

THE 'SOFT SIDE' OF EMPLOYMENT POLICY AND THE SPANISH EXPERIENCE

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1. 'Hard' and 'soft' sides of employment policy¹

Spain keeps facing a very serious problem of infra-utilization of her human resources, with extraordinarily high rates of unemployment. About one fifth of her working population is either unemployed, or employed in jobs which pay neither taxes nor social security. This seems to be in frank contradiction to the aim, which Spain claims to have, of being a modern country and a civil or civilized society made up of free citizens who show solidarity with each other, and who have an economy able to grow and compete in open markets within a legal framework. Still, this inconsistency has been maintained most of the time since Spain became a democratic country in the late 1970s or, at the very least, since the early 1980s.

I shall focus on some of the aspects and dimensions of the Spanish unemployment problem, and concentrate on the period from the early 1980s to the second half of the 1990s. I shall avoid discussion of the 'hard' side of employment policy, namely, of economic policy. Though I feel inclined to believe that without a mix of economic policies that include a greater degree of flexibility in the labour markets and a profound revision of the welfare state the Spanish unemployment figures cannot and will not be substantially reduced, this is not the subject that interests me here. Instead, I shall concentrate on the 'soft' side of the employment policy, and on those social, cultural and institutional aspects which provide the background for economic policy proper, and which, I suggest, may have the most profound effects on the evolution of employment in the long term. I shall examine five topics: education, occupational training, unions and public opinion, business culture, and some aspects of what we may call the social construction of the problem of employment with a view to emphasize the themes of employability, fairness and transparency.

In terms of the seriousness of the unemployment problem, the Spanish case stands out among (most) continental European countries, which (with exceptions) compare badly with the employment performance of the United States or

Japan. From 1973 to 1995, the United States was able to create 41.6 million jobs (49% increase), though it has kept down real wages, while Europe did only manage to create 17.2 million (13% increase), of which around half were in the public sector.²

Spain is the extreme case, within the continental European context, of a country that has been almost incapable of creating any net employment at all in the last few decades. As regards the gravity of the problem in Spain, it may be enough to remember that it has been only in the first quarter of 1998 that Labor Force Survey employment levels have managed to match the previous maximum of 1973/1974: 12,9 million workers.³ That is, no net employment, so to speak, would have been created in twenty five years, in spite of a population growth of around 10%.⁴ In fact, private employment went down while employment in public administration went up (from 7% of the workforce in 1973 to 15.6% in 1997; or from 11.3% of salaried employees in 1973 to 20.5% in 1997).⁵ On average, unemployment in Spain in the last decade and a half (which peaked at 24% of the labor force in 1994, and amounted in 1997 to 20,8%) has tended to be double that of the European Union, and triple that of the United States or Japan.

²See OECD (1996: 461); *OECD in Figures* (Web edition at <http://www.oecd.org>); Krugman (1994); and Krueger (no date).

³Employment figures are discussed in Spain, especially because they vary according to the source. For instance, total employment in 1997 was of 13,25 million workers according to National Accounts but only of 12,93 according to the Labor Force Survey (and the distance was larger in former years). Figures and percentages for total labor force and for unemployment also vary. Alcaide (1998) is the most recent (and probably most serious) attempt at reconciling these figures (taking also into account estimations of underground employment). For him, total employment was of 14.2 million in 1997 (1.5 millions more than the estimation of the Labor Force Survey) and unemployment would account for 15% of a slightly larger active population.

⁴See García Perea and Gómez (1994), *Fundación FIES* (1985), *Boletín Mensual de Estadística*, 70, October, 1997.

⁵Labor Force Survey data from García Perea and Gómez (1994) and INE (Instituto Nacional de Estadística; National Statistical Institute), TEMPUS Database (Web site: <http://www.ine.es>).

¹An earlier version of this article was debated in the "Business and Civil Society" Seminar in Madrid, in 1995. I thank Juan Carlos Rodríguez, of *Analistas Socio-Políticos*, Research Center, for his thoughtful and most careful assistance in updating and revising this article.

Unemployment is even higher among young people (50.9% of those under 20, 35.5% of those between 20 and 24) and women (28.3% in 1997, compared to a male unemployment rate of 16.0%); there is a large percentage of long-term unemployed (in 1997, 55.5% of the unemployed had been looking for work for more than a year), and considerable regional disparities should be also taken into account (Andalusian figures of unemployment, for instance, go beyond the mark of thirty per cent of the labor force: 31.8% in 1997).⁶

Though the complexity of the causal factors operating on this state of affairs is enormous, public debate has tended to be focused on matters of economic policy. Even though the partisan debates have tended to dramatise and blur the lines of the arguments, underlying those debates a consensus of sorts was somehow reached in the early nineties around what we may call a mainstream or prevailing discourse. Let us notice, however, that the discourse may be labeled 'prevailing' with an important proviso, namely, that it is supposed to 'prevail' in theory, and only in part, because it is supposed to be too risky to be put fully into practice. With this caveat in mind, we may well use the expression 'prevailing discourse' (tongue-in-cheek so to speak) as it became accepted by a wide range of economic experts and employers, as well as by politicians across the spectrum from, *grosso modo*, the center-left to the right, and (in private talks) by some unionists. This discourse comprised a diagnosis and a repertoire of measures,⁷ of which some addressed major macroeconomic balances and others included moderate incentives for increasing supply.

On the one hand, it has been proposed to restore macroeconomic equilibria so that the economy would enter a period of sustained growth and productive investment increases. Control of inflation and the public deficit is deemed essential as the only means to achieve a reduction in the interest rate differential with neighboring countries in order not to discourage private investment, the

enormous fall in which was the immediate cause of worsening unemployment in the early 1990s. This discourse only occasionally includes a systematic examination of monetary policy, and particularly on the crucial issue of aligning the currency of each European country with the German mark. In fact, alignment has brought with it high interest rates and contributed to curbing growth and employment, and the desirability of alignment is generally accepted, or taken for granted, as part of a political commitment to the European monetary system (and later to the European Monetary Union). So far this discourse has been somehow vindicated by the economic policies of the Spanish government and the actual performance of the Spanish economy between 1996 and 1998. Other parts of the discourse, however, remain unrealised. Thus, the discourse went, and goes, on to insist on the convenience of a sensible, predictable fiscal policy (self-regulated by clear, easy-to-keep rules), which should reduce public social transfers, and should imply a mild revision of the welfare state.

On the other hand, the discourse has suggested a variety of general, indirect measures of support for enterprise and therefore, presumably, for employment. It states that public administrations have to formulate clear and procedurally simple rules for the establishment of new firms. The fiscal burden on companies must be reduced by cutting their social security contributions and avoiding double taxation, while resisting the temptation to compensate for loss of income with indirect taxes. In line with the recommendations of international agencies as well as domestic institutions (such as the *Tribunal de Defensa de la Competencia*, Agency for the Defense of Competition),⁸ it maintains that the liberalization of many services (many of which are public monopolies) should be speeded up, not only to reduce costs to business and keep down inflation, but to open up spaces or opportunities for enterprise and employment in the productive sectors with the brightest future. The discourse went on to state the need for open and serious debate on the welfare system, to ease the transition to a situation in which Spaniards would come to appreciate the limitations which

⁶Labor Force Survey Data in *Boletín de Estadísticas Laborales*, 151 (March) 1998; see also Blanchard and Jimeno (1994).

⁷Examples of this discourse, with variations, can be found in Fuentes Quintana, Valle and Alcaide (1993); OECD (1994: 57-91); Blanchard and Jimeno (1994) and Banco de España (1994).

⁸See its reports: *Remedios políticos que pueden favorecer la libre competencia en los servicios y atajar el daño causado por los monopolios* (Tribunal de Defensa de la Competencia s.f.) and *Informe sobre el libre ejercicio de las profesiones* (Tribunal de Defensa de la Competencia 1992).

demography and the international economy impose on this system (Herce 1994 and 1995; Barea *et al.* 1995); and it insists on the need for continued pressure to bring in measures for the institutional reform of the labor market that would curtail the generous system of unemployment subsidies (and thus disincentivate living off unemployment), eliminate rigidities, and allow companies to adjust more easily and less traumatically to the changing conditions of international competition, technical progress, and local economic conditions. In fact, several (rather timid) measures which have been implemented in accordance with this discourse in the last three to four years have helped to reap better fruits of the present growth wave in terms of employment.⁹ A GDP increase of 3.4% in 1997 allowed employment to grow 3%, while in the 1980s, GDP growth below 4% never yielded employment increases over 3%.¹⁰

Even if one accepts the main outlines of this discourse (and regards recent employment trends with optimism), it is clear that these measures may alleviate the problem of unemployment but do not guarantee any large scale creation of sustainable employment in the long term (particularly skilled employment), nor even the creation of sufficient jobs to bring unemployment in Spain down to a relatively acceptable level (such as the average level of OECD countries). This would require other complementary measures, among which working time reduction cum job sharing and employment subsidies are commonly discussed, together with the reduction of unemployment benefits.

