Spain’s Socialist Party and trade unions profit from redundancy schemes

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22 April 2013

The Socialist Workers Party (PSOE) and the two main trade unions, Workers Commissions (CCOO) and General Workers Union (UGT), are embroiled in a fraud scandal known as EREgate. Top officials have been implicated and some sent to jail.

The scandal concerns the siphoning of public money set aside for state-sponsored redundancy schemes (Expediente de Regulación de Empleo, ERE) that enable companies to regulate working hours, close for short periods, or carry out collective dismissals. Workers’ representatives can also suggest EREs. The government then accepts (or rejects) the application for an ERE, negotiations begin between the government, the company and the trade unions regarding compensation for the sacked workers, and financial aid may be paid to companies to encourage them to continue operating.

EREs were incorporated into Spanish law in 1994 to smooth the way for mass unemployment and sackings and to maintain “social peace” during the PSOE government of Felipe González. By that year unemployment had reached 25 percent, with social discontent leading to several general strikes as well as large mobilisations of miners, workers in heavy industry, public sector workers, and farmers.

Over the last few years, companies originally attracted to Spain by its low labour costs and government and European Union grants and subsidies have left under the impact of the 2008 crisis and the collapse of the housing boom. The number of EREs has multiplied, reaching tens of thousands and affecting hundreds of thousands of workers. A record number of 451,893 workers were affected by EREs in 2012, of which 75,644 lost their jobs. The CCOO has recently claimed its own ERE in order to sack 50 of its staff due to a reduction of income from membership.

The legal investigation led by judge Mercedes Alaya was launched after a massive fraud was discovered involving the way compensation paid to dismissed workers ended up as insurance policies and other financial instruments. Along the way a whole number of intermediaries took a cut.

The most despicable role was that played by the trade unions. Many of the firms that obtained redundancy grants would not have gotten them except for the intervention of the unions involved in negotiating the redundancies for their members. Part of the redundancy money went straight into the unions’ coffers as commissions per worker made redundant, in most cases without the workers’ knowledge. According to *El Economista*, the CCOO and UGT can gain between 5 to 10 percent for each worker dismissed.

Trade union officials also received lucrative incomes from their dealings with consultancy firms brought in to advise sacked workers what to do with their compensation until they reached retirement age. In these cases the medical history of workers, which the unions provided, was vital to determine the risk of death before that date.

One of the most profitable opportunities arose with the sacking of thousands of workers at the bankrupt motorcar parts company Delphi and its suppliers in Andalucía in 2007 [See http://www.wsws.org/en/articles/2013/03/29/delp-m29.html]. The two main trade unions received €1 million each through the consultants Uniter, owned by an ex-leader of the UGT. Alaya also estimated that the CCOO and UGT had received €4.3 million in extra commissions, which she considered illegal, from the consultants Vitalia, three top executives of which are now in prison.

The origins of the fraud go back to 2001, when the

PSOE-controlled Andalusian Autonomous Government changed the way EREs were managed in the region. The complicated and controlled process of acquiring grants was replaced with a new fund that Alaya said was able to “institutionalise arbitrariness and discretion in the award of government assistance” and enable “abuse”.

Over a 10-year period hundreds of EREs were paid for from a slush fund, many illegally. Scores of companies and consultants overcharged for their services and claimed payments for redundancies for people who either were not entitled to it or did not even work for companies claiming EREs. Some companies and their workers were just invented. It is estimated that some €135 million was defrauded out of a total of £1.2 billion paid out in EREs. Of this some €73 million was distributed directly to businesses, and some €50 million to insurance companies, brokers, lawyers, trade unions and PSOE officials. Among the PSOE leaders implicated are the Andalusian President José Antonio Griñán Martínez, former President Manuel Maria Chavez González, and director of the Andalusian Ministry of Labour Javier Guerrero.

Alaya also charged Juan Lanzas, the ex-leader of the UGT in Andalucía, of having organised compensation to be paid to 24 relatives, friends and political acquaintances who had never worked in companies that received EREs. These included Javier Guerrero’s mother-in-law, the ex-leader of the PSOE in Baeza, the wives of four trade union bureaucrats and two of his brothers-in-law. Lanzas is reported to have confided to a neighbour, “I have so much money I don’t know what to do with it.”

He was sent to prison last month after police found more than €80,000 in cash hidden around his home, part of a hoard estimated to be worth millions.

Although the present investigation is concentrated in Andalucía, which accounts for six percent of the total number of ERE schemes approved in Spain, cases in other parts of the country are coming to light.

Those who were supposed to be benefiting from EREs, such as the ex-Delphi workers, see corruption everywhere at their expense. Their representatives rob them, lie to them, and in the end throw them back into the unemployment cauldron with no prospect of ever finding a job in a region where 41 percent are out of work (62.5 percent of youth), while they build up their fortunes and those of their family, friends, and political and business cohorts.