Outcome of the labour law reforms in Spain

Ramón BAEZA-SANJUÁN
Director of European Studies

5th Annual TURI Conference
21 – 22 March 2013, Rome
SUMMARIZING LABOUR LAW REFORMS AFTER THE ONSET OF THE CRISIS

- Royal Decree 10/2010 on urgent measures to reform the labour market
- Royal Decree 7/2011 on urgent measures to reform collective bargaining
- Royal Decree 11/2011 on urgent measures to promote youth employment
- Royal Decree 3/2012 on urgent measures to reform labour market
Redundancy is easier:

- **Fair (objective) dismissals**: production, organisational, technical or economic reasons.

- **Collective dismissals**: previous administrative authorisation is eliminated.

- **Individual dismissals**: worker’s absence up to 12 days in 2 months or 34 days in a year even due to health reasons.

- **Public employees**: can be fired for economic, technical, organisational or production reasons.
Redundancy is cheaper:

- **Fair (objective) dismissal**: compensation reduced to 20 days wages for every year worked up to a ceiling of 12 monthly salaries.

- **Unfair dismissals**: compensation reduced from 45 days wages for every year worked (up to a ceiling of 42 months’ salary) to 33 days (ceiling of 24 months’ salary).
The right to collective bargaining is seriously degraded:

- Employers are allowed to unilaterally change or not to implement collective bargaining agreements in matters of wages, working days, working hours, shifts, tasks and other working conditions.
- The RD provides for compulsory arbitration and puts an end to the validity of all the conditions of an agreement (ultra-activity) two years after it expires.
- Individualisation of labour relations.
- Absolute preference to in-company agreements over industry-wide agreements.
More precarious employment contracts:

- New contract “support for entrepreneurs”
- New 3 years “training” contract
- New part-time contracts
- Unemployed people can be in charge of public services
Labour law reforms in the framework of austerity policies:

- Heavy budgetary cuts in welfare policies (health, education, unemployment benefits, pensions…)
- Heavy budgetary cuts in other public policies (R+d, infrastructures, culture…)
- Collective dismissals and salary reductions for public employees
- Increase of TVA or income taxes (state taxes)
- Increase of local and regional taxes
- Amnesty for “black market money” holders
- Increase of electricity, transport or water supply services prices.
OUTCOME OF LABOUR MARKET REFORMS + AUSTERITY POLICIES
ECONOMIC GROWTH: recession due to lack of domestic (private and public) demand

European Economic Forecast – winter 2013
Sharp increase of public debt and slight decrease of public deficit due to low incomes not to high expenditure.
Unemployment: the real crisis

Labour Force Survey (EPA) IVQ 2012

Registered unemployment
Unemployment

- 2012: + 850,000 (+13.5%) unemployed which 219,000 public employees.
- 3.5 million long-term unemployed
- 927,890 immigrants (2011-2012)
- 2013: coverage rate of unemployed receiving unemployment benefits: 64.46% (-12% 2011)
## Unemployment

<table>
<thead>
<tr>
<th>GDP / EMPLOYMENT</th>
<th>2009</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP variation</td>
<td>- 3’7 %</td>
<td>- 1’4 %</td>
</tr>
<tr>
<td>Employment variation</td>
<td>- 1.211.000</td>
<td>- 850.000</td>
</tr>
<tr>
<td>Employment/ GDP</td>
<td>- 327.300</td>
<td>- 607.140</td>
</tr>
</tbody>
</table>

Higher ratio GDP / job destruction
Wages and salaries

- Declining wage share in national income
- Yearly unit labour cost (02.2013): -5’8%
- Drop in wages higher than statistics show
- Drop in wages but increasing inflation
Poverty and inequality

Living Conditions Survey – National Statistic Institute

- 21’1% of people at risk of poverty
- 12’7 % of households very difficult to make ends meet
- 40 % households can not afford unforeseen expenses
- 44’5% households can not afford one week holidays out of home
- 15% population are poor workers
Other consequences of the reforms:

- Labour and social conflicts: 910,000 days of strike (2012), 378,500 (2011)
- Deterioration of quality of democracy
- Lost of confidence in the EU
CONCLUSIONS
Outcome of 3 years of budgetary cuts and labour market reforms:

- No economic growth
- No substantial deficit reduction
- No substantial spread reduction
- Increasing productivity due to job destruction not to better procedures or innovation
- Company margins go to debt reduction and profit-sharing not to new investments
- Internal flexibility (lower salaries and working conditions) + external flexibility (dismissals)
- Sharp increase of unemployment and precarious jobs
• 55 bn. € transferred from labour incomes to business incomes since the onset of the crisis

• “Spain is in the right track”
Van Rompuy, Durao Barroso and Olli Rehn (2012)
Thanks

rbaeza@ccoo.es