Working-time reduction plus job sharing may be of interest in specific cases and in the context of company-level bargaining, but any generalization appears to suffer from a number of drawbacks. Apart from its likely repercussion on unit labor costs, it would probably make the adjustment between the supply and demand for highly-skilled or semi-skilled labor more difficult, and it would inhibit one of the critical factors for economic growth (and freedom) which is people's initiative and effort to excel. However, an indirect means of job sharing on a voluntary basis, which may minimize these drawbacks, could be provided by

⁹Brief accounts of these reforms can be found in the corresponding sections of the OECD reports on Spain and, in a wider international context, in OECD (1997a).

¹⁰INE, TEMPUS Database; Banco de España (1997).

an increase in part-time work. Indeed, a large share of part-time work may one of the reasons that explain the Dutch relatively good employment performance in the last decade and a half. In the Netherlands, part-time employment accounted for 37.4% of total employment in 1995, while in the European Union it only reached 16.0% and in Spain it was reduced to a meagre 7.5% (Commission Européenne 1996: 147, 152, 157). Yet, new legislation on part-time work in Spain has led to a significant increase in the annual number of part-time contracts signed (which is slowly beginning to show in the percentage of the employed population on a part-time basis).¹¹

Working-time reduction on annual and not just on a daily or weekly basis could also help while allowing employers to make a more efficient use of labor (Marin 1998). Such is the claim of the main association of Spanish employers (the CEOE), which would only accept to negotiate time reduction and restructuring plus job sharing on an annual basis. Up to now the main unions (UGT and CCOO) have resisted to share the initiative, choosing rather to cling upon the "35 hours week" motto, though they seem a little more flexible towards the employers' claim not to impose working time reduction and job sharing by law and leave it better to sectoral or firm-level bargaining.¹² Employment subsidies (which, to a large extent, could substitute the prevailing unemployment benefit) might be helpful (Scharpf 1994). However, it should be remembered that, in the long term, such measures could be counterproductive if they led to an increase in the state-controlled sector of the labor market, or if they led to an increase in protectionism of the national economy. Another indirect way of introducing an employment subsidy policy may be to reduce taxes and/or social welfare payments on some sectors of the workforce (for example, young people, the long-term unemployed or less skilled workers). Finally, an increasing number of economists agree that the single best explanatory factor behind higher unemployment rates is the generosity of unemployment payments (both in

¹¹The percentage was 7,4% in 1995, 8,0% in 1997, 8,1% in the first quarter of 1998 (INE, TEMPUS Database).

¹²A short summary of the government, the employers and the unions' respective views in *Observatorio de Relaciones Industriales*, 2, December 1997.

terms of its level and duration).¹³ In the Spanish case, the evidence points to the relative generosity of unemployment benefits as the main cause behind Spain's much poorer employment performance as compared to that of Portugal (Castillo, Dolado and Jimeno 1998).

At all events, the creation of a context appropriate for the those adjustment policies (and the complementary labor market reforms) requires consideration of other factors, a sustained effort over a considerable period of time, and a temporal perspective, as they are problems rooted in the past and the solutions to them will necessarily extend far into the future. This brings me to the importance of the following factors: education and occupational training as factors affecting the capacity of the economy to adjust to conditions in a changing, competitive, uncertain environment (that is increasingly determined by a capacity for technical and organizational innovation in the productive system) and, therefore, for determining the quantity and quality of the jobs available; unions and public opinion as factors of crucial importance when formulating and carrying out rational economic policies that further the creation of 'sustainable employment' in the long term; the corporate culture of employers or managers, who remain the main motors for creating employment; and the exploration of alternative ways of formulating the problems.

2. Education, innovation and sustained employment

Civil society and an open economy need a particular type of education system which contributes to the formation of free, responsible individuals, capable of being both citizens and professionals (employees or employers). For this a labor force is required with growing professional abilities to be shaped by the forces of innovation, mobility and an adequate education system.

It seems clear that, in Spanish society, an ability for technical innovation is either scarce or allowed limited outlets. This is partly due to the weakness of support for science and technology from either state or society over a long period, in spite of the fact that the theoretical importance of innovation for improving the competitiveness of companies

(and the employment rate) in the country is universally recognized.

The close relationship between innovation and the export of manufactured goods and services is a known fact. However, the majority of Spanish-owned firms have tended so far not to be export-oriented, and for them exporting has usually been seen as a temporary expedient with which to alleviate or compensate for difficulties in domestic demand (González Olivares 1985); hence the most significant items of export belong to subsectors which are dominated by multinational firms (Martín y Velázquez 1993a and 1993b). There are, however, some recent indications to the contrary (see: Durán Herrera, ed. 1996). At the same time, Spanish indicators of technological research and development (R + D) show that, even if the share of investment in R + D of GDP has risen in relation to past figures, it continues to be very low compared to that of our immediate neighbors. It is considerably less than half the average of the United Kingdom, France, Germany and Italy (0.93% of GDP in Spain, 2.19% in the U.K., 2.38% in France, 2.33% in Germany and 1.19 in Italy; 1994 OECD data) (Fundación COTEC 1997: 133). Partly as a result of this, our buying-in of foreign technology accounts for a high percentage of domestic production. In fact, if we take technology to include royalties and technical assistance, we import 0.55% of GDP; almost twice the average of the United Kingdom, France, Germany and Italy (0.32% in 1992) (Fundación COTEC 1997: 137). The difficulty in overcoming this state of affairs in the short term is illustrated by what has happened in the field of electronics and computing in the last about fifteen years. Even though domestic production levels of computer technologies have risen, given that the level of consumption has risen much faster, the trade deficit has in fact increased (suggesting an increasing loss of competitiveness on the part of the Spanish electronics industry: Alonso Zaldívar y Castells 1992: 190).

In general terms, what seems to be lacking is an environment with an institutional framework, public policies, an educational system and public opinion all favorable towards scientific and technical developments and their application in industry. It is worth pointing out the near absence of a network of institutions and practices which ensure the link between scientific development and its application. While in the last twenty or twenty-five years an effort has gone into developing basic

¹³See, for instance: Jackman, Layard and Nickell (1996); Hassler *et al.* (1998).

science, and a recognized group of scientists residing in this country have established relations with the international community, however, no fluid, systematic connection has been established between basic science and applied technical research (which allows "laboratory models" to become "industrial prototypes"). This is due to a number of causes including a lack of interest on the part of companies themselves, an erratic scientific policy, defective local traditions on the part of the scientific community, and university structures which are not designed to foster a culture of open, continuous communication either internally or in their external relations.

At the same time, Spaniards seem so far disinclined towards either functional or geographical mobility. By this I do not refer to the extreme of emigrating abroad in search of work, which innumerable Spaniards have done at different times in their history. I refer simply to their current unwillingness to move house in the ordinary way as a function of job opportunities within the country. This unwillingness acts as a brake on personal promotion, particularly at a time when we live in an economy in which jobs are becoming increasingly insecure, and in which the life cycle of professional skills tends to diminish. In turn, both functional and geographical mobility require individuals to have received a sufficiently solid educational foundation for them to lose their fear of moving, and to open up a whole range of opportunities of both job options and places of residence. This is why low mobility can be (partially) interpreted as a sign of an insufficient educational base, although it does not depend solely on the educational factor. Other factors include, primarily, conditions in the housing market the influence of family networks, and, especially, interregional redistributive policies, which in fact have considerably increased family income in regions (such as Andalusia, for instance) with high rates of unemployment.¹⁴

More in particular, the Spanish educational system does not seem to be providing a set of generic skills increasingly required by the present economic conditions. Included are the skills required for reasoning and communicating, for processing information and for associating with

people by applying the game rules of relatively flexible organizations, for learning and for adapting to continuous change. These skills form the basis of habits of attention, precision and self-discipline, which are necessary for the development of the specific skills required for mastering specialized areas of professional theoretical and practical knowledge. All the generic skills can and should be taught within the school system (Pérez-Díaz 1987: 315ff.) but not exclusively. Formal education is only one of the educational processes at work in a country; it is not even the main one, since other institutions, like the family, the local community, the church, the workplace, political parties, unions, the 'street' and the media all may have educational effects which are, at times, extraordinary. The tendency to overrate, and to overprovide the means for, schooling is a phenomenon of the last about 150 years, closely related to the obsession for qualifications. It is accompanied by the indefinite prolongation of formal education, which artificially reduces the figures for the labor force (employed or unemployed), and inflates student numbers. In other words, the argument in favor of "better" schooling is no argument in favor of "more" of the same. By the same reasoning, evidence of a better educated population is not conclusive proof of better schooling: it may be the result of changes in the lifestyles or institutions of a country, and of an increase in external communication.

