

# **INERTIAL CHOICES**

## **SPANISH HUMAN RESOURCES POLICIES AND PRACTICES (1959-1993)**

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# ASP Research Papers

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## **1. Contextual constraints: politics, the economy and industrial relations institutions.**

The main purpose of this paper is to offer a general overview of Spanish human resources practices and policies (on job stability, compensation, training, work organization and functional mobility, industrial relations and corporate culture) from the democratic transition and the establishment of a Western-style system of industrial relations in the mid 1970s up to the end of 1993 (leaving aside the implementation of the ongoing legislative projects at the beginning of 1994), though some attention will also be paid to previous political, economic and cultural processes occurring between the early 1960s and the mid 1970s. This is only a first, tentative step in the process of mapping out the field, asking questions, and advancing some lines of inquiry before we move into more specific topics, sectors and case studies which will eventually enable us to revise our original assessment--in the meanwhile references to particular cases will be limited and merely illustrative.<sup>1</sup>

A variety of researchers on both sides of the Atlantic have been trying to establish a theory about the transition from one mode of regulation of the market economy, or the capitalist productive system, usually labelled Fordist, to another of quite different characteristics ('post-Fordist') opposed to what would be only a variant ('neo-Fordist'); at the same time they maintain that this grand change is anchored in changes in technology and work organization at the workplace (Piore & Sabel 1984; Streeck 1992; Boyer 1986; for a more detached view see Hyman 1988). While we think this is a very stimulating intellectual exploration, and a highly useful ideal type elaboration, we suspect, however, that the connection between the different elements of those regulatory modes or productive systems is too loose, and contingent on too many exogenous factors, mostly of a political and cultural character; and we think that the proposed alternative between 'post-' and 'neo-Fordism' excessively simplifies the scenario. Therefore we consider that these explorations (as they stand today) provide us with suggestive, heuristic orienting statements (Homans 1967), not theories

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<sup>1</sup>We have had several quite useful interviews with a variety of organized business and union representatives, and a few directors of human resources services in several large firms, and business consultants. We thank them all, as well as Fernando González Olivares and Josu Mezo for their help in the preparation of this paper. This research program on human resources practices and industrial relations is being sponsored by Fundación Catalana de Gas.

proper. And we extend this qualification to the presumptive fit among the several human resources practices to be discussed in this paper (leaving for a future one an explicit discussion of the 'post-Fordism vs neo-Fordism' paradigm).

As a result we will explore here such loose connections among several human resources practices and policies, and the political and cultural contingencies on which they depend, in the Spanish case. With this goal in mind, we will devote the rest of this introductory section to outlining the changes and continuities in the political and economic context of Spain from the early 1960s to the early 1990s, and to sketch the main features of the industrial relations institutional system. In our view, however, contextual and institutional constraints are not enough to explain the human resources practices which will be discussed later. Institutions certainly matter, but equally or more important than institutions are the traditions (Pérez-Díaz 1993) and understandings that actors bring to bear on these institutions, and which shape the uses those actors make of them.

#### **a) Politics.**

The Spanish political context changed dramatically in the mid 1970s when Spain became a full-fledged liberal democracy. However, the political climate of the country had been changing already for about fifteen to twenty years before the transition to democracy, and those changes had considerable consequences in the fields of socioeconomic policies, labor politics and industrial relations. In the wake of a period of sustained economic growth with full employment, and in response to an emerging independent labor movement that the state tolerated within limits, three key developments took place. First, the main lines of labor policies aiming at stability of employment, which were a legacy of the corporatist/fascist period of the 1940s and 1950s, were confirmed. Second, the fundamentals (institutions, economic resources, personnel) of a state-sponsored welfare system (public health and primary, and to some extent secondary, education) were put in place. Third, a rather baroque situation was allowed to come about in the field of industrial relations. Alongside a facade of so called 'vertical unions' or socioeconomic corporations subordinated to political appointees, a (quasi)

Western-type system of industrial relations developed, including (semi) free unions (subjected to continuous harassment but not to the kind of bloodthirsty repression that had destroyed their predecessors in the aftermath of the civil war), collective bargaining, and the relatively frequent use of strikes (about 850,000 workdays lost per year in 1970-1972) (Pérez-Díaz 1993; Martínez Lucio 1992).

