Bank of Spain calls for elimination of the minimum wage

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The Bank of Spain has called for the elimination of the minimum wage, more flexibility in the labour market and other attacks on the working class.

Its annual report states, "The seriousness of the labour market advises maintaining and intensifying reform momentum through the adoption of additional measures to promote job creation in the short term and facilitate wage flexibility."

It continues, "It would be worth exploring the possibility of establishing new formulas that would allow, in special cases, temporary departures from the conditions laid down in collective bargaining agreements, or exceptional mechanisms to prevent the minimum wage from acting as a constraint on specific groups of workers with most difficulties in terms of employability."

The report claims that the elimination of the minimum wage, currently at a poverty rate of €645 (US$835) a month or €4 (US$5) an hour, will create jobs. Though couched in terms of ending the minimum wage "in special cases," it will give the green light to employers to cut wages for workers in similar jobs and increase the pressure to do away with the minimum wage altogether.

A similar process of a special case becoming the rule occurred with the state-sponsored redundancy schemes (*Expediente de Regulación de Empleo*, ERE), which were first introduced in 1994 to smooth the way for mass unemployment and sackings and to maintain "social peace" during the Spanish Socialist Workers Party (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.

Since then, 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 them in 2012, of which 75,644 lost their jobs.

The Bank of Spain's new proposals have nothing to do with creating jobs. The Spanish government along with the "troika"—the European Commission, European Central Bank, and International Monetary Fund—want to force the unemployed in Spain to accept rock-bottom wages and degrading conditions to lower all wages in order to compete in the world market.

The Bank of Spain's call comes two months after European Union (EU) commissioner for economic and monetary affairs Olli Rehn asserted that the "Rigidities in product and labour markets contribute to high and rising unemployment, and more generally hinder the adjustment of the economy".

He concluded, "Steps have been taken, the reform agenda is incomplete, and even the adopted reforms have not shown all its effects because of its delay".

One of the steps referred by Rehn is the Popular Party (PP) government's labour reform, which has led to an increase of almost 1 million unemployed since its introduction last year. The reform made it cheaper and easier for companies to sack workers and slash payments in the ERE and other redundancy schemes and also meant a de facto end to collective wage bargaining by giving priority to agreements reached at company level over those agreed nationally.

Currently, unemployment stands at a record 27.2 percent, with 6.2 million people out of work. The youth unemployment rate reached a record 57.2 percent. Recent reports published by the EU's statistics office, Eurostat, show that Spain accounted for nearly a third of the 19.4 million unemployed in the euro zone in April.

Unemployment has created a mass exodus of workers and youth from the country. One percent of the 47 million population left last year, and according to estimates by Fernando Fernandez, professor of economics at the Instituto de Empresas business school, "it will probably fall by two million in the next four to five years"—almost 5 percent.

The austerity measures imposed so far have not satisfied the ruling elite. The Bank of Spain's annual report said, "The achievements of the labour reform in respect of internal flexibility and wage constraint are encouraging, but the results obtained in fomenting new hires are still not sufficient".

The Organisation for Economic Cooperation and Development has called for further "reforms", including abolishing the widespread practice of compensating workers for a loss of spending power as a result of inflation, an arrangement known as indexation. The Bank of Spain agrees with this recommendation, adding that steps must be taken to ensure indexation is not re-introduced when the economy begins to grow again.

The elimination of indexation would further reduce salaries, which averaged €1,345 (US$1,800) a month last year. The number of workers covered by wage indexation has fallen in the last few years from around 60 to 70 percent to about 45 percent in 2012 and to 33 percent for workers covered by collective agreements negotiated by the trade unions.

In the space of two years, both the PP government and its PSOE predecessor imposed three labour reforms. As a result, according to the National Statistics Institute, wages declined by 8.5 percent from 2000 to 2012. Latest figures show an annual cut in wages of 0.9 percent in the private sector and 0.3 percent in the public sector. The reduction in labour costs has led to 6 of the 11 foreign carmakers present in Spain to announce plans for new investments, including France's Renault and Volkswagen.

On the other side, CEOs at the 35 largest companies in Spain have seen their salaries increase 4 percent, reaching €279,300 per year, that is, 432 times more than the minimum salary.

Workers have not accepted their pauperisation peacefully, reacting with strikes and protests. Last year, there were nearly 1,300 strikes involving almost 4 million workers—nearly six times more than in 2011. More than 40 million working hours were lost—almost twice the previous year.

The unions have played an important part in isolating and suppressing one struggle after another, giving a free hand to the ruling class to act with impunity in its onslaught on the working class. They will ensure that the Bank of Spain's demand for further labour reforms will also be imposed.

This is already trailed by the recent favourable vote for a report calling for the dismantling of the public pension system by Miguel Ángel García, head of research at the Workers Commissions (CCOO) union and one of the government-appointed panel of experts who published it.

The document is completely in line with demands included in the Bank of Spain's report to bring forward the increase in the retirement age to 67 (currently planned for 2027) and cutting pension payments—demands also made by the European Commission as part of its granting Spain another two years to reduce its budget deficit below the EU ceiling of 3 percent of GDP.