In the last forty years, the Spanish education system has undergone a series of reforms which were, rhetorically, profound and radical but were, in fact, incremental and ongoing, such as reform of the *bachillerato* in 1953, the General Law of Education in 1970, the Law of University Reform (LRU) in 1983 and the Law of General Ordering of the Education System (LOGSE) in 1990. The final results of this experience seem to have been mixed and relatively modest, at least from the perspective of developing the generic skills I have just mentioned. Among the positive results, we should include a quantitative increase in student numbers, the supply of teachers and the creation of new centers, making formal education accessible to practically all Spaniards. The numbers enrolled in primary education rose from 3 to 4.1 million between 1963/64 and 1995/96 (with a peak of 5.6 million in 1982/83); what was almost half a million students in secondary education in 1959/60 had risen to 1.8 million in 1995-96; and the approximately 60,000 students enrolled in university faculties and colleges in 1960/61 rose to

¹⁴In fact, (low) net migration takes place from high income to low income regions and the migrants tend to be qualified workers in short supply in the latter regions (Bentolila 1997).

some 1,2 million in 1995/96, which, adding the figures for all types of technical schools, make up for 1.5 million university students, or about 25% of the Spaniards aged 18 to 24.¹⁵ Efforts have been made to supply teachers and professors to meet this enormous growth in demand but there has usually been a certain amount of delay. Nevertheless, we are talking about millions of students and hundreds of thousands of teachers devoting an extraordinary number of hours of their lives to being in and working in our institutions of education. But what are the returns from this immense investment in hours of schooling? We cannot be sure, but it is disturbing that the country does not usually tend to think there is a problem, in spite of the signs which point to a lowering or relaxation of the standards of functioning and results in schools.

Firstly, although the failure rates in primary education have dropped over the last decade, percentages approaching 25% of students who fail to achieve the qualification of '*graduado escolar*' (school graduate) leave Spain trailing behind Western European standards (CES 1995: 333). The percentage of students in general secondary education that have not passed a course and thus have to repeat it has remained high in the last 10 years (around 16% in the three first years of high school and 19% in the pre-university course, with a trend to rise, both in private and, especially public schools, where the latter percentage increased 7 points to 26,5% from 1985/86 to 1995/96).¹⁶ Conversely, recent studies show teenagers' poor results in basic (language and mathematical, among other) skills; for instance: more than 75% of 16 year old students fail to understand abstract ideas in an informative text; 48% cannot write a short (and simple) story which is not confuse and incomplete; 14 year old students make a mean of 7 tilde ortographic errors in a text of 71 words (INCE 1998: 85, 91, 32).¹⁷

Secondly, the failure rates are calculated for an educational system which, in the last thirty years,

¹⁵The data come from Fernández Enguita (1993a: 305; and 1993b: 368) and CES (1997: 407).

¹⁶Ministerio de Educación, *Estadísticas de la enseñanza en España*, 1996.

¹⁷Moreover, Spanish students do not fare very well in international comparisons. For instance, according to tests carried out in 1994/95 by the International Association for the evaluation of Educational Achievement, ranked 23 (of 26 countries) in maths proficiency of 13 year old students (CES 1997: 405).

has reduced the exams and filters between its different levels and made it easier to 'move up' to the next year;¹⁸ it has also reduced the number of hours devoted to subjects previously considered dull but essential (latin, for example), and apparently devotes less time than its European counterparts to the teaching of the national language.¹⁹ All this suggests that quality standards have gone down or are being very loosely applied.

Thirdly, the low quality of some university degrees in the state system has forced parents, undergraduates and graduates to look to universities in other countries (where some students remain to carry on a professional, research or teaching career) or to new private centers in Spain, and has led to the proliferation of (more or less serious) Master courses of all kinds. Fourthly, in some cases, in which research has been carried out into the grammatical and linguistic competence of university students, the results have revealed extremely high levels of orthographic or lexical and morphological errors; numerous errors of accentuation; an overall monotony and poverty in the lexical resources employed; frequent basic errors of grammatical agreement in the use of verb tenses and moods; and in almost all the exercises, some incident involving "the total collapse of the code" (García Suárez and González Escribano 1987). Finally, against this background it is not hard to understand the evidence of unease at the low quality of teaching which is published periodically by both the general and the specialized press, from teachers worried by the drop in standards, and also from the results of surveys among primary school teachers (who complain of their own training),²⁰ graduates themselves (in some cases) and employers, over the last decade.

In summary, the question of quality in education is fundamental because the sustained employability of the Spanish population in the conditions of a modern economy depends upon it; it is also disturbing, because the above cited indicators suggest that the quality is deficient as

¹⁸For reforms prior to the LOGSE in 1990, see Torres (1988).

¹⁹*El Mundo*, 26th May, 1998.

²⁰For example, a survey of a sample of primary school teachers in Madrid showed that 47% considered their scientific training, and 58%, their pedagogical training, to be inadequate (45% and 34% respectively, considered them adequate): *El Mundo/Campus*, 13th April, 1994.

regards the development of the generic skills, the tacit knowledge and the habits appropriate to a culture of freedom, individual initiative, the acceptance of risk or the ability to work in a team. From this point of view, it should be said that many of the usual debates on the topic of education are hopelessly out of focus due to a general tendency to concentrate on either the problems of power over, or control of, the education system by social or political agents, or problems of financing.²¹

3. Vocational training

The vocational training of workers has always been one of the most serious and longstanding problems of Spanish society. In the last five or six years it seems to have been recognized as such. A large part of public discourse on the problems of unemployment and competitiveness in the Spanish economy points to defects in the training system as one of the most important causes of both the lack of adjustment between supply and demand for skilled labor, and the difficulties of adapting themselves to technical, organizational and product changes encountered by Spanish companies. Although this is quite rational, let us not forget that this discourse is very recent, and the voices raised against the system today have been living with it in silence for many years. Furthermore, in the period of economic growth in the eighties, many employers did not seem to find much difficulty in taking on workers; in fact, only a small number of jobs remained unfilled due to lack of qualifications (Jimeno and Toharia 1992: 100). Were better or different qualifications not demanded because technology and organization had changed so little? Or had the changes not taken place because there was no chance of finding qualified personnel? Or were posts perhaps filled with underqualified staff, leading to loss of productivity or the time/cost of training on the job as the price to be paid? The scarce evidence available points to a significant educational mismatch in the Spanish labor market and to potential productivity gains from its reduction (Blanco 1997).

This is not the place for a history of vocational training in Spain; but a brief résumé will reveal the

generalized lack of interest of social and political forces (and public opinion) in this question, except for a period in the late sixties/early seventies and now (see Pérez-Díaz and Rodríguez 1995), in regard to both the 'long cycle' and the 'short cycle' versions of that training.

The long cycle of *formación profesional* or vocational training of adolescents in schools over several years was, from the outset, designed as lower quality secondary education for the children of families with fewer economic possibilities and/or less ambition to move up the social scale. It has remained this way for decades. Only recently have ideas been taking shape for profound alterations to be made to this institution. Between 1992 and 1993 a three-year plan of reform was passed (see *infra*),²² with the support of organized social agents, and a successive new agreement was signed in due time, but has only given birth to the corresponding new Plan in February 1998.