The political transition of the mid 1970s was of paramount importance in regard to critical areas of Spanish life. The political institutions were thoroughly transformed, and there was a very significant turnover of political personnel. But we should not lose sight of important continuities both between predemocratic and democratic politics, and, after the transition, between the center governments of 1977-1982 and the socialist governments thereafter. Thus the Constitution of 1978 confirmed the fundamental tenets of a market economy and established formal guarantees for the already existing practices of free associations, collective bargaining and industrial action (thus dismantling the remnants of the authoritarian institutions of Francoism); and the Workers' Statute of 1980 maintained most of the labor market regulations of the past, and these were only partly altered after 1984.

The convenience of a climate of political consensus at a time of momentous symbolic and institutional political change and, above all, the goal of social consensus and wage moderation at a time of acute economic crisis combined to move political and social actors along the path of a series of corporatist pacts between 1977 and 1986 (Pérez-Díaz 1985). This was followed by a more ambiguous state of affairs in the relationship between the state and the professional associations, particularly unions. Underneath very visible and genuine quarrels between the socialist government and the main unions (with the socialist union UGT [*Unión General de Trabajadores*] in the forefront of these conflicts) some basic understandings were maintained. Hence, following the national strike of December 14, 1988, the government withdrew some of its key proposals for labor market reform objected to by the unions, thus blocking further changes in the reform of the rules of the labor market, and increased public spending (on pensions and unemployment subsidies) as the unions were urging the government to do.

## **b) The economy.**

Spain's economy has been through two quite different stages since the 1960s. A period of sustained economic growth, with an annual growth rate of 7 per cent and inflation rate of 6 per cent, went on from 1960 to 1973 (IMF 1989; 1991). Fundamental changes took place, most notably the transformation of a semitradeional economy with a large agricultural sector into a modern one with a significant industrial sector, both in basic industries and in consumer goods. The Spanish economy became entangled with, and increasingly dependent on the Western economies. Full employment in Spain during the period was only possible because about one million Spaniards migrated to Western Europe and worked there. Exports to and imports from Western Europe became ever more crucially important (the external sector, imports plus exports, grew from 17 to 31 per cent of GDP between 1960 and 1973) (Viñas *et al.* 1979), and so did the inflows of foreign capital and foreign tourists.

The mid 1970s proved to be a watershed for the Spanish economy. Inflation had already jumped from 10 to 18 per cent between 1973 and 1976 and then, when Franco died (November 20, 1975), the country found itself in the grip of immense political uncertainty. For a few years (at least until mid 1977) the political class' main attention focused on urgent political matters, and the economy and economic policies were left adrift. In the meanwhile, social demands escalated, unemployment rose to 7 per cent and inflation went up to c. 26 per cent. The scenario was set for a series of austerity policies pursued by different governments in the frame of a protracted corporatist experiment up to the mid 1980s. By the end of this long period of crisis (1986/1987) inflation was down to about 6 per cent and has remained around this level up to today. On the other hand, unemployment was up to the rather astonishing level of about 20 per cent (1984/1985), thus suggesting that there had been very basic weaknesses in the Spanish economy and economic policy arrangements (corporatist games included) all along, though part of the unemployment rate could be explained by the Spanish migrants coming back from Europe in the late 1970s, and the industrial restructuring policies of the early 1980s (Viñals *et al.* 1990; Segura & González 1992).

Spain shared in the mild prosperity of the late 1980s, at the time when she became a full member of the European Community. The economy grew at about 4.5 per cent a year between 1986 and 1990. However, this had only a limited effect in reducing unemployment, which came down to about 16 per cent of the active population (1990). At the same time, the government committed itself to, or (rather) allowed itself to drift into, a mix of economic policies which were somewhat inconsistent with each other. The government tried to contain inflation through rather tight monetary policies and moderate wages. At the same time, expansionary budgetary policies fueled the public deficit, whose financing required in turn fairly high interest rates. The government managed to muddle through the late 1980s so as to reach, in apparent good form, the magical year of 1992, only to reckon with the fact that the economy had already been in the middle of a very serious crisis for quite some time.

In the early 1990s the Spanish economy seems to be back to square one with a vengeance. In 1992 the rate of growth was 1 per cent, and is forecast to be negative in 1993 (BBV 1993), and unemployment has jumped back to c. 23 per cent by the end of 1993, while public debt is expected to reach the mark of 60 per cent of GDP by 1994. On the other hand, Spain also has a more diversified economy where manufacturing counts less and services more than they did in the 1970s (in 1992 industry and services accounted for 27 and 60 per cent of GDP, respectively; percentages for 1975 were 29 and 55) (BBV 1993):<sup>2</sup> an economy which is more interconnected with the world markets, but also one whose ability to compete seems somewhat less than in the past, as suggested by the nature and volume of the Spanish trade deficits since 1986 (7.26 per cent of GDP in 1992) (BBV 1993), and where foreign institutions command an ever greater influence, either as pension funds or multinationals, either through the buying of public debt or investment/disinvestment in productive facilities (for instance, Volkswagen took on SEAT, an automobile company, in 1986; and the "Scottish Widows" pension fund bought Uralita, an industrial concern, in 1993).<sup>3</sup>

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<sup>2</sup>On changes in the internal structure of manufacturing and services in the 1970s and 1980s, see Segura & González (1992); and Cuadrado Roura (1992).

