

# Spain: Unions agree to anti-working class labour reforms

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Last year, Spanish unions threatened a “Winter of Discontent” when the Socialist Workers Party (PSOE) government announced proposals to reform labour laws to enable employers to dismiss workers more easily.

After 14 months of negotiations, during which lorry drivers, fishermen, miners, dockers and SEAT autoworkers have been involved in bitter struggle, the unions have virtually conceded all the PSOE’s demands. In return, the unions gain greater power to control unofficial strikes and specific rights to represent subcontracted workers and have premises within the main company from which to conduct their business.

The “social partners” are the Stalinist-led Trade Union Confederation of Workers’ Commissions (Comisiones Obreras, CC.OO), the PSOE-led General Workers Union (Unión General de Trabajadores, UGT), the Confederation of Employers and Industries of Spain (Confederación Española de Organizaciones Empresariales, CEOE) and the Confederation of Small and Medium-sized Employers (Confederación Española de la Pequeña y Mediana Empresa).

The labour reforms are to be submitted to parliament for ratification later this month. Published as Royal Decree-Law 5/2006, the agreement has been described as “fundamental to promoting a model of balanced and lasting economic growth based on the competitiveness of the companies, growth of productivity and social cohesion” as required by the Lisbon Strategy.

Leaders of the European Union (EU) agreed on the Lisbon Strategy in March 2000. Its essential aim is to boost the profit levels of European business through deregulation, privatisation and lower corporate taxes. In the name of “sustainability,” the EU also committed itself to reducing member states’ budget deficits and slashing existing pension and welfare programmes by 2010.

In Spain, the government set out to undermine the rights of workers employed on permanent contracts by making it easier and less costly to dismiss them. The average cost for firing a Spanish worker on a permanent contract is 56 weeks of salary compared to 33.5 weeks in the UK, 32 weeks in France, 25 weeks in Poland and 13 weeks in the Slovak Republic.

As a result of the new agreement, workers starting on permanent contracts will only be entitled to 30 days’

compensation instead of the current 45 days’ compensation for every year in employment. Employers will pay less in unemployment contributions, which currently stand at 6 percent of a worker’s basic salary, and the money they pay into the Wages Guarantee Fund (Fondo de Garantía Salarial), which provides redundant workers with a minimum wage and compensation, will be cut in half. For firms with fewer than 25 employees, the government will pay 40 percent of the severance pay.

The decree claims that the changes “will improve the situation of the workers” by cutting the number of workers who are on temporary contracts or *contratos basura* (literally, garbage contracts). PSOE Labour Minister Jesus Caldera said, “The most important thing is to change our model.... There must no longer be two categories” of workers.

Currently, one third of Spanish workers—about 5 million—are forced into this type of low-paid, insecure employment. This is more than double the EU average. Nearly 60 percent of young people and 50 percent of workers in small firms are on temporary contracts, earning as little as €4 an hour. They have little prospect of receiving training or developing any sort of skills. Employers are accused of hiring workers until July and re-employing them in September to avoid paying holiday pay.

Caldera trumpeted his government’s proposal to subsidise employers who give permanent contracts to workers who have held two or more temporary contracts totalling more than 24 months, within a 30-month period. However, the proposal is largely cosmetic, since two thirds of the 900,000 jobs created in 2005 have contracts of six months or less. In addition, experience shows that ever since temporary contracts were first introduced by the 1982-1996 PSOE government led by Felipe González, employers have always found ways to get around proposals to reduce them.

Following the death of the dictator General Francisco Franco in November 1975, the Spanish ruling class was thrown into crisis in the face of massive strikes, demonstrations, student unrest and occupations. Despite the widespread expectations that there would be a real change and a determination to exact justice on those who had participated in the Franco regime, the so-called “peaceful transition” (1975-1978) to a bourgeois democracy was imposed on the working class by the PSOE and

Spanish Communist Party (PCE).

The collaboration of the PSOE and PCE in rescuing Spanish capitalism and stifling revolutionary opposition reached its height when all the major parties signed the 1978 Moncloa Pact paving the way for a new constitution. The 1980 Statute of Workers' Rights began deregulating the corporatist industrial relations set up under the fascist dictatorship and included concessions to the working class, such as a ban on any form of temporary work agencies and restrictions on arbitrary dismissals of workers by employers.