Short cycle occupational training has been the object of uneven and, as a whole, insufficient efforts by the state; and, with a few notable exceptions, generally little effort by employers. As regards state action, there was an experiment with "accelerated occupational training" of high quality, but only for a very small minority, in the late fifties; more importantly, there was an experiment with "intensive occupational training" during the mid-sixties and early seventies carried out by the PPO or Program for Workers' Professional Promotion (Pérez-Díaz 1972). The PPO was a response to the need for providing the hundreds of thousands of people from a rural environment with the basic skills required for their transfer to construction work, manufacturing and tourism, and to the need for many thousands of farmers to use and maintain new agricultural machinery. It offered many people a semi-professional qualification provided by courses of some 100/200 hours of training from mobile centers. But during the economic crisis of the mid-seventies (and the time of the democratic transition) the PPO became the INEM (National Institute of Employment), a body whose main objective became the distribution of unemployment benefits, which no doubt influenced though cannot entirely explain the fact

²¹Present public discourse on education matters in Spain, besides paying some attention to the need to revitalize Humanities studies in secondary education, centers upon the problems of financing the implementation of the LOGSE reform.

²²See Consejo General de Formación Profesional, *Programa nacional de formación profesional* (Madrid: Ministerio de Trabajo y Seguridad Social, 1993) and Ministerio de Educación y Ciencia, *Plan de reforma de la formación profesional* (Madrid, 1992).

that the numbers of students on training courses dropped dramatically from that time on. The expansion of student numbers in intensive occupational training in the late eighties was the result of financial assistance from the European Social Fund, complemented by the state administration and the contribution of 0.7% of gross salaries by employers. The injection of money has generated educational demand and supply. However, it appears that the quality of a large number of courses has been low; and that, in the case of the unemployed, the main function of the courses was not so much for training as for justifying subsidies which substitute the unemployment benefit for which they were no longer eligible. Short cycle occupational training has also been the object of plans for reform in the last five or six years (see *infra*).

Training activities in companies have been increasing steadily, so that the proportion of company expenditure allocated to in-house training as a proportion of gross salary rose from 1.2% to 3.5% between 1989 and 1992. However, expenditure continues to lag far behind the much higher expenditure in other countries of reference like Italy (5.2%), France (6.6%), the United Kingdom (6.7%), Germany (9.1%), USA (11.1%) and Japan (11.3%).²³ Furthermore, it tends to be training oriented towards senior job categories and is generally very short.

This brings us to the present plans for reform. Briefly, the long cycle training plan, slowly beginning to be applied, is characterized by the following. (a) Students aged 17 to 19 in middle grade vocational training would follow training cycles of 1,000/1,200 hours, of which 300/500 hours would be spent on practical experience in companies. Students aged 20/21 who had passed middle grade or *bachillerato* could apply to take higher grade vocational training (with a similar training cycle). This appears to be a (weak) variation of the German "dual system". (b) The study curriculum for vocational training has been elaborated by national, provincial and local commissions, made up of representatives of the administration, companies, chambers of commerce, business organizations and the unions, with their leaders and experts. It should be noted that by July 1997 the resulting system of

qualifications was still unfinished (CES 1997: 272) and that it will require flexible interpretation and continual up-dating. The effective functioning of this institution will entail an interesting experiment in coordination, with continuous collaboration between the administration, social agents and, above all, companies themselves; this is not easy to improvise and it will take time and energy to get the institution working successfully.²⁴ (c) Practical experience will take place in the workplace. This demands a large number of tutors or monitors to be available and is in fact the worst bottleneck in this kind of training (CES 1997: 273).

As for short cycle training, several processes have been taking place in the last years: the sensitization of public opinion on the matter; the widespread ill-feeling about courses for the unemployed which act as little more than the underhand distribution of benefits; the accumulation of substantial economic resources (via the European Social Fund and employers' contributions); the mobilization of leaders in the various public administrations, employer and union organizations, with the resulting agreements (and creation of institutional frameworks) whose effects are still unknown; and the extremely varied educational local (and regional) experiments undertaken by companies with or without union and/or government support.

The basic component of all these processes is the actual experiments being carried out in companies. To the extent that they are successful or not, and create positive or negative models of teaching and how to teach, they will provide criteria for the allocation of funds, they will reveal the coordination necessary between social agents, and they will constitute the true basis and *raison d'être* for agreements and public statements. To start off with, these experiments should take place within (or at least not be obstructed by) the framework of the tripartite agreement of December, 1992 between CEOE-CEPYME, UGT and CCOO. This agreement anticipated that it would be employer and union organizations which, by means of a joint foundation (FORCEM - the 'Foundation for Continuous Training in the Workplace'), would undertake short cycle training of employees, financed by part of the 0.7% quota

²³Harper and Lynch, *La formación en la empresa española en 1993*, and Ministerio de Economía y Hacienda (several years).

²⁴In the meantime, transition problems are lowering the number of students attending formal vocational training while increasing that of students following the general education way (CES 1997: 270-271).

paid by companies.²⁵ The agreement also anticipated the design and introduction of training plans for groups of small and medium-sized companies as well as the provision of financing and other resources for training plans for individual companies. In this respect, the special responsibility of large enterprises and those leading their sectors should be emphasized; as well as that of employers organized by sectors or regions (who, in some cases, have already shown remarkable initiatives).²⁶ Until 1996, FORCEM had financed an increasing number of training plans, covering an increasing number of participants (gross figures for 1996 accounted for 15% of the total salaried population this year; CES 1997: 254-255). FORCEM has been rather successful in fostering cooperation between firms, as the share of group plans increased from 30% in 1993 to 58% in 1996, and the number of participants in them rose from 200,000 to 640,000 (49% of the total). Yet, training has remained concentrated in high occupational categories and qualifications, as well as in male workers (CES 1997: 253-260). Moreover, while funding has increased sixfold, the number of participants has only tripled. With respect to the training of the unemployed, changes are also in course, the main one being the elaboration of a set of rules about a newly-born catalogue of Professional Certificates, but its implementation lags, so that courses designed along the new lines were expected to begin only in 1998. In the meantime, continuity in the actually celebrated courses seems to be the rule (CES 1997: 260-267).

Then, this is a time when the country has substantial economic resources available and a series of plans in the pipeline, but it unfortunately suffers from a lack of institutional and teaching expertise (including a weak tradition, muddled experiences and few internalized rules of interorganizational collaboration). Furthermore, the discourse on this subject, pronounced by the majority of leaders in the administration,

²⁵*Acuerdo nacional de formación continua (Madrid, 16 de diciembre de 1992)*. Madrid: CEOE/CEPYME. This agreement was followed by a second one signed in 1996 (CES 1997: 248).

²⁶Such as the one corresponding to the "Agreement for collaboration between the Department of Education, Universities and Research, the Department of Work and Social Security and the Basque Business Confederation-Confebask" of 14th June, 1990.

employers and the unions, requires careful analysis because it appears to reveal their intention of imitating the "German model".

The international debate on worker and manager training has usually revolved around different national models, one of which is the so-called German model. The German system of apprenticeship contracts and dual training has been linked to the success of the German economy, especially as regards her behavior in international markets, while the possibility of applying this system in the most diverse institutional contexts has many times been taken for granted. Many American, English, French and Italian experts, public officials, employers and unionists have praised the model in the past (see, for example, Piore and Sabel 1984; Dertouzos *et al.* 1989; Reich 1992; Albert 1992). Discussion in Spain has also been oriented towards this model; and it was very much to the fore in the preparation of the LOGSE and its alternating training system, and for justifying the reintroduction of apprenticeship contracts, which, however, entail a shorter period of time devoted to training than that of the Germans (Consejo Superior de Cámaras 1992).

No doubt the German model is interesting and there is much to be learnt from it. In addition, its analysis can be made in conjunction with a discussion of other topics such as (re)industrialization, the definition of long term strategies and the creation of cultures of trust. However, some words of caution are in order. Firstly the success of the system in Germany should not be overrated and it must be understood within a cultural-institutional context which it is not so easy to replicate in other countries. It has been part of a culture of meticulousness and precision, and of work well-done; part of a tradition of cooperation between social agents, all of whom are convinced of its necessity; and part of a tradition of the production of goods and services of high technical content, in particular in the industrial sector with, as a result, a large "stock" of monitors, supervisors and technical staff with a high educational level and professional qualifications. Secondly, it is not certain that what has worked so well until now will continue to do so in the increasingly uncertain and fluctuating conditions of the future. At this moment, there are those who believe that the German model has been very efficient in the training of blue collar workers for industry (for both mass production and diversified quality production) but not so efficient

in the training of staff for the service sector or the tertiary segments of industry in which the decisive factor is basic training, adaptability, the management and exchange of information, and dealing with people.²⁷ As a result, the American tradition of offering people an academic education and leaving specific training to the market and the workplace may turn out to be as, or even more, relevant for many purpose and tasks. Furthermore, the effectiveness of their model is problematic even in Germany. Many of the students whom it was expected would apply for vocational training are either going to university in increasing numbers or considering dual training simply as a means for university entry because they believe that they will have a better chance of a good job and working conditions.²⁸

Spain starts out in a very different situation with a very lightweight institutional background. So, it does seem sensible to start patiently building up a tradition of endeavors and experiments, accompanied by critical reflection and continuous debate, as the results will not be seen for at least ten or fifteen years, in the best of cases. It is possible to experiment with the plan for long cycle vocational training which has been introduced in the last five years. Experimentation would have to follow certain criteria: attempting to make training as flexible as possible; reinforcing basic skills; catering for the specialized knowledge which is required by what is, increasingly, a service economy and an industry in which the tertiary components are more and more important; and recognizing that we have a deficit in the stock of available monitors which cannot be made up overnight.²⁹

Naturally, in an experimental context, companies might be persuaded to take the lead in endeavors at vocational training (in the practical experience for both long and short cycle courses), as much by reason of their need for legitimacy in

²⁷See, for instance, Kutscha (1995). Similar doubts began to surface in the early 1990s concerning the typical Japanese model as regards white collar workers and the service sector in general (Hori 1993).

