Spanish unemployment nears 25 percent

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30 July 2012

Unemployment has hit a new record level in Spain.

The National Statistics Institute (Instituto Nacional de Estadística, INE) published figures on Friday revealing the jobless rate has climbed to 24.63 percent of the active population, surpassing the figure of 21.5 percent during the country's last major economic crisis in 1994.

The rate of unemployment has now risen 0.19 percent this quarter, the most among the 17 nations that use the euro currency.

In total, 5,693,100 people are now out of work. Among those aged 16 to 25, 53 percent do not have a job. The number of households where all of its active members are jobless increased by 9,000 to 1,737,600. The Spanish regions hardest hit by rising unemployment are Catalonia and the Canary Islands, one of Spain's main tourist resorts, where one in three people are now jobless.

The INE projects that unemployment will continue to increase this year up to an estimated 800,000 people, with the unemployment rate touching 26 percent in 2013.

Traditionally, a decrease in the unemployment figures occurs in the second quarter of the year (April to June), as the tourist season gets under way. But the figures show that 53,500 still lost their jobs even though, according to the latest data published by the Ministry of Industry, Energy and Tourism, 269,000 more tourists came to Spain in June 2012 than in the same month the previous year. The largest increase in unemployment came in the southern region of Andalusia, where more than 23,000 people lost their jobs, followed by Castilla-La Mancha, where 19,500 jobs were destroyed.

The reasons for the continuing job losses lie elsewhere.

Spain is undergoing an unprecedented double-dip recession, which the International Monetary Fund (IMF) said on Friday will last at least another 18 months, adding that it would take until 2017 for national output (GDP) to return to its 2007 level.

The IMF said the outlook for Spain was "very difficult", and that the €64 billion worth of new austerity measures announced by the Popular Party (PP) government earlier this month would have "a significant impact on growth", causing unemployment to rise even further.

"Spain is facing mounting market pressure and costly market access, with possibly negative repercussions for the rest of Europe, amid the longer term challenge of unwinding imbalances that built up during several years of excess private sector spending," the IMF declared.

Even with the recent €100 billion bailout of Spain's Banks, the IMF warned that the economic situation could get much worse stating, "Downside risks dominate. While the recently announced Euro area financial assistance for banks and the Euro area summit statement help to mitigate short-term risks, market tensions could intensify further, threatening market access, particularly if policies fail to stem capital outflows or due to further stress elsewhere in the euro area. Private sector deleveraging could be faster than envisaged, and the fiscal consolidation may have larger than expected costs."

The INE statistics are the first that have been published that cover a whole three-month period since the PP government imposed a labour reform last February described by Labour Minister Fátima Báñez as "historic". The reform enables employers to reduce the salaries of workers unilaterally simply by claiming this is necessary for reasons of competitiveness or productivity. The unemployed lose their benefits if they reject an offer of a job three times. This facilitates the expansion of low-wage jobs throughout the economy by providing new "work-experience" contracts. The reform means an end to collective wage bargaining.

The part of the labour reform that has had the largest impact on employment has been the relaxation of layoff schemes (known in Spanish as EREs), making it easier and cheaper for companies to sack workers.

The INE survey also shows that the redundancies in the private sector have mainly targeted workers with indefinite contracts. Before the “reform,” these types of contracts made it difficult for employers to get rid of workers. They were entitled to 45 days’ redundancy pay per year worked, so that the high cost of redundancy payments meant, in theory, the employee gained in job security. With the reform it has now been lowered to 33 days per year worked or 20 days per year worked, if the employer can show decreased sales for three quarters in a row.

The austerity measures have also affected jobs in the public sectors. Thus far this year, 95,000 jobs have been destroyed.

Deputy Prime Minister Soraya Sáenz de Santamaría said that there is “no doubt” that the recession was to blame for the unemployment figures, and that the government had “to continue to make structural reforms” to reduce the deficit and boost production. “Figures like these push us to strengthen reforms and meet our goal in reducing the deficit,” she said.

The social crisis and the devastating austerity measures being imposed are provoking almost daily protests by workers throughout Spain. The latest demonstration in Madrid was organised on Friday by taxi drivers against plans to liberalise this sector of the economy. They are calling for a nationwide strike on August 1.

The extent of the crisis can be seen in the fact that five days after Prime Minister Mariano Rajoy stood up in congress and announced drastic cuts for civil servants and an unprecedented hike in the standard value-added tax rate—from 18 percent to 21 percent—the Spanish parliament is still surrounded by police and fencing.