However, under the González government, unemployment soared to 28 percent. It claimed this could be reduced by a series of measures, agreed by the unions, in its 1994 Labour Reform Law, including one to legalise temporary work agencies. As a result, the Spanish labour market shot from having virtually no temporary employment to today's situation where one third of workers are condemned to it.

When José María Aznar and the Popular Party first took power in 1996, after 14 years of PSOE rule, they needed to ameliorate the intense distrust of the working class. At that time, the PP could only rule as a minority government, in a coalition with the Catalan and Basque nationalists. Aznar was careful to include the unions in the process of social dialogue (diálogo social), which had broken down in the mid-1980s under the PSOE. In 1997, he struck a social accord with them, known as the Toledo Pact. Aznar praised the union leaders for their "enormous maturity" for agreeing to the pact and for abandoning their "prejudices" for the sake of "consensus."

The government passed Royal Decree-Law 8/1997 proclaiming urgent measures "for the improvement of the labour market and the promotion of permanent employment contracts" and Royal Decree-Law 9/1997 "regulating social security and tax incentives for the promotion of permanent contracts and secure employment." However, the number of temporary contracts remained virtually unchanged. In addition, wages for workers on temporary contracts actually declined, and their working conditions deteriorated.

Re-elected with an absolute majority in 2000, the PP was urged by business to introduce further reforms without waiting for social dialogue agreements. The unions eventually agreed to more-flexible permanent contracts with lower costs of dismissals on condition that temporary workers receive a miserly eight days' pay for every year worked. This was a symbolic gesture, since it did not apply to all types of temporary contracts and could be lowered through negotiation.

The new PSOE government under Prime Minister José Luis Zapatero, elected in March 2004 on a wave of popular opposition to the PP, was acutely aware of the possible political consequences of the type of social attacks being demanded by big business. The PP had attempted far less during its term in office, when it still enjoyed the cushion of EU subsidies, but was still driven from office by the mass movement that developed after the March 11, 2004, Madrid train bombs.

The unions joined the government and business leaders in a "Declaration in favour of social dialogue" in July 2004 that provided "a window of opportunity to make further progress with labour market reforms." The signatories to the declaration agreed that greater productivity and competitiveness were needed and that the cost of permanent contracts had to be cut in order to build up a skilled cheap labour force.

For the ruling elite, the highly flexible cheap labour provided by the *contratos basura* has been one of the primary reasons for the relatively high economic growth rate in Spain (3.4 percent in 2005—twice the EU average). But whilst Spanish companies report record profits and the country has joined the top 10 locations in the world for the number of millionaires, the working class faces impoverishment. Low wages have led to a huge mountain of household debt—up 21 percent compared to a year ago to €667 billion, according to the Bank of Spain. Spain has only one work inspector for every 23,000 workers—half the European average—and the highest number of fatal accidents in the workplace—6.6 workers per 100,000 lose their lives compared to 4.8 in the EU.

The betrayals of the unions will only whet the appetites of international investors and Spain's own ruling elite. The International Monetary Fund has warned that Spain's continued growth and competitiveness are threatened by the drying up of EU subsidies and cheaper labour costs in the new EU member countries, China and India. Spain already has a record trade deficit, with exports experiencing almost no growth last year. Inflation is consistently higher than the Euro-zone average. For the period 1994-2003, Spain remained 29th out of 30 industrialised nations in terms of productivity, and in 2005 it declined 1.5 percent—the biggest drop experienced by any country in the top 30.

Professor Sandalio Gomez at Madrid's IESE Business School called the current agreement an "unsatisfactory compromise" that ignored the collective bargaining system and hardly dented the high cost of firing workers or the onerous social security overheads for employers. The governor of the Bank of Spain called for further flexibility, lower wages and higher productivity. He said the reforms were probably the first of many the economy needed in terms of flexibility and wage levels, which should "be tied to the real situations of companies and thus more tied to the evolution of productivity." He complained that industry-wide collective bargaining arrangements introduced too much "uniformity and inertia" and that pension provision was too generous.



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