²⁸See *The Economist*, 12th March, 1994, pp.21-28. In the 1960s, only one third of secondary students attended the Gymnasium, the direct path to University; today, about two thirds follow this way (Kutscha 1995).

²⁹On the problem of the 'stock' of monitors with reference to the comparison between Germany and England, see Rose and Wiganeck (1990).

the face of public opinion as by the requirements of economic challenges (demonstrating how only an active policy of vocational training would be consistent with an active policy of technical innovation and human resources). This points to a redefinition of the company as a place of learning (Streeck 1992). In turn, however, such a redefinition allows development of the experimental approach, which is essential. In a world undergoing continual transformation, any system of vocational training has to have a degree of flexibility only achievable by means of local experiments which are the responsibility of local firms and social agents. Global, national or regional institutional frameworks have only to facilitate the experimentation and the diffusion of successful experiments.

4. Unions and public opinion

The public and private interventions possible in the fields of education (and innovation) and vocational training already analyzed would complement the public policies of an economic nature necessary for stimulating economic growth in the long term. However, these interventions, as well as the policies, need to be supported by approval from the general public, employers and the unions (without mentioning political parties and such diverse cultural agents as the Church, academics, the media and others). Let us examine the problems which the unions have, and which they cause, in this respect. The unions face big difficulties in coming to terms with a necessary change in mentality which forces them to break with habits and perceptions that have been deeply rooted in the traditions of the workers' movement over the last thirty or forty years.

During this time, the Spanish unions have accumulated a set of complex experiences which they have generally tended to interpret as if it corroborated their strategic trajectory; partly, no doubt, because they consider that, as a result of this, they have offered valuable service to all their members (in the form of job security and increases in real wages for some wage-earners, and pension increases, for example), and they have given valuable service to the country as a whole, contributing to the introduction of democracy, social cohesion and even the legitimation of the market economy. But, over the last fifteen to twenty years, their experience has become increasingly contradictory, their path ahead less clear and their uncertainties more numerous

(Pérez-Díaz 1993). Now, in the second half of the nineties, the unions find themselves in a situation in which, merely to survive, they must successfully overcome the challenge of understanding and adapting to the present conditions of advanced capitalism. Outstanding among these conditions are the definitive internationalization of the economy (particularly for industrial products and financial services), and the fact that international competition involves a kind of dual competition in both the cost and quality of products from, for example, South-East Asian countries which are capable of competing on both fronts with increasingly wider ranges of products. All of this appears to be leading national economies in the direction of a dual labor market in which, in simple terms, there is one segment with low wages and low qualifications, and another with higher salaries and better qualifications, with more or less broad transitional zones between the two.³⁰ Even though neither the Spanish unions nor those of many other countries appear to have accepted this definition of the situation willingly, we must take notice of some incipient changes in their attitudes and behavior.

In fact, unions do depend on the state and the political class as regards their resources (especially in terms of funding, most of which comes directly from taxes) and legal advantages. In turn, their dependence on human and financial resources and legal privileges forthcoming from the state and the political class acts as an incentive for them to decide that their interests lie in maintaining the statu quo, thus reducing their ability to adapt. However, an increasing number of unionists have begun to realize that they can no longer count on 'natural allies' among politicians, such as the social democratic parties had always seemed to be until recently. Experience seems to show that if the unions continue to think and act in terms of 'natural alliances' of this nature, they may find themselves in a deeply frustrating situation when these 'allies' actually come to power, face up to the realities of government in present international circumstances and, as they usually do, disregard the unions.³¹

³⁰Relative dualism, not to be confused with the multiple segmentation of, for example, the Spanish labor market (Pérez-Díaz and Rodríguez 1995).

³¹In Spain, the last decade have witnessed movement in this direction. UGT distanced itself clearly from the governing PSOE (Spanish Socialist Party) in

At the same time, the achievement of union autonomy should involve a considerable and continuous effort on the part of the unions to increase their membership and improve their credibility with the non-affiliated workers whom they represent. First of all, since the rate of unionization is very low they must try to attract a larger number of members, who will actually pay their dues, among whom there are a sufficient number willing and able to become local leaders and militants. In this regard, the unions seem to have managed to stop and tentatively start reversing the trend towards lower union rates. In the late 1980s, union membership remained stable around 15% of the total salaried population (from previous higher levels).³² In the second half of the nineties this figure could be around 20%.³³ In any case, these figures suggest a weak level of commitment, and even this may have to be interpreted downwards as it is probable that a large part of union members do not pay their dues.³⁴

At the same time, the unions have to do something about their potential 'crisis of representation' among their social bases. It is true

1987/1988 and took part in the anti-government general strike of 1988. Since then, distance has been mostly kept, with ebbs and flows depending on the financial and succession fortunes of the union, which has made ambiguous displays of political autonomy from the PSOE when the party has called on electoral support. The growing pluralism among the leaders of the CCOO has caused a rift between them and the PCE (Spanish Communist Party) (and the PCE-led coalition IU - United Left) with frequent friction between the two organizations.

³²According to Jelle Visser's data published by the OECD, the affiliation level of Spanish wage-earners was 27.4% in 1977 and fell to only 11% in 1990, the lowest in the OECD after the French (9.8%). In almost all OECD countries affiliation dropped in the eighties, except in some Scandinavian countries. See OECD, *Employment Outlook*, June, 1994, referred to in *Instituto de Estudios Económicos. Documentación*, 22 September, 1994.

³³Recent surveys point that way. One carried out in October/November 1997 on a sample of 2,010 wage earners cast a unionization rate of 22% (Fundación BBV 1998: 95). A 1996 survey directed by myself as part of a study on attitudes towards the pension system to a sample of 3,520 Spaniards older than 19 years (which allowed for a subsample of 1,060 salaried workers) cast the same percentage, which is only of 19% for private sector workers (and 28% for public sector ones).

³⁴In the mid-1980s, as much as 50% of the membership failed to do so (CIS 1989: 58).

that union candidates get a very high percentage of the vote in the elections to works councils and as workers' representatives (in elections which are held in centers where approximately half the wage-earning population is employed);³⁵ it is also true that this representativity is widely recognized by the state, employers' organizations, political parties and the media. But it is not enough. To a large extent, the 'moment of truth' for union representation is not so much the union elections, the major pacts or the public statements, but rather the "moment" of continuous, daily intervention in the workplace. The achievement of true credibility there and then means the unions must be, must show themselves to be, independent of the political parties and the state, and they must undertake a continual labor of persuasion 'on site' in the workplace itself. This last task has become increasingly necessary due to the growing heterogeneity of potential union members or voters, especially if one considers the growing participation of women in the labor market, young people and white collar workers: all segments of the population which are under-represented by the unions.³⁶ Thus, in order to attract their interest, unions should build up unionism *in* the workplace, turning their attention away from 'macro' matters to 'micro' matters and developing a culture of local negotiation and, in general, an involvement in the progress of the firm. So far, these tasks have not been fulfilled, largely because the unions have

³⁵The electoral power of the unions is significant but not overwhelming. We can measure it approximately by considering the data from the *Encuesta de Coyuntura Laboral* (ECL), that covers firms of 6 or more employees which is where workers can choose works councils or workers delegates. Thus, in the 'union elections' of 1990, the number of workers convened in industry, construction and the services (except the public administration) reached a proportion of 53% of the possible total (70% in industry, 50% in construction and 44% in services), of whom 41% actually voted (56% in industry, 39% in construction, 32% in services), and not always for the unions. Calculated with data from the ECL (in *Boletín de Estadísticas Laborales*, 151, March, 1998) and Ministerio de Trabajo (1992).

