Spain: Government and unions conspire to impose austerity measures

Vicky Short
10 February 2010

Prime Minister José Luis Zapatero of the ruling Socialist Workers Party (PSOE) government has held secret meetings with the leaders of Spain's trade unions to negotiate labour reforms and austerity measures behind the backs of the working class.

Zapatero called secret and separate meetings with the Union General de Trabajadores (UGT) leader, Cándido Méndez, and Comisiones Obreras (CCOO) leader, Ignacio Fernández Toxo, late last month at his residence, the Moncloa Palace. Asked why the reforms were found to be acceptable this time around, after expressing opposition to previous proposals, Méndez said, "They have the sufficient reach and the flexibility to talk about how to make the labour market better."

Since then, tripartite talks have taken place involving the government, unions and employers over plans to radically change labour relations, as demanded by the international financial institutions such as the International Monetary Fund (IMF). The government has also announced its intention to increase the age of retirement and extend the number of years that people have to work in order to qualify for a pensionable retirement from the present 15 to 25 years. It has also revealed plans to increase Value Added Tax on goods and services, which will directly affect the poorest layers of society by increasing the price of basic necessities.

El Pais has called the talks "a miracle," while the president of the employers association, Confederacion de Empresarios de España (CEOE), Gerardo Díaz Ferrán, described the proposals as "positive" and stated that the draft agreement is going in a "good direction." Similarly approving was Jesús Bárcenas, the leader of the small industry employers' federation CPYME.

Though many of the proposals are vague, the clear intention is to cheapen the cost of dismissals, increase flexibility between jobs and raise the retirement age to 67 (the government had wanted to increase it to 70). There will also be measures to stop absenteeism, which the document cynically describes as being "always masked under the formula of permanent sick leave." A new system will be introduced that increases interchange of information between the National Institute of Social Security and insurance companies for accidents and work sickness. The money saved will be reimbursed to the company.

Behind the claim to be ending the scourge of temporary contracts, "the ending of duality" of employment between indefinite and temporary jobs, is an attempt to make permanent jobs as flexible and easy to end as temporary ones. The number of days paid in compensation for dismissal will be reduced from the current 45 days per year worked to 33.

Under the guise of making it easy for people to combine work and family life, the document proposes incentives to companies to increase the number of permanent part-time contracts.

As a sop to mounting opposition to the 50 percent unemployment rate amongst young people, the document proposes that companies train young people in the areas that they need under proper contracts of employment. And under the cover of achieving equality of wages between men and women, there will inevitably be a general lowering of male wages that far outstrips any rise in women's pay.

There will be more regulation of the length of temporary working incapacity or sick leave and a reduction of the working week in accordance with the situation facing the company, rather than dismissals. This would save the government money in unemployment benefits.

The scope of collective bargaining will be widened from wages and hours to include mobility, adaptability and productivity. In other words, the trade unions will be totally integrated in the running of the company according to its needs in a time of crisis. Their role will be to impose the attacks on living standards and intensified exploitation demanded by the employers.

The government has stated that it does not think there will be a hard response in the streets to these proposals. However, the form in which they are being presented and discussed behind closed doors belies such claims. The IMF has warned that Spain, together with Portugal and Greece, will have to take drastic steps to address its budget deficit. IMF chief economist Olivier Blanchard declared, "Now with this crisis, Portugal, Spain and Greece are in serious difficulties … which imply very painful adjustments."

He added that the reestablishment of competitiveness may demand great sacrifices, such as the reduction of salaries.

The Swiss bank UBS forecasted that the Spanish economy would continue in recession until 2011 and that the unemployment rate could exceed 20 percent during 2010 and

© World Socialist Web Site

will stay at 15 percent for the next decade. Under these conditions the bank said that a reduction in salaries of over 10 percent for the next decade was necessary.

In an article entitled "Spain risks joining Greece at bottom of deficits class," the *Financial Times* reported that Spain wanted to reduce its deficit from 11.4 percent of GDP in 2009 to the European Union target of 3 percent in 2013, but it was not sure if it could or how to do it. The "Plan for Stability" (read austerity) sent by the Spanish government to the European Commission states that it would reduce its deficit to the 3 percent demanded by the European Union in four years, something that would require ferocious attacks on living standards and working conditions. The plan proposes to cut expenditure by €50 billion in three years, but this is only a down-payment on what would be required to reduce the deficit by over 8 percent, which is being demanded by the EC and the IMF. The cost of unemployment benefits alone rose to €31.5 billion last year, 50 percent higher than the previous year.

The fear that Spain and other European countries such as Greece, Portugal, Ireland and Italy will not be able to finance their budget deficits, and doubts by investors that they will be able to implement their austerity programmes, accelerated a near crash of the Spanish stock market on February 4. The Madrid index Ibex fell by nearly 6 percent, the biggest drop since November 2008. Julian Callow from Barclays Capital warned that the EU may need to invoke emergency treaty powers under Article 122 to halt the contagion. Otherwise it could result in a "'Lehman-style' tsunami spreading across much of the EU."

The media is awash with speculation that if this happened, then these countries could become ungovernable.

The Spanish media blamed the slump in the Spanish share market on the warnings and threats levelled against it and supposedly false and exaggerated comparisons made with Greece. This ignores the fact that unemployment in Spain is double that of Greece, while the deficit is only slightly less. The present monetary, bond and share crisis is the result of the deepening economic difficulties facing Spain, combined with speculation that has been fuelled by what global markets perceive as the PSOE's slowness in implementing attacks on working people.

The scale of Spain's crisis is evident in the latest economic and social figures, which surpass all official predictions. There was a further rise in unemployment of nearly 125,000 in January, taking the official unemployment figure to 4,326,500, or 18.8 percent of the active working population. Other sources say that this is an underestimation and that the jobless figure is more like 4.5 million or 19.4 percent. On top of this, a lot of self-employed people who have gone bankrupt are not claiming unemployment benefits and are continuing to pay social security in order to safeguard their pension rates.

Unemployment is hitting foreign workers and youth hardest. Reports suggest that in the first three months of last year the unemployment rate for foreign workers had reached 29.7 percent and the number in employment had slumped from 11.75 to 6.1 percent. Temporary employment, mainly in the construction industry, has dropped by 25 percent, again affecting the most impoverished layers of the working population. The number of households with all their active inhabitants unemployed has reached the staggering figure of 1.2 million.

The Federation of temporary work agencies, AGETT, reports that there are more than 1.5 million long-time unemployed who will find it very difficult to ever find new jobs.

At a breakfast meeting in London this week, organised by Barclays, Citi and Santander banks, the Spanish finance minister, Elena Salgado, and her deputy, José Manuel Campa, defended the government's economic strategy and the "reforms" it is going to implement. Afterwards Campa said at a press conference that the government will reduce further public spending if the economy does not recuperate at an adequate rhythm. The government will make the "necessary adjustments" beyond the plan of stability sent to Brussels in order to reduce the deficit in four years, he promised.

According to *El Pais,* some investors openly expressed their doubts of whether the PSOE's measures would be enough and that the Spanish government faced a dilemma: If it adopts harsher austerity measures it confronts social discontent. If it does not it faces punishment by the markets.

Manuel Chaves, the third vice president, said that the government was going to present its plans for pensions reform and hopefully would have a labour reform plan in place shortly. "It is very important (to present) the image of unity between the government and the social agents to the world," he added, in a direct appeal to the trade union bureaucracy. The PSOE has also asked for the support of the right-wing opposition Popular Party (PP).

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site