produced will increase from 100,000 vehicles in 2003 to 150,000 in 2007, with a 31 percent reduction in costs.

Life for Spain's workers today is one of "precarious employment and precarious pay." Unemployment in November was 10.5 percent, one of the highest in the EU and compared to the euro-zone average of 8.9 percent. Joblessness particularly affects women and immigrants. House prices are rising 15 percent a year, whilst salaries remain stagnant. Debt is almost 100 percent of household gross disposable income, compared with 46 per cent in 1995. Fifty-five percent of Spanish families have difficulty making ends meet, according to a National Statistical Institute report published last December, and only 38 per cent are able to save anything at all.