³⁶My own survey (cited above) shows the following affiliation rates: men, 26%; women, 15%; aged 20-29, 12%; aged 30-39, 18%; aged 30-39, 31%; aged 50 and more, 34%. Men aged 40 and over seem to show the highest percentages, around 36%. Across categories, specialized manual workers (blue collar) show the highest percentage, 29%.

learned to live *de facto* with a dual labor market, and to narrow their focus of interest accordingly.

Traditionally, the largest unions (UGT and CCOO) have acted as if they mainly looked after the interests of wage-earners with an indefinite contract (by the increase of their purchasing power and the uncompromising defence of their job security), while adopting a confused and ultimately unsatisfactory strategy relative to those without this kind of contract. They grudgingly accepted liberalization in the hiring of young people; if one considers redundancy pay and the duration of the unemployment benefit, they have achieved modest to generous protection for a large share of the unemployed (García Perea and Martín 1996), which alleviates their immediate problems but fails to solve the main question of a return to employment; they have achieved improvements in pensions, but they have also been in favor of older people retiring from the labor market; and they have systematically avoided the fact that almost all the most vulnerable groups - young people, the unemployed, women and older people - are involved in the underground economy. This has resulted in the creation of a relatively 'perverse' system; the perversity of which becomes glaringly obvious when the immense majority of young people are seen to be unemployed, working in the underground economy, or holding a job in the visible economy that is precarious and usually incongruent because it lacks any relation between level of skill, remuneration and job security (Pérez-Díaz and Rodríguez 1995).

The unions' *de facto* rejection of a strategy to reclaim these segments of the population for the workforce displays a resigned, defensive attitude. Their defence of the *statu quo* appears to accept that the amount of employment is fixed and cannot increase, which is behind union insistence on working time reduction and work-sharing, and their present defense of the idea of the 35 hour working week ('imported' from France and Italy). It is an unsustainable attitude in the medium to long term, partly because of the dynamic of advanced capitalism: this is an ongoing process that involves continuous transformation of the structure and content of employment, and is given impetus by the activity of highly skilled employees (who cannot be substituted by the less skilled). The content of the work is constantly changing and, in their own field of activity, individuals therefore become increasingly less interchangeable. Other factors also exist which militate in favor of

expanding job demand, such as changes in family life and structure owing to the incorporation of women into the labor market; and the problems created by the excessive increase in levels of dependence (of the unemployed with respect to the employed in general [Herce 1994; Barea *et al.* 1995], and of the population dependent on state income with respect to those employed in the private sector),³⁷ and by the forms of social pathology associated with some variants of long term unemployment.

The unions have always been far too slow to react and adapt to all of these challenges, changes and pressures. They resist change, firstly, because the system of secure versus insecure employment, subsidized unemployment and the underground economy (the system of the "four corners" [Pérez-Díaz and Rodríguez 1995]) has, until recently, been fairly stable; because this system has reduced the relative weight or voice of those without a secure job; and because, as a result, it has indirectly favored the largest unions themselves and enhanced, or inflated, their representativity in the short term. Secondly, they also resist because this organizational interest of theirs fits in well with their ideological traditions and, in particular, with the social democratic, Keynesian interpretations on which both their historic leaders and the following generation of leaders have flourished. Finally, they resist because of two complementary habits which they have been developing for some time: one is their limited presence (and workload) in the workplace, which isolates them from grassroots pressure and local conditions of bargaining, and the other is their apparently star role in political debates, which reinforces their propensity to behave like quasi-political actors.

To the extent that employers wish to develop a reasonably stable, constructive relationship based on trust with their workers, as either individuals or organized collectives, they usually avoid circumventing the unions. Then, rational dialogue

³⁷Gross calculations show that for each person employed in the private sector in 1978 there were 0.6 people dependent on income from the state (the unemployed drawing benefits, pensioners, wage-earners employed by the state); in 1993 there were 1.2; in 1997, there were 'only' 1.1, due to the lower number of unemployment benefits recipients and to the increase in the employed in the private sector (Valle and García López 1994: 42; my calculations on Labor Force Survey and Ministry of Labor data).

with them may be a precondition for creating a climate of cooperation and understanding in the company; for the solution of internal conflicts of interest; and especially for setting up the foundations of new understandings in society with a view to a policy for the creation of sustained employment in the present conditions of capitalism. However, rational dialogue requires change, not only in the attitudes of employers and the unions, but also in the attitudes of the public. The latter must understand the facts of the situation and know how to interpret their variations, otherwise they will only be able to play an emotional, manipulable role. It is important to take a balanced view on this point. On the one hand, a generalized impression exists that the Spanish public does not understand our present circumstances. Public opinion surveys show that most of the Spanish population's verbal statements tend to place responsibility for looking after the welfare of all Spaniards on the state, and only a minority reckons with the fact that an individual's welfare may be, above all, their own responsibility.³⁸ Yet, some indications qualify or contradict the impression given by these statements. It must be remembered that the public's answers may affect the emphasis in attributing responsibility to either the state or individuals, but they do not imply the exemption of the latter. Moreover, to a large extent, the responsibility attributed to the state could be interpreted as the responsibility for applying public policies which provide a suitable framework for creating employment, but not for creating it directly. Likewise, stereotyped answers of a statistical nature are not exclusive to Spaniards; they are also frequent in many other European countries; and neither there nor in Spain is there any reason to interpret them in a maximalist way as indices of runaway statism, with full awareness of the consequences. In any case, these stereotypes do not necessarily correspond to practical reality. People may declare that they desire more 'state', but in practice they behave in a more 'private' way: they seek employment in the private sector, work in the underground economy, invest in pension funds, take out medical insurance parallel to the social security system, etc.³⁹ Moreover, although until

³⁸See the results of surveys applied in recent years, in Valle and García López (1994), and in Fundación BBV (1998: 110).

³⁹For example, the number of subscribers to all kinds of pension plans has increased more than four

now many wage-earners in a permanent job appear to have been in agreement with the traditional defensive position of the unions as regards employment, that is no reason to think that they are not open to persuasion. Since the 1970s there are some indications that wage-earners maintain a certain independence of judgement on the question of job creation, that they understand the connection between wage levels and the unemployment rate as well as the relationship between rigidities of the labor market and the unemployment rate, and that they realize the difficulties that women and, above all, youngsters have in entering the job market in these circumstances (CIS 1989; Pérez-Díaz 1979; 1980; 1987).

In short, I wish to emphasize that although the majority of workers (like the unions) have certain 'statist' or 'conservative' orientations or preferences when it comes to dealing with their problems, we cannot talk about the existence of a clearcut opinion amongst them. Their opinions are characterized more by indecision and ambiguity, and by a repertoire of attitudes and behaviors which do not quite coincide. Above all, they show an underlying disposition for sensible reasoning that is relatively independent of party and/or union orders and, therefore, open to persuasion.

5. Employers and the business culture

How employers define their company, and themselves as employers, may have a considerable influence on their behavior. To some extent, the economic and moral crisis of the early nineties in Spain has facilitated the process of collective redefinition of the employer's role. Politicians, bishops, journalists, intellectuals, employers and unionists outrivalled one another in the development of a common exhortative discourse (with different emphases and accents) rejecting what came to be called the "*cultura del pelotazo*" (that is, the get-rich-quick mentality unencumbered by legal niceties). This rejection may be more or less sincere, and consist of superficial or erroneous arguments (such as those implicit in the contempt shown by some towards the financial economy and speculation on capital markets), but the most reasonable version is an interesting, sensible appreciation *a contrario*.

times from December 1990 (628,000) to December 1997 (2,720,000), according to INVERCO, the main sector association (data from their Web site: <http://fondosweb.tsai.es/fondosweb/inverco>).