<sup>3</sup>On the increasing presence of foreign capital in the Spanish business sector see Martínez Serrano & Myro (1992) and Martín & Velázquez (1993).

### c) Industrial relations.

There has also been a combination of change and continuity in the system of industrial relations. Though, on the surface, the contrast between the Francoist system and the present one is very striking, some of the most important present day actors, practices and institutions appeared in the 1960s. At that time, collective bargaining (having been made possible by a law of 1958: Amsden 1974) became common practice at the industrial/ provincial level, and to a minor degree at the level of (large) individual companies. This came at a time of growing official toleration of strikes, with as many as 1.5 million workdays lost per year in 1973-1975 (again, this was facilitated by changes in the criminal code in 1965). In turn, semispontaneous organizations were set to lead in bargaining and strike activities, and became (semi)institutionalized in the second half of the 1960s, most notably the *Comisiones Obreras* (CC.OO.) (Foweraker 1989). They had some connections with opposition parties, clandestine unions and some sectors of the Catholic Church; and they took advantage of already existing institutions for labor representation in the factories (the *Jurados de Empresa* established by law in 1948), which, on paper, allowed workers to choose their representatives. In the new sociopolitical climate of the 1960s these elections were free enough to encourage a new wave of militants to participate and win most of the positions on the local committees for their own candidates in 1967 (most notably those affiliated with CC.OO. and USO: *Unión Sindical Obrera*--which later split, with one branch becoming part of the socialist UGT). A period of ambiguity followed, with uncertain and rather erratic moves on all sides. The point is, however, that, by the time of the transition (roughly from 1975 to 1978), a new system had been in the making for more than a decade, waiting for final formal, legal recognition.

The Constitution and the new legal framework allowed for a dual system of labor representation. Works councils (*Comités de Empresa*--or individual delegates, in smaller firms) at the plant level coexisted with local sections of national (or regional) unions, mainly the communist CC.OO. and the socialist UGT. However, and by contrast to the German dual system of local representation, there was no clear-cut division of labor between *Comités de Empresa* and unions since both of them might conduct negotiations or call a strike (and this institutional ambiguity was compounded even more by the fact that most members of the

*Comités* won their posts as union candidates) (Martínez Lucio 1992; Escobar 1992). Collective bargaining has been conducted at different levels, mostly at the industrial/provincial one (where the unions, and not the works councils, do the bargaining), and for some time (up to 1986) has evolved within the guidelines of a series of nation-wide social pacts. Results of collective bargaining apply *erga omnes*, and not only to the parties to the agreement and union affiliates.

Labor and business are usually represented in these bargains and social pacts by the two main unions, CC.OO. and UGT, and by an all-encompassing business association (the CEOE, or *Confederación Española de Organizaciones Empresariales*) which was set up just after the democratic transition (Martínez 1984). The unions have enjoyed the spotlight of, and are generally regarded as major players in public life. Their following, however, has never been very large, and has markedly decreased over the last fifteen years. In the early nineties their rate of affiliation is estimated to be between 10 and 15 per cent (Escobar 1992), and would be less if unemployed and retired people were discounted. However, the state grants CC.OO. and UGT the status of most representative unions nation-wide on the basis of the results of the elections to the works councils, which take place about every four years.

The political and economic context has provided the social and political actors in the Spanish scene with some major challenges and constraints, and in the process of responding to those challenges and constraints, a system of industrial relations institutions has been set up. Yet, the crucial point is to understand the specific content of the choices the actors have made while operating within that institutional framework, and the way and the direction in which they have put those institutions to work. We think the key for understanding these choices lies in the traditions and understandings that the main social and political actors have brought to bear upon those institutions as they have developed over a period of time.

