# Spanish workers face years of mass unemployment

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9 January 2014

In a Christmas message, Spanish Prime Minister Mariano Rajoy claimed that 2014 "will be a better year, with more economic activity and growth. Next year, when I stand before you again, fewer people will be jobless in Spain and more will be working."

Rajoy acknowledged that "Since June 2007, the difference in the unemployment numbers for the corresponding month of the year before has been getting worse and worse and worse… But now, for the first time, in October this year, this trend changed, and there is less unemployment than a year ago. And in November, this trend has been maintained."

Such claims are nonsensical. Rajoy based his declaration on miniscule improvements in the economic growth rate and unemployment figures. He predicted a 0.7 percent growth in 2014 after a 1.3 percent economic contraction in 2013 and pointed to the fact that some 2,500 fewer people registered as unemployed in November out of the country's total of 4.8 million!

Rajoy's optimism does not wash with Spain's workers—as indicated by a video "No Job Land", that spread like wildfire through social networks before he made his speech.

Around 26 percent of the working population are without jobs and among the young the figure rises to over 55 percent. Long-term unemployment (more than 12 months) has risen from 19 percent at the end of 2007 to over 50 percent of the unemployed at the end of 2013. Nearly 40 percent of the unemployed receive no benefits.

Those who are in work have seen their wages slashed by over 7 percent in real terms since 2010 and their jobs made more precarious. More than three million Spaniards are in "severe poverty," surviving on less than €307 a month. The country has one of the biggest wealth gaps in Europe.

A December report from consultancy firm Price Waterhouse Coopers suggests that Spain's economy will not recover to pre-2008 crisis growth levels until 2033. Even if the economy grows about two percent a year, it will be nearly 20 years before unemployment reaches the seven percent figure of 2007. At a currently unimaginable 2.3 percent growth rate, unemployment won't fall below 10 percent until 2024.

At the end of last year, the European Commission (EC) criticised Spain for its continuing "economic imbalances" having failed six out of 11 indicators of risk—the country's real effective exchange rate, losses in export market shares, its net international investment position, high unemployment, public and private debt.

Public debt is nearly one trillion euros and is soon expected to exceed 100 percent of GDP, the highest level in over a decade, because of ongoing public deficits and the impact of the June 2012 €100 billion bank bailout. Private-sector debt is around 200 percent of GDP. Speaking to the *Financial Times*, Juan Rubio-Ramírez, professor of economics at Duke University, warned, "You are in uncharted territory here…When your debt is above 100 percent of GDP, it is very easy to come up with scenarios where debt really explodes."

The EC also warned Spain that it "falls short of the efforts recommended by the European Council, especially for 2014" in reducing its deficit-reduction targets, which have already been relaxed by two years. In 2010, the target was 10 percent of GDP, in 2013 approximately 6.5 and in 2014, 5.8 percent. The target for 2015 is 4.2 percent of GDP and in 2016 it is 2.8 percent.

The EC said tax rises and spending cuts made since 2010 have been insufficient to cut the deficit and demanded "further budget measures worth 35 billion

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euros to bring the shortfall in its finances back within the EU ceiling of 3 percent of GDP."

The EC makes no comment on its own responsibility for the crisis as a member of the troika along with the International Monetary Fund and the European Central Bank, which has dictated economic policy to Spain over the last several years.

The EC told the Spanish government that it would not impose sanctions for its imbalances, including a fine of 0.1 percent of GDP, but it would be reviewing the effectiveness of its reforms of the labour market laws and pensions.

The labour market reforms over the last two years and the growth in exports have been held up as the panacea for Spain's economic woes. Economy Minister Luis de Guindos made it clear the target was the impoverishment of the working class, declaring, "The [current] gain in competitiveness has been obtained not through currency devaluation but through internal devaluation, through a process of lowering unit labour costs" by making it easier and cheaper to fire workers and replacing national and sectoral collective bargaining agreements with factory level ones.

The Organisation for Economic Cooperation and Development (OECD) welcomed this assault, declaring in its "Review of the 2012 Labour Market Reform" last month that the reforms were a "significant step in the right direction… But further efforts…are still needed." The OECD complained that Spain's redundancy pay schemes were still too generous and have to be reduced, particularly in large companies.

The Popular Party government tried to sweeten the bitter pill of the labour reforms by claiming they would lead to greater job security, but only 7.6 percent of the jobs created in November were permanent contracts. In a year, there has been a loss of 298,000 permanent jobs and temporary contracts have increased up to 849,650, a third of which are part-time.

Until now, Spain's meagre recovery has been driven almost exclusively by rising exports, mainly in the automobile sector where Ford, General Motors, Volkswagen and Renault have upgraded their factories in Spain and transferred production from other countries such as Korea.

However, former Merill Lynch MD and Spanish government adviser César Molinas warns, "Companies are making a huge effort to export, mainly because they cannot sell any cars in Spain. This phenomenon has become known as deportation, rather than exportation; cars are being sold abroad sometimes at cost prices, simply to reduce losses."

Other economists are warning that exports are a fragile basis for recovery, given stagnant domestic demand. Retail sales are still one quarter lower than they were before the 2008 economic crisis.

Mario Armero, the vice-president of Anfac, the Spanish car lobby, explained, "Spain has become more competitive in the last five years. There has been wage moderation and in some cases wage decreases. And the flexibility is now much higher than in other sectors."

New employees at Ford's Valencia plant, for example, receive 16 percent less pay than older ones and have been employed on temporary contracts. Until recently nearly all car industry contracts were permanent.

The federal secretary of Spain's MCA-UGT metal workers' union, Mariano Cerezo, declared, "We are not afraid to make sacrifices as long as we can maintain jobs and secure pledges to create more work in the future."

Although some 2,500 new jobs were created in the automobile sector last year, some 100,000 jobs were lost in the industrial sector as a whole.

On January 1, a pension reform came into force that progressively cuts payments to Spain's nine million pensioners. The automatic increasing of pensions in line with inflation will stop and they will be calculated according to a new "sustainability factor" linking them to life expectancy. The longer people live, the smaller the monthly payment will be.

According to IESE business school professor Javier Díaz-Giménez, the real value of a €1,000 monthly pension could fall to less than €500 by 2050 under the new rules. A wide-ranging reform of Spain's tax system is planned for early this year.

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