It seems that, after the political and economic turbulences (including a rim of political and financial scandals) of the last few years (Pérez-Díaz 1996), and somewhat against their will, Spaniards are beginning to agree on what an entrepreneur is not. He is not someone after quick and (apparently) easy money acquired merely by means of operations within a "paper" economy or by diverse variations of rent-seeking, side-stepping market mechanisms frequently thanks to discretionary intervention by the public administration. "Negative thinking" of this kind is a step forward in public opinion because, when asked to interpret this negative appreciation in a positive way, it proves to be a version that combines Schumpeter's model of an employer, who sees himself as a "captain of enterprise", at the forefront of a stable organization to which he is committed (Schumpeter 1943) with Hayek's model of the businessman, whose local knowledge of the specific circumstances of supply and demand of a good or service is indispensable (Hayek 1960). At the same time, the possibility of evaluating an employer's contribution to the community is inherent in this definition of his role. From this viewpoint, an employer makes a decisive contribution to maintaining a series of implicit commitments and pacts (or contracts) (Pérez-Díaz 1993: 287 and ff.) which are fundamental for the conservation and renovation of the social fabric. Some of these pacts remain within the business, others extend beyond its limits. There are pacts, explicit or implicit, between managers and shareholders, as well as with other stakeholders, such as employees, clients/consumers, suppliers and, increasingly, the local communities in which companies are located, as well as the regional and national communities of reference. At least on a normative or ideational level, this contribution entails a series of responsibilities, some of which I outline below.

Firstly, there is the responsibility of "making profits" and "creating wealth" by legal means and procedures, in a manner coherent with the game rules of an open market economy, which includes (and the emphasis is essential) submission to the rule of law. This responsibility may seem obvious but it is the most important. All the rest derive from or are secondary to it insofar as they are impossible to fulfill if this has not already been fulfilled. This responsibility is increasingly being linked to obligations of accountability and transparency on the part of the managers of the corporations, both towards their shareholders and

to the general public. Hence the proliferation of codes of 'good (corporate) governance' in some Western countries, such as the United Kingdom, the United States, France, or, very recently, Spain.⁴⁰

Secondly, there is the responsibility of "creating a business"; that is, building a lasting organization with a number of other agents whose activity must be coordinated for the purpose of achieving specific objectives in the production of goods and services. In this respect, we should remember the relevance of the individual or family business in Spain, and the difficult challenges which it must overcome not only in order to survive, but to grow, become institutionalized and eventually be transformed into some other kind of enterprise (Gallo 1998). Likewise we should remember the relevance of the large enterprise, which is complementary (not inferior) to the above, and its scarcity in Spain.

Thirdly, there is the responsibility of "creating employment", either directly or indirectly, by generating the general conditions necessary to do so. This responsibility (which may be to some extent implicit in the two above) is extremely important. Let me underline the fact that, in the eyes of contemporary public opinion, the legitimacy of an enterprise is related to, and depends upon, the capacity and apparent willingness of employers as a group to respond to the expectations of society whereby the majority of its members of an age to work and willing to do so, should be incorporated into the corresponding enterprise. Under present circumstances, public opinion tends to define responsibility for employment as one shared between the state and employers. So society expects that, all things being equal, employers will make decisions in the allocation of resources which tend to increase job possibilities. This has obviously not always been the case; in fact, for a long time the dominant tendency has been to increase the productivity and competitiveness of a firm by downsizing and restructuring, usually at the expense of personnel. However, it is true there are other options that employers may find to be equally viable (though conditioned by technical considerations): they could maintain employment and reduce wage costs,

or reduce employment and maintain unit costs. If an employer tries to explore the first avenue, he will have to do so by negotiating with his workers. The success of these negotiations will depend (in the medium term) on certain essential requisites to which I shall refer in section 6: the transparency of the transactions, some imagination tempered with realism on both sides, and the development of mutual confidence.

Fourthly, there is the responsibility of fulfilling a series of social obligations deriving from the condition of a business as a member (or "citizen" in the broad sense) of a local, regional or national community. This should be understood as "social responsibility" and its specific content will depend on the vicissitudes of the ongoing debate, carried out within enterprise and in the public domain, between agents with widely differing perspectives and in constantly changing circumstances.⁴¹ This debate may increasingly come to include the impact of business decisions on the physical environment of the corresponding locality, region or country, as well as other matters such as the social life and moral climate of the community.

Lastly, there is the responsibility of contributing, in general terms, to the shaping of a civil or civilized society, including such features as respect for the law, the consolidation of a liberal, democratic state in which the political class is free of corruption, a market economy which does not break the game rules, authentic social pluralism and a sphere of free public debate (Pérez-Díaz 1996). This responsibility has two dimensions: inside and outside the workplace. If an employer wishes to have a "civil enterprise", insofar as it is a "member of a civil society", it means that both he and it must behave in a certain way in their internal and external dealings; otherwise it would have to be considered "uncivil". In other words, claims of "civility" logically impose certain conditions when defining the structure and style of authority within an enterprise, and the features of its internal communication system (see section 6, and Pérez-Díaz 1992).

In turn, some of the above responsibilities are being assimilated by a growing number of Spanish employers; others may relate to a normative model of enterprise which is still to be put in practice: the

⁴⁰Special Commission to Consider a Code of Ethics for Companies' Boards of Directors, *The Governance of Listed Companies*, Madrid, 26th February 1998 (mimeo).

⁴¹For a general discussion on the corporation as 'citizen' in the global economy, see Tichy, Mc Gill and St Clair (1998) and Reinicke (1998).

normative culture of the civil enterprise and civil society. I believe, however, that the present course of events includes some tendencies favorable for their realization, which could be consolidated if employers and the public in general were to improve their understanding of the historical circumstances in which entrepreneurial culture has developed and acquired its present features over the years.

There is a long history of the stages prior to, and the early stages of, Spanish capitalism which it is not my purpose to analyze here. It is enough to say that early Spanish capitalism, heavily dependent on foreign models, usually resorted to whatever instruments were typical of the times to withstand international competition. It became part of the organization of the economy and society which, in the first third of this century, had acquired three defining characteristics: considerable though somewhat erratic state interventionism, a high level of protectionism in its outside dealings, and a number of corporatist institutions.⁴²

Today's employers grew up in the shadow of this kind of Spanish capitalism over the last fifty years. This comprised a historic legacy of intervened capitalism with the traumatic experience of civil war and the years of scarcity, isolation and the marked authoritarianism of the postwar period. The traditional models of interventionism, protectionism and corporatism were initially imposed in the extreme. However, by the sixties and seventies, they had been toned down and modified, and Spanish capitalism was having to adapt to the liberalization of economic policy, the financial institutions and foreign trade, as well as collective bargaining and the union movement (Pérez-Díaz and Rodríguez 1997). These were years of mixed experiences, and tense coexistence between opposing tendencies. As a whole, the weight of state regulation and intervention continued to hinder the development of a breed of innovative, dynamic entrepreneurs, even if the constraints were less in the regions where there had traditionally been greater distance from the state, that is, in the Levant, Catalonia and the Basque Country: regions which have all been the breeding grounds for an entrepreneurial culture.

⁴²See Pérez-Díaz and Rodríguez (1997) and the references contained in this work. See also Tortella (1994), and Nadal and Catalán eds. (1994).

Throughout the eighties, much progress was made in the process of opening up the Spanish economy and incorporating it into world markets as a result of Spain's entry in the European Community. However, her incorporation took place before many employers had internalized the rules of behavior appropriate to open markets or by the time they were internalizing these rules, and before they had created companies able to compete successfully in their new environment. This is perhaps why Spanish-owned companies showed weakness in the face of penetration from foreign competitors who, nevertheless, not only brought in foreign capital but made an important contribution to the technological and organizational modernization of the entrepreneurial fabric of the country.⁴³ It is also probable that the rapid, disproportionate growth of the public sector reduced the possibilities for development of national entrepreneurs.

However, the panorama of those years cannot be reduced to nothing more than the above features. There have also been successful efforts to adapt to changing circumstances by companies of all sizes that have involved adjustment, reorganization, the search for domestic and foreign markets, innovation and design, and endeavors to professionalize management.⁴⁴ It is even possible that, in the last few years, the dominant tendency has been disapproval of spectacular (equivocal) entrepreneurial figures to the advantage of trustworthy individuals who keep their heads down and get on with "doing business", although they are well aware of the international context and have a vision of the future. Every experience has two sides and the final result is mixed as regards the characteristics of the business collective. What

⁴³A good indication of this penetration is the balance of shares in non-financial companies in foreign hands, which rose from 14.1% in 1983 to a peak of 41.0% in 1995 (descending to 32.7% in 1996 because of privatizations of public firms, most of whose shares were sold in Spain) (calculated from data in: Banco de España 1993 and 1997). See also Martín and Velázquez (1993a and 1993b) and Myro (1992).

