Mass sackings increase in Spain following labour reforms

Franci Vier
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Five years after the eruption of the global financial crisis, Spain's unemployment is at a record high of 27.2 percent. Amongst young people it is 56 percent. Latest forecasts released by the Organization for Economic Co-operation and Development expect it to rise to more than 28 percent by the end of the year.

According to the official figures published by the National Institute of Statistics between February 2012 and April 2013, a record 850,500 jobs were lost and unemployment jumped by 691,700 people.

February 2012 marked the passing of the union-agreed labour reforms, which made it easier for companies to sack workers on permanent contracts and slash severance pay. It also allowed them, citing "times of hardship", to opt out of collective bargaining agreements and adjust working conditions such as schedules, workplace tasks and wages depending on the performance of the economy and the company.

Mass unemployment—the result of austerity measures and labour market reforms—is being used to carry out extensive wage cuts and to dismantle social security. The average wage in 2012 went down by 8.5 percent and companies were able to reduce their social security contributions and other labour costs. From the beginning of 2008 until the end of 2011—even before the 2012 labour market reforms—labour costs had already fallen by more than four percent. The latest reform now allows companies to reduce their contributions to Social Security between 75 percent and 100 percent for contracts "for training and learning with unemployed workers enrolled at the unemployment office" and for apprenticeships for young people.

Around 3.7 million jobs have been destroyed by the crisis so far, clearly showing that the labour reforms imposed by the Popular Party government in 2012 and its predecessor, the Socialist Party in 2010, were not aimed at creating jobs but at lowering wages and other labour costs—a key demand of the international financial organisations across the world.

The first mass sackings began when the labour reform was passed. No economic sector has been saved from them. Of the main companies trading on the Spanish stock exchange, 38 percent were involved in laying off large numbers of workers in 2012.

In the financial sector, mass sackings have occurred as a result of the restructuring process involving the amalgamation of regional banks that had have become virtually insolvent through the collapse of the Spanish property market bubble following the onset of the global financial crisis in 2008. The bank bailouts have aimed at propping up the financial elite and imposing the full cost on working people. Banks have been closing branches around the country.

Between 2008 and 2011 more than 30,000 employees were laid off in this area alone and a further 22,000 are being planned for the coming months.

Bankia, the fourth largest bank of Spain with 12 million customers, is sacking 5,000 of its 20,000 workforce and cutting the salaries of those who remain by an average 40 percent. Bankia was formed in May 2010 in a merger of seven troubled savings banks and partially nationalized in 2012. The bank received around €4.6 billion aid from the Spanish bank rescue fund to recapitalize the banks.

The fourth-largest company in Spain, El Corte Ingles, with almost 100,000 employees, has also announced cost reductions. The company is currently trying to finance its debt of about €5 billion. The salary cuts and worsening of labour conditions mainly affects department stores, the most important division of the company, with around 65 percent of its workforce. The company is attempting to force through "voluntary" early retirements, affecting long-term employees, in order to employ young workers at lower salaries. Until now, 93 percent of employees work under permanent contracts and 71 percent are full time.

The state rail transport company RENFE (which runs the trains) and ADIF (which manages the track and stations) is being broken up and privatized in several regions. There are no official numbers, but after the first closure of unprofitable routes and cuts to increase profitability, mass layoffs are also expected.

The Catalan public broadcasters TV-3 and Catalunya Ràdio, which have a staff of 2,600 workers, the majority of whom are employed at TV-3, will sack 312 employees. The rest will have salaries reduced by 7.5 percent.

Another record is the number of bankruptcies, in total 8,323 in 2012. The first three months of this year have already seen 2,478 bankruptcies, one of which is Pescanova, one of the largest fishing companies with 10,000 workers worldwide.

In this catastrophic situation, the government defended its onslaught on workers' conditions. Popular Party (PP) Prime Minister Mariano Rajoy said he was "very satisfied" with the performance of the labour market reforms and declared "no intention" to change direction. The PP Labour Minister Fatima Bañez celebrated the "new culture of work" of the labour reform, in which "the whole world wins" with entrepreneurs and workers finally sitting in the same boat.

This new culture is nothing more than a brutal impoverishment of workers, which aims to create mass low-wage jobs without employment protection and social security. New contracts are often temporary, with most covering less than 6 months. Young professionals, if they are working at all, must be content with such short-term contracts and mini wages, usually below €1,000 per month.

Mass unemployment has caused great desperation and poverty. The dramatic effect of this was revealed in a recent article published by the *Frankfurter Allgemeine Zeitung* which reported how the El Prado museum in Madrid advertised eleven jobs and received 18,524 eligible applications. The salary offered was €13,000 ($17,342) a year, currently a well-paid job in Spain.

According to UNICEF, there are now 2.3 million Spanish children below the poverty line, 80,000 more than last year. It also says there are some 760,000 households with children that have no adult working, 46,000 more than 2012. In Barcelona, the City Hall sent a circular to 500 education centres to gauge the extent of malnourishment. They detected almost 3,000 malnourished children in the city's public schools. According to Oxfam, if the crisis continues to escalate by 2022, over 18 million Spaniards, nearly 40 percent of the population, could be poor.

A new measure the government is preparing is a new pension reform that would dramatically increase poverty levels. Families in which pensions are the only source of income, have tripled since 2007, from 3 percent to 9 percent—some 420,000 households—and for many, represent the last barrier prior to destitution.

Despite this social catastrophe, the International Monetary Fund warned last week that Spain risks high unemployment for years to come unless its takes "urgent action"—in other words more labour reforms.

The IMF's mission head James Daniel declared, "The jobs crisis calls for a mechanism to bring forward the gains of structural reforms. That is why we suggest a mechanism, some form of agreement between employers and labour to accelerate hiring and accelerate wage adjustment."