

Spain: Telefónica slashes jobs and offers multimillion bonuses to its chief executives

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2 May 2011

On April 13 the executive president of Telefónica, Guillermo Ansaldo, announced at Investors' Day in London the slashing of 20 percent of its staff over the next three years. This will mean that an estimated 5,600 to 6,000 of the 28,000 jobs in Spain will be cut.

Telefónica is a Spanish telecommunications and broadband provider, with operations in Europe and Latin America. It is the fifth largest provider in the world and the second largest corporation in Spain after the banking group, Grupo Santander. The company was a public monopoly of telecommunications in Spain until it was privatised in 1997 under the right-wing Popular Party (PP) government.

The slashing of jobs comes after the corporation made record profits of 10,167 million euros in 2010, 30.8 percent more than in 2009. This represents the largest earnings by a company in one year in Spanish history, according to *El País*. The chief executive also promised its shareholders 7.986 million euros for the year 2012. The company's dividends have increased by 600 percent from 2003 to 2012.

Less than 24 hours after the announcement, Telefónica published three incentive schemes for its top executives. The main one is the Performance & Investment Plan (PIP) that will involve an incentive scheme for the 1,900 CEOs of 450 million euros. The company will also distribute record dividends of 1.60 euros per share for 2011, disbursing about 7,300 million euros, 14.3 percent higher than in 2010. The incentive scheme also included the distribution of shares valued at 50 million euros between the three main executives of the company.

Telefónica is using the economic crisis as a pretext to lower domestic costs and move to countries where there are cheaper labour costs. Referring to the macroeconomic forecasts, Ansaldo stated that "there is still uncertainty and volatility remains high and I have to manage this uncertainty".

The chief executive also announced other measures to increase "flexibility and productivity", such as outsourcing services and "additional restructuring of employment". This can only mean a further squeeze on wages and conditions and more job losses.

The company has presented an *Expediente de Regulación de Empleo* (ERE), or a labour force adjustment plan. This is a procedure contained in Spanish legislation that enables a company to suspend labour relations, authorizing it to discharge workers.

The plan will include compulsory early retirement schemes that cost the state approximately 208 million euros, according to *El Mundo*. The first two years of unemployment benefits for those workers dismissed are covered by state and, therefore, by workers' own taxes, paid over thanks to the actions of a company returning super profits.

The attack on the telecom workers does not stop there. Ansaldo also announced the aim of Telefónica to end the tying of salary increases to the consumer price index (CPI), a measure that has already been imposed, with the complicity of the unions, in the mobile sector within the company.

This measure was proposed by German Chancellor Angela Merkel after a meeting on "reforms" with Spain's Prime Minister Jose Zapatero as one of the conditions for approving the enlargement of the European rescue fund.

Telefónica is one of the 41 "great Spanish companies" that have met with Zapatero twice, the first time in late 2010 and the latest on March 2011, in order to "offer solutions to resolve the economic crisis". These meetings have been pre-conferences for making cuts in public spending and on civil servants' salaries; the pension reform that increased the age of retirement; the centralisation and privatisation of the *Cajas* (saving banks); cuts in unemployment subsidies, and

forcing the regional governments, whose jurisdiction includes health and education, to implement austerity measures.

Some sections of the establishment, nervous about the impact the obvious double standard will have on the workforce, voiced criticisms over how Telefónica has unashamedly demanded the need to sack workers, while generating huge profits and disbursing record bonuses. First Deputy Prime Minister Alfredo Pérez Rubalcaba stated, “I am not in agreement. I cannot be clearer”.

Minister of Work Valeriano Gómez was more explicit in his warning to the company:

“The government will oppose this labour force adjustment plan of Telefónica, *conceived as it is*” (our emphasis). He added that he wanted the company to “reconsider” and to engage in dialogue with the trade unions. He castigated Telefónica for “not giving an example” and “adjusting the employment of thousands of workers and the next day disbursing multimillionaire quantities of retributions to its executives”.

Elena Salgado, vice-president of economy, currently touring the world to convince the financial markets of the solvency of the Spanish debt, declared, “It’s the shareholders that take the decisions, but this is not the time”.

The government’s real position towards Telefónica’s plans will be soon demonstrated, as they have to approve the ERE. The authorities have stated that they will not oppose the company’s plan if it absorbs redundancies and there is no cost to the taxpayer.

The trade unions’ main concern has been to make sure that they are entrusted with the job of implementing these attacks on their members in Telefónica and the working class in general. They disarm the workers before the struggle even begins by stating that there is no disagreement with the fact that in the present economic situation companies have to adjust and make changes, regardless of the cost to the working people they are suppose to represent.

In a press statement headed: “UGT will not accept any measure by Telefónica which has not been previously agreed with the unions”, the Socialist Party (PSOE)-aligned UGT [Union General de Trabajadores] declared:

“Our organisation is conscious of the general economic context within which the company has to develop its

business plans, thus we urge those responsible for the business of Telefónica that the measures which they are forced to implement combine the interests of the company with those of the workers as a whole. Therefore any contingency measures plan must be justified, explained and argued to be able to carry it out”.

After reassuring the company that they understand the “tumultuous times” telecommunications in general and Telefónica in particular are facing, the UGT repeats that no measure should be taken unilaterally and that any measures should be part of a negotiated and agreed process. They then proceed to ask for fair treatment for those who will remain in the company.

The Telefónica announcement is only referred to by the Communist Party-aligned union, Comisiones Obreras (CC OO), in an appeal to the government to change the labour laws (that were passed originally with the connivance of the unions), which make it easy for profitable companies to use EREs (labour force adjustment plans) to sack workers.

Some of the Spanish media have attempted to cover for the unions, by explaining that the latter might have been reluctant to come forward and fight the redundancies because they are afraid of being out in the cold, under conditions where they expect the workers to be in favour of the measures.

Cayo Lara of the Stalinist-led United Left (Izquierda Unida) stated that “This decision is an insult to the sufferings of more than four million unemployed” and that he will propose the nationalisation of Movistar, Telefónica’s global brand. Not only is this proposal completely unrealistic, taking account that the United Left has two deputies in a parliament of 350, but ignores the fact that Telefónica was privatized only 13 years ago (and omits to mention the United Left’s unstinting support for their colleagues in the trade unions who negotiated it).

Like their counterparts all over the world, the Spanish unions will oversee the decimation of jobs and conditions as long as the employers and the government maintain their huge subsidies and they can keep their privileges.



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