⁴⁴See the collection of cases of so-called "Spanish multinationals" in Durán Herrera ed. (1996 and 1997). On the professionalization of management see Rodríguez Carrasco (1994). A recent reference in the international press to one of these firms in: Carita Vizthum, "Spain's Zara Cuts A Dash by Creating 'Fashion on Demand'", *Wall Street Journal Europe*, May 29th/30th, 1998, pp. 1, 10.

is clear is that its members are the decisive agents in the creation of employment. They are the pillars which must uphold the edifice. But doing so requires a lot of support for a certain type of employer who, for various reasons, has not been that common in Spain.

6. Redefining the rules: employability, fairness, transparency

General economic conditions act as opportunities and constraints on policies for job creation, including the experimentation with different kinds of incentives for part-time work and the partial substitution of unemployment benefits for the employment subsidies that I mentioned earlier. In turn, social and economic policies, as well as institutional changes that may result in improving the chances for employment in the long run, require changes in the dispositions of the actors which involves a redefinition of the situation and some cultural changes.

It may be suggested that this redefinition should be based on a realistic appreciation of the difficulties at present and in the medium and long term. For some years, advanced countries have been faced with a serious problem of structural unemployment. On the one hand, technical changes have combined with the internationalization of the economy to bring about economic and social transformations in these countries that have involved enormous changes to their employment structures; on the other, the surplus labor (and underemployment) that has accumulated over several decades, first in the agricultural, then the industrial, and later in the public sectors, has become increasingly obvious. Furthermore, circumstances seem to indicate that greater difficulties lie ahead in the medium to long term. International competition from countries all over the world is going to increase as regards both product cost and quality. Viewed from a European perspective, the probability of bending the GATT rules to make them compatible with a strategy of regional neo-protectionism on the part of the European Union is limited. Besides, if Europe adopts a policy of real support (and not just rhetorical posturing) for the development of Eastern European countries and the Maghreb, it will not be able to protect itself (beyond certain limits) from the competition created by immigrants and by the importation of products from these countries; if it does not support their development, it will pay a considerable price in political

instability, with the resulting economic repercussions.

In the face of such uncertainty, it seems unfortunately impossible to translate the 'commitment to employment' on the part of the state, society at large, including the unions, and particularly the business community, into a commitment to the job stability and security of all workers employed at any given moment in every workplace. This simply cannot be guaranteed in a general way. However, it *can* be translated into firm, credible commitments compatible with principles of fairness and solidarity in the workplace and in society, in an open, competitive economy undergoing continuous transformation. And it can be done by experimenting with three complementary ideas.

The first is the idea that homogenization of the economic space in which companies are operating can still involve a reasonable differentiation of labor markets within companies themselves. In the national space at the present time, a series of perverse dualizations and differentiations exists between the employed and the unemployed, which subdivides into stable and unstable employment, unemployment with or without benefits, and employment in the underground economy. The consequence of this is the *de facto* exclusion of parts of the population from the ladders of social mobility with the prospect of a professional career. What should be done is to rationalize and simplify this heterogeneous panorama, and attack the foundations of generalized and semi-permanent exclusion. To do so, the underground economy must be legalized and the differences between core, or more secure, and peripheral, or less secure, jobs must be organized in a different way. In fact, legal changes in 1992 forbidding the easiest and cheapest fixed-term contracts led to Spanish employers choosing other variants from the wide array available. Legislation passed in 1994 that lowered redundancies costs and, especially, that passed in 1997 providing for a new, less-costly indefinite contract will (slowly) push downwards the proportion of workers in short-term contracts,⁴⁵

⁴⁵In 1996, the proportion of term-contracts over the total signed contracts was 95,5%. In 1997 it was 93,0%, with a significant difference between the first half (95,3%) and the second (90,9%) after the most recent reform had taken place. However, the proportion of workers in short-term contracts has barely moved: from 33,6% in the first half of 1997 to 33,4% in the

though much remains to be done in order to end with the multiple segmentation of the Spanish labor force.

Under present conditions, firms (and economic sectors in general) are structured around a nucleus of older (and less adaptable) workers with less education, higher wages and greater stability; and a periphery of younger people with a better education and lower wages who are the first to lose their jobs if the firm gets into difficulties. This is an irrational structure from the point of view of the efficacy and efficiency of the firm itself. It would surely be more logical to try and correlate educational levels and the effective discharge of responsibility more closely, on the one hand, and wages and job security, on the other, by means of a careful process of transition. Anything else creates an awkward and, in the long term, unsustainable situation; except when the rules of seniority in large companies go hand-in-hand with a commitment to keeping on all personnel, and when these major companies work in an environment of "unstable" small and medium-sized companies, as has always occurred in Japan. Therefore, if conditions are homogenized and if there is general flexibility in the external labor markets, unless a dual space is to be found for these companies as a whole, the only commitment possible on job security will be to the nucleus of employees.

From the above we can infer the benefit of experimenting with the second idea which ensures a commitment to employment in the shape of a commitment to workers' "employability" (Kanter 1994; O'Reilly 1994; OECD 1997b). This means that the company would commit itself to doing everything possible to guarantee an increase in the ability of its employees to find a job, whether or not they remain with the company. The company would undertake to provide the means whereby its employees could develop their potential employability inside and outside the workplace in the long term. This could be achieved by occupational training, and also by programs of job empowerment or enrichment (taking on greater responsibility), job rotation and access to varied work experiences, and an increase in internal information and communication. Such a commitment means that even if an employee leaves

his job, the relationship between him and the company is not entirely broken off, at least for a time. The company would continue to concern itself with the problem of how its personnel finds a new job in the labor market, which could mean anything from support mechanisms for the ex-employee in his search for work, to incentives so that he could set up his own business with which to subcontract the provision of goods or services. To some extent, a commitment to employability involves consideration of the workplace as a place for continuous learning and, ultimately, a redefinition of the company as an organization which is, or tries to be, a moral community (Pérez-Díaz 1993). Thus, employability, training and a moral community constitute three elements of a reciprocal whole. If employees consider that the relationship with their employers is such that, if necessary, they will be laid off with a sum of money to be going on with, there is no way in which the company can be thought to be a community or a team with common objectives. At the moment of truth, community or team discourse will be revealed as a rhetorical vacuum. In order for this not to occur, there has to be some kind of effective, not merely rhetorical, commitment to staff employability.

The third idea would consist of defining the game rules in the company in such a way as to reward the value of fairness (and all that involves). The question of fairness leads to the problem of "double standards": one for executives and directors and another for the rest of company employees (Pérez-Díaz 1992). It is easy for business to preach labor market flexibility for others, while entrepreneurs protect themselves from the risk of bankruptcy or suspension of payments as a result of bad management or mistakes, directors shield their contracts and senior employees make their jobs untouchable. It is easy, but it is incoherent. If the firm is to approach the normative model of a moral community, any attempt at coherence must include fairness and solidarity in apportioning the consequences of market risks, competition, the effects of opening up to the outside, and the increasing speed of technical and organizational change.

Ideas of community and fairness bring us to the need for careful diffusion by the company of true information about its economic situation, and the need for it to establish fluid communication channels in all directions. Only by achieving transparency in this way, is there any chance of

second half, to 33,4% in the first quarter of 1998 (Labor Force Survey data, from *Boletín de Estadísticas Laborales*, 151, March, 1998, pp. 35, 120).

generating a climate of trust, thanks to which people can conclude that all sides are playing fair and that the same criteria are being applied to everyone. Open communication also make it easier to convince people that management posts and certain other jobs are no-one's private fiefdom or sinecure (Weber 1983 [1922]: 185 and ff.), and it helps them accept the principle that the contractual relationship of employees with the company is not like that of a "public official", nor does it confer the status of a partner in the traditional marriage till death.

An understanding that these are the game rules and they will be generally and equitably applied, is not perhaps cause for ecstasy or happiness, but it may at least inspire feelings of mutual respect, trust and loyalty. At all events, the rules are clear, comprehensible, and as indispensable for achieving the kind of company and economy congruent with the model of civil society as they are for furthering

the creation of sustainable mass employment. At present, Spanish employers, employees and the unions have yet to acknowledge an understanding and acceptance of some variation of the redefinition of the problem under discussion. But they are not the only ones. This redefinition cries out for broad debate in the public space so that people, in their multiplicity of social roles as citizens, consumers, taxpayers, newspaper readers, to say nothing of businessmen, the self-employed or employees (and housewives, pensioners, the unemployed or students), are obliged to reorder their thoughts and lend their support to policies which are not only realistic but which lead to effective fairness, community and solidarity: not to policies which feign solidarity but actually result in a lack of solidarity with the country, its unemployed and the future itself.

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