In the Spanish case, and to summarize a long argument that cannot be developed here, we think that the (macro) institutions of the social pacts (explicit before 1986, and tacit after 1986), and the (micro) institutions such as industrial/provincial and company level collective bargaining and local dual representation, allowed for different human resources policies and practices. The choices actually made reflected the fact that labor, business to some extent, and

most of the political class after the transition were all together in a set of shared understandings. Critical to these understandings were the following beliefs: that social pacts were a must for handling the uncertainties of the time, and that keeping inflation under control was the key provision of those pacts; that the labor market regulations inherited from the Francoist years could be tinkered with but not basically changed; that increasing the public sector and developing the welfare state was necessary for the redefinition of the country as part of a democratic and prosperous Europe; and that huge unemployment was something pretty close to a fact of life to which people would have to adjust (last but not least through an appeal to the extended family and recourse to the underground economy).<sup>4</sup> By contrast, little or no attention has usually been paid to the subjects of competitiveness in world markets or productivity. These understandings, and the dispositions which come with them, have had some important effects on the human resources practices and policies we are going to discuss now. We begin with the two practices most salient in the public debate and in the game of actual conflicts and agreements between the state, unions and business during the period, namely the issues of employment security and economic compensation.

## **2. Employment security.**

For more than forty years the Spanish workforce has enjoyed a high degree of employment security. Changes in the political regime have made little difference in this respect (excepting some recent variations to be discussed later and the present governmental plans still to be approved by Parliament, to which we will devote a future essay). The reasons for this state of affairs have had little to do with any purposeful attempt on the part of governments or business to increase workers' commitment to their work or to their companies, nor have the workers perceived the legal provisions for security of employment to be connected to those ends. In the Francoist years, such provisions were part of the social contract that the authoritarian state tried to establish with labor. In the corporatist mentality of the time, free

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<sup>4</sup>In 1990, 70 per cent of the unemployed lived in a family where at least one other member received wage incomes (calculated from data in *Encuesta sobre la Estructura Social Española*).

mobility of labor was seen as a source of social disorder: one of the many failures of a market economy that a corporate system was required to compensate for. The labor contract between individual workers and entrepreneurs was found to be of a completely different kind to a civil contract proper; and, in a sense, one which was more in the nature of a status relationship than a contract relationship (a finding to be rediscovered a few decades later: Streeck 1992, pp. 40ff.). This intellectual construction fitted well not only with the traditional doctrines of social catholicism or fascism, but also with the political requirements of the regime. Franco had won a civil war where organized labor had been on the other side of the fence. Anarchists, socialists and communists had led in the fight against Franco's armies (and were executed in their thousands in the aftermath of Franco's victory). Victory was followed by the banning of unions (and political parties) and strikes. Left without leaders, associations, or any means of defense, the working class was however given something: security of employment. This was supposed to be the cornerstone of a set of social policies that, in time, by ensuring a modicum of "social justice", would provide Franco's regime with a corresponding modicum of political legitimacy.

The basic provisions of the Francoist labor legislation of the *Fuero del Trabajo* of 1938, and the *Ley del Contrato de Trabajo* of 1944 regarding security of employment have been kept in place to the present day. Dismissals have been prohibited, except those with "justified cause", to be recognized as such by labor courts or state officials (or, as now, by Autonomous Communities that enjoy competences over labor issues). However, legal provisions are not enough to explain that, by the time of the democratic transition, there was a well established tradition in the Spanish labor scene to the effect that unjustified firing of workers required long procedures and costly compensations. In fact, legal provisions were reinforced by the experience of sustained economic growth, and concomitant full employment, in the 1960s and early 1970s. In these circumstances, in which legal provisions and economic realities seemed to fit each other and go hand in glove for a long period of time, security of employment came to be taken for granted, as a fact of life. And, in the rhetoric of the emerging oppositional labor movement of the time the Francoist labor legislation was taken out of context (that of being a key piece in an authoritarian political strategy) and transformed into a "social conquest" that had to be left untouched by whatever political changes might take place in the future. Labor

was set, however, for a more troubled scenario than the one it expected, because the time of the democratic transition was also the time of a deep economic crisis that would last for more than ten years, with no longer any prospect of full employment.

Employment security in Spain during the last ten to fifteen years must be discussed in the light of the massive, unprecedented rates of unemployment for the entire period, much higher than in other countries, and, today (October 1993), getting worse. The Spanish rate of unemployment went from 1.1 to 3.4 per cent between 1970 and 1975: these were the good old days. By 1980 it was already 11.3 per cent, offering ammunition to the socialists' radical, devastating criticism of the economic and social policies of the center government of the time. But worse was still to come. By 1985, the rate had jumped to 21.5 per cent; and then, throughout the years of economic bonanza in the late 1980s (with an annual growth rate of c. 4.5 per cent a year) it never dropped below the 16 per cent mark, rising again by 1992 to 18.4, and to 22.0 per cent by the second semester of 1993 (probably 23.4 per cent by the end of the year). These rates were about double the average rate of unemployment in the European Community. At the same time, these official data may or may not reflect actual unemployment, and it may well be that, discounting people working in the underground economy, the actual rate could be taken to be six to eight points below the official rate. This would leave us with a rate of about 15-17 per cent in 1993.

Other additional characteristics make this picture even more somber in respect to the overall rate of activity and to the structure of the unemployed population. First, such an increasing rate of unemployment applies to a declining rate of activity since the ratio of the Spanish workforce to the population above 16 years-old was 52.5 per cent in 1970, and 48.7 per cent in 1993; and the much higher rates of unemployment apply to rates of activity which tend to be quite inferior to the European average (the ratios of the workforce to the population 16 to 65 years old were 69 per cent in Germany; 66.4 per cent in France; 75.4 per cent in the United Kingdom; and 60.6 per cent in Spain, in 1992) (Banco de España 1993). Second, a disproportionate part of Spanish unemployment concerns young people, the long-term unemployed, and women. The rate of unemployment for those aged 16 to 24 was 41.3 per cent in 1993 (first quarter); and those who have been unemployed for more than one year were 48.3

per cent in 1993 (first quarter), while the rate of female unemployment was 28.4 per cent. So what we have, both in absolute and in comparative terms, appears to be the almost complete failure of the productive system and the governments' policies, for a rather long period of time, to use a huge part of the reservoir of human resources of the country.

Let us see now the way in which the main actors have reacted to this situation, and the way in which the institutional system of industrial relations may have had an influence on those reactions. Labor decided to engage in a two-pronged strategy. To begin with, labor defined the situation as one in which it was required, first and foremost, to take care of the interests of the people already in employment, and this was interpreted to mean defending the permanence of the corpus of labor legislation of the Francoist years, which was supposed to protect the workers from unjustified dismissals. Against business' strong protests to the contrary, state policies went along with labor's position for some time, with only minor corrections in 1976, 1977, and 1980 (Valdés Dal-Re 1985), and more significant changes in 1984 (see *infra*). Difficulties in firing workers have resulted in fairly high compensation being paid for individual dismissals (the average cost being 10.7 months of salary when the case went to the Institute for Conciliation and Arbitration in 1992) (our own calculations, from data in MTSS 1993).

The changes in 1984 opened the way to temporary contracts for a period of up to three years, with minor compensations for dismissal at the end, and with substantial reductions in social security payments (of up to 75 per cent of the entrepreneurs' contribution). The unions (or rather the socialist union UGT) agreed reluctantly to these changes, at a time when unemployment was running at about 20 per cent, and when the unions and the government were engaged in discussions leading to the signing of a social pact (the *Acuerdo Económico y Social*: AES) that would provide the unions with additional organizational resources.<sup>5</sup> The result was that temporary contracts became almost immediately the *voie royale* for new hirings in the late 1980s, and has continued to be so up to the present, so that by 1992, 96 per cent of

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<sup>5</sup>The new arrangements provided "most representative unions" with seats in different state bodies, and enhanced their capacity to control the works councils election system (candidates had to run in closed, blocked lists, and most representative unions were given the right to convoke elections in workplaces where they had previously no affiliates).

total registered hires were temporary (81.5 per cent for a determined period of time; 10.4 per cent for part-time arrangements; and 2.4 per cent were other "atypical" contracts) (MTSS 1993), while about one third of the total workforce in the country was already working under temporary arrangements (31.8 per cent in manufacturing; 55.7 per cent in construction; 26.3 per cent in banking and insurance, in the second quarter of 1991) (Segura *et al.* 1991). Heralded by the government as a way out of the impasse created by the existing rigidities of the labor market, and as a way of taking advantage of the opportunities created by the economic growth of the late 1980s, and of reducing the level of unemployment, the new provisions have had, however, some other rather dubious effects. They have created a situation where there is no connection between skills and job stability: only seniority provides employment security. Thus, the new generation is being pushed into passing from one job to another, with an interlude living off unemployment benefits between jobs, without being able to develop either particular skills on the job (on professional training see *infra*) or attachment or commitment to it.

The second part of labor's strategy consisted in putting pressure on the state to increase unemployment subsidies. In fact, unemployment benefits were fairly generous until April 1992, frequently up to 80 per cent of the last salary, and may well have lasted up to two years (part of which may be of indefinite duration for some segments of the population).<sup>6</sup> At the same time the unions cooperated, tacitly, with the government in allowing the underground economy to flourish unmolested by diverting attention away from the task of setting up inquiries about the extensive fraud that takes place in the distribution of unemployment benefits. The rationale for all these moves was that they softened the impact of the unemployment situation.

In more recent years, and in view of the fiscal crisis which developed in the early 1990s (see *infra*), the government has been trying to persuade labor to accept at least the maintenance of those temporary arrangements, plus some cuts in unemployment benefits. From the

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<sup>6</sup>Since April 1992, the shortest working period in order to get access to contributive unemployment benefits has been extended to one year (previously: six months); the duration of these benefits has been reduced by approximately one third; the amount of the benefits has fallen from 80 per cent of the salary to 70 per cent for the first six months, and from 70 per cent to 60 per cent for the months following.

viewpoint of organized business this has been a blocked situation for a long time, because the government was torn between a policy goal of greater (so called numerical or external) flexibility of the labor market, and opposite considerations arising partly out of principle (or political sentiment), but mainly out of political opportunism. The government finally seems to have overcome its indecisiveness and has announced its plans to implement a partial reform of the previous system, to which the unions have responded by convoking a general strike for late January 1994.<sup>7</sup>

This is the landscape where individual firms operate. After decades of a rigid labor market and relatively protected product markets, despite the gradual and uneven liberalization of the Spanish economy after 1959 (Martí 1975; Viñals *et al.* 1990), many of these firms found themselves encumbered by oversized workforces, particularly in the case of most large companies in automobile manufacture, banking, aviation, and steel, and they reacted to the crisis of the 1970s and early 1980s by engaging in personnel reducing strategies, with or without the restructuring plans approved (and paid for) by the state (which took place in the steel, textile, shipbuilding, and some consumer goods industries) (Navarro 1990). Where this has not been the case, at least not to the same extent, for instance in banking, the expectation today is that substantial reductions (at least of about 20 per cent) of personnel will take place in the next few years, since the workforce is clearly underutilised, financial services are clearly overpriced at present, and currently growing competition is expected to make the status quo impossible to maintain for much longer.

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<sup>7</sup>Among the proposed measures that affect employment security are the following. On one hand, the government is pursuing a partial liberalization of layoffs: there are more objective causes for dismissing a worker (organizational and productive causes are added to technological and economic ones); collective layoffs are defined in stricter terms, in such a way that a higher number of layoffs escape previous administrative controls (because they are now considered as individual layoffs and are, therefore, submitted to *ex-post* judicial control); finally, procedures for collective layoffs are shortened, thus reducing procedural salaries, though not the amount of compensations (45 days of salary per year worked). On the other hand, the use of temporary contracts not based in specific causes is no longer permitted.

### 3. Economic compensation.

Job stability and economic compensation have been the two main and overwhelming issues of Spanish collective bargaining, and the two main and overwhelming targets of the Spanish unions. For most of the period nominal wages have tended to increase one/two points above inflation. At some critical moments, however, provisions were made to increase wages by reference to expected inflation, instead of past inflation. This helped to curb inflation most particularly in 1977-1978, and in 1982-1984. But on the whole both real wages and, most importantly, labor costs (wages plus social benefits) per unit of production have been steadily on the rise, both during the long period of full employment until the mid 1970s, and afterwards, exhibiting very little responsiveness to the extraordinary rates of unemployment in the Spanish economy during the last ten years or so. Wage and labor cost increases were particularly marked at the time of the transition to democracy, in a climate of political uncertainty, acute economic crisis, escalating union demands, initial lack of organization on the business side, and the loss of direction of economic policies, even allowing for the moderating effects of the Moncloa Pacts of 1977. The data show that labor costs rose about 60 per cent in real terms (once inflation has been taken into account) between 1970 and 1983, with most of the increase concentrated in the period 1973-1980 (Malo de Molina 1985). This was the result not only of the increase in wages but also of the expansion of welfare benefits and changes in formal occupational categories. To this should be added the effect of the reduction in the duration of the working day (about 11 per cent between 1977 and 1985) on unitary labor costs.

Real wages were indeed contained through the 1980s up to 1987. At that time they started to move up again, both in the upward phase of 1987-1989 (average increase in real wages of c. 1.3 per cent a year) and in the critical years of 1990-1992 (average of 1.7 per cent a year) (Raymond 1992).<sup>8</sup> At the same time, the comparison between the evolution of labor costs per unit of production in Spain and the rest of the European Community indicates that Spanish

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<sup>8</sup>This happened in spite of the increasing percentage of the labor force working under conditions of temporary employment. Other circumstances kept constant, temporary workers tend to earn 8.5 to 11 per cent less than workers with an indefinite contract. Temporary workers' lower wages were quite probably counterbalanced by raises in permanent workers' salaries (Bentolila & Dolado 1993).

costs have been increasing at a rate nearly double the European average during the last ten years: 4.8 per cent a year in Europe as compared to 7.2 in Spain, for 1983-1986; 3.2 per cent a year in Europe and 5.8 in Spain, for 1986-1989; and 5.1 per cent a year in Europe, and 7.1 per cent in Spain, for 1990-1992 (Banco de España 1993). The point is that, given the fact that the Spanish economy's strongest competitive advantage has been in price all along (Viñals *et al.*, 1990), these increases (together with other factors such as an overvalued currency, and high energy and financial costs that we cannot discuss at this time) have made a significant contribution to Spain's loss of competitiveness, just at a time when her economy was becoming increasingly open to Europe (Spain having become a member of the Community in 1986) and to the rest of the world.

The reason for such behavior of real wages and labor costs in the face of huge unemployment lies in a combination of institutional, political and cultural factors. Labor markets are structured in such a way that increases in wages in protected labor markets may go hand-in-hand with a gradual shrinking of the size of the protected labor force (covered by collective agreements), and an increase in the number of people operating in the underground economy, and/or living off unemployment subsidies. Such is the case in Spain where we have, in fact, three quite differentiated labor markets. First, the market for permanent jobs, with wages covered by collective agreements, which concerns about two thirds of the officially employed workforce, but only a minimal part of new hirings. Second, a market for jobs that offer no guarantee of stability but where wages (and social benefits) are covered by the agreements, which is the really significant market for new entrants. Both are protected markets either in regard to the stability of jobs, or the economic compensations, or both. This leaves the third one without protection of any kind: the labor market in the underground economy, whose size is positively dependent on the degree of protection, or rigidity, of the other two, and inversely dependent on the level of unemployment benefits. Two indicators may give an approximate idea of the size of the underground labor market: in 1986 irregular employment was 21.9 or 29.7 per cent of total employment, according to different estimates (Trigo 1988;

Muro *et al.* 1991); and submerged production could well increase official GDP figures by about 7 to 10 per cent (Julio Alcaide: personal communication).<sup>9</sup>

Political and cultural factors have helped this state of affairs, and this institutional setting, to develop and to persist for so long. Labor has been an important contributing factor but not the decisive force behind these arrangements. It is in fact the ensemble of the political class (both center-right and socialist parties) which bears the main responsibility for them, with labor's help and despite the vocal opposition of organized business (but only the mild reluctance of businessmen themselves). In fact, the different parties usually concurred in the desirability of social pacts between 1977 and 1986 the main point of which was the determination of the rate of growth of real wages. This has provided passably effective guidelines for collective bargaining on behalf of the protected labor force (García de Blas 1985; Espina 1990). At the same time, these pacts confirmed the basic regulations for entry and exit from the labor markets (and allowed for the policy shift making room for temporary employment in 1984) while adding pressure to increase public social spending (see *infra*). The public has followed these developments and acquiesced with them, sharing in the general opinion of the desirability of those pacts. Finally, the main thrust of these arrangements and understandings have outlived the explicit, formal social pacts of 1977-1986 into the early 1990s. And, in this way, Spanish socioeconomic policy and politics have presided over the process of formation of the three differentiated labor markets mentioned above.

Wage differentials (in the official, protected labor markets) according to occupational category and industrial sector tended to be reduced in the 1970s and to expand only rather moderately in the 1980s. Wage differentials for different occupational categories decreased between 1963 and 1977-1980, while increasing through the 1980s: the ratio for wage differentials between an employee with a university diploma and an employee of the lowest occupational rank was 4.19 in 1973; 3.11 in 1977; and 3.73 in 1988 (Revenga 1991). Wage differentials among industrial sectors decreased sharply in the second half of the 1970s, while

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<sup>9</sup>Trigo (1988, p. 191) offers an illustration of the workings of the underground economy in shoe-making, which is one of the sectors where irregular employment is most pronounced. From 1979 to 1981 regular employment decreased significantly in areas specialized in shoe-making, while at the same time shoe exports rose considerably.

increasing again during the 1980s (but keeping below the level of intersectoral variation of the late 1960s) (García Perea 1991). Possibly these reductions in wage differentials are related to labor's successful moves in the mid 1970s to escalate social demands (including egalitarian demands that made them push for linear increases in wages) and to make the labor market more rigid, while the converse tendency afterwards may be related to the different economic and political climate of the 1980s and the government's moves to introduce some flexibility into the market. A pointed illustration of this recent trend is the case of management compensation. In the wake of the few years of prosperity of the mid 1980s differentials rose considerably, and, in particular, the economic compensations of Spanish general managing directors apparently became the most generous in Western Europe (after the Swiss) just at the very time the crisis hit the Spanish economy in the 1990s hardest (*El País*, February 16, 1992; and *El País*, January 3, 1993). At the same time, wage differentials between small and medium-sized companies on the one hand, and large companies on the other, have been minimal, as indicated by the narrow margin of difference between the wage increase agreed on in multiple-company agreements (mainly for small and medium companies) and those agreed on in company agreements: an average annual difference of +0.3 percentage points in the period 1983-1992 (MTSS 1993). No significant difference can be shown in regard either to public/private and foreign/domestic ownership or to the economic situation of the company (with profits or losses) (Ministerio de Hacienda 1984 to 1991).

The increasing rigidity of the wage structure during the 1970s and the general tendency to narrow wage differentials during the 1970s was reinforced by a complementary tendency to reduce the variable component of wages. That component had been extremely important during the long sequence of economic growth in the 1960s and early 1970s, since, at that time, adjustments of labor to changes in the level of demand were made mainly through adjustments in extra-time payments, the variable components of wages amounting to about 50 per cent of wages by the early 1970s (Sánchez Fierro 1987, p. 189). Extra-time payments were drastically curtailed as a result of union pressure, by legislation enacted by the governments of the democratic transition (including the Workers' Statute). By 1983 variable components accounted for 17.3 per cent of gross salary in the case of firms with more than 200 employees; and

attempts to introduce productivity agreements during the second half of the 1980s had very limited success in increasing those components: up to 18.5 per cent in 1990. Yet, once more, this does not apply to top and middle-managers (about 4/5 per cent of the workforce of firms of more than 200 employees: Ministerio de Hacienda 1984 to 1991), whose economic compensations (excluded from the collective agreements) take more and more into account a variety of criteria associated with their individual performance (*El País*, January 3, 1993).

Finally, some reference is needed to the very strong trend to increase the "social salary" of Spanish workers from the mid 1970s to the early 1990s: this refers to a variety of social transfers including social security benefits (financed up to about two thirds by employers' contributions; CEOE & CEPYME 1987, p. 212). Public social spending rose from 9.2 per cent of GDP in 1975 to 16.6 per cent in 1992, as total public expenditure went up from 25.6 per cent in 1975 to 46.7 per cent in 1992 (BBV 1993). This has been the result of two converging developments. First, the successful transition and consolidation of democracy in Spain were generally understood as requiring an approximation of the Spanish welfare state to the level of the average Western European state, so that there was a general disposition to accept substantial increases in the welfare state even despite the economic crisis of the time. Second, the unions were fairly successful in persuading themselves, their followers, and large segments of the public and the political class to accept a definition of the social pacts as implying an exchange between the unions' contribution to wage moderation and the state's (and business') contribution to increasing social provisions. Having redefined the slowdown in wage increases as a "concession" to the state and the business community, the unions were also keen on developing two related arguments. On the one hand, that there was no connection between the high rates of unemployment and the labor market policies which the unions defended, thus they need accept no responsibility for the increase in social needs. On the other, that the unions felt responsible for, and were concerned with the defense not only of workers' interests, but also of people's interests in general, particularly those of the unemployed and pensioners, thus defusing the potential conflict of interest between the core workforce with protected jobs and the large periphery of unemployed growing by the hundreds of thousands every year between the mid 1970s and mid 1980s (and again in the early 1990s). In this way, the unions have

successfully managed to use their social demands so as to add legitimacy to their core claims regarding wages and employment security.

#### **4. Work organization and functional mobility.**

The analysis of work organization and functional mobility in Spain faces the almost unsurmountable difficulty of the lack of general statistical information for the last few decades or even for the last few years. Whatever may be said about these matters can only be tentative, and subject to revision by future research, but some general observations seem in order. On the whole, it is generally assumed that the prevailing type of organization of Spanish firms during the 1950s and 1960s was the one that the academic literature has labelled as Taylorist or (more recently) Fordist, entailing a bureaucratic, hierarchical authority structure; a clear-cut division of labor between management and planning on the one hand, and production on the other; and a rather narrow definition of jobs. Most of the engineering and economic literature of the time took for granted that this structure more or less reflected the actual picture at least of