Spain: Unions and PSOE government prepare austerity measures

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The Spanish trade unions are collaborating with the Socialist Party (PSOE) government and employers in preparing a savage programme of austerity measures.

Since the break down of the tripartite negotiations between the government, trade unions and employers last July, all three organizations have been working to find ways of enforcing the draconian attacks being demanded by big business.

At the meeting in July, the Spanish Confederation of Employers' Organisations (CEOE) demanded a cut in wages of one percent, the lifting of legal protection on jobs and the slashing of employers' contributions to social security by five percent. The CEOE also wants to reduce redundancy compensation from 45 days pay per year worked to 20 days and introduce a new contract that pays out only eight days per year worked.

While the trade unions did not feel then that they could agree to these changes for fear of provoking a revolt among workers, they have since intensified their efforts to find ways of aiding the CEOE's agenda.

The employers have blocked wage collective negotiations over 1,500 agreements, affecting four million workers that remain to be reached this year. From the trade unions, this has elicited only the vaguest threats of possible strike action, couched in appeals for a resumption of collaboration.

The leader of the Communist Party-led Workers Commissions (CC.OO), Ignacio Fernández Toxo, made clear his desire to prevent industrial action by agreeing to a long-term offensive against wages and working conditions imposed by his own trade union federation.

"If the employers want to renew the social dialogue and talk about longer term wage agreements, for example over three years, then the first thing they should do is unblock wage negotiations," he said recently. "There will be social unrest if this doesn't happen, particularly over the next four months as we won't sit with our arms folded."

The unions are offering the employers an overhaul of the entire labour market. They have already had at least two meetings with the employers and are planning a third one. Both the CC.OO and the Social Democratic General Workers Union (CGT) have been putting together their own proposals to present to the employers on how best to make the cuts.

The government of José Luis Rodriguez Zapatero has already introduced austerity measures, but combined with measures to stimulate the economy. The government has, for example, spent billions of euro in incentives to purchase cars and extension of income supplements for those on short-time work.

In response to the demands of the employers, a more stringent cuts programme is being prepared. In the budget next year the regressive value-added tax (VAT) will be increased by 2 percent, from 16 to 18 percent for non-essential items. It will be increased from 7 to 8 percent for reduced VAT areas such as the hotel industry and tourism.

One of the sweeteners introduced last year by Zapatero was a reduction of 400 euro on income tax. This is to be stopped. Public expenditure will be reduced by 3.9 percent. On the other hand, the executive has approved cuts in the taxes paid by small and medium companies by 5 percentage points to just 20 percent. This is in line with some of the demands of the CEOE, but restricted to companies that employ less than 25 people, earn less than 5 million euro and that maintain or increase employment. The CEOE welcomed the measure, but declared that it should have been extended to all companies.

Much more is being demanded by big business. Zapatero is being criticized for being too timid. The

Catalán Socialist Party Finance Minister Antoni Castells said on radio that the government had to "take the bull by the horns."

"We need austerity and reforms…. We have to really talk about the labour market," Castells added. Big business wants to smash every gain won by the working class, cheapen the labour costs and reduce government expenditure in social provisions.

Some members of the employers' organization, such as the president of the Confederation of Savings Banks (Cajas de Ahorro) Juan Ramón Quintas, have demanded the replacement of Zapatero and an early general election, currently not due until 2012. However, the president of the CEOE, Dias Ferrán, disassociated himself from this call. According to *El País*, CEOE's sources have let it be known that Zapatero is beginning to send out the correct signals. "He seems more receptive," they said.

The accelerated efforts to impose attacks on wages and working conditions reflect the worsening of the economic situation in Spain. Gross Domestic Product is expected to fall by nearly 4 percent this year. According to the National Statistics Institute, industrial production fell 17.4 percent in July, compared with the same month in 2008. Production of capital goods plunged 26.7 percent in the same period, and output of consumer durables dropped 31.7 percent. The housing bubble collapse has increased the country's deficit.

Spain is in the deepest recession since the death of the dictator General Franco in 1975. The *Financial Times* projected that Spain is moving from a surplus of 2.2 percent of gross domestic product in 2007 to a projected deficit of nearly 10 percent of GDP.

This has had a catastrophic impact on working people, particularly the young and immigrant workers. Unemployment increased in August by 84,985. This all but wiped out the expansion of jobs due to the government's 15 billion euro ($36 billion) public work program. The total number of jobless has risen by 1.09 million (43 percent) in the last 12 months.

Fully 18.1 percent of the population is now unemployed—the highest figure in the European Union, well above the average of 8.9 percent. The Spanish Labour Minister declared that the number could rise to 20 percent over the next few months.

Amongst young people under the age of 25, unemployment has risen to over 30 percent. Additionally, the newspaper *El Periódico* reports that 42 percent of young people between the ages of 25 and 29 who are in employment have a temporary job.

The consultancy firm, Variant Perception, called Spain "the hole in Europe's balance sheet," adding, "Spain is set for a long, painful deflation that will manifest itself via a spectacularly high unemployment level for an industrialised economy, a real estate collapse and general banking insolvencies."

The bosses' federation has convened a "grand convention" of employers on December 2 in Madrid to discuss the extent of the crisis and how to deal with it. Both the PSOE government and the opposition Partido Popular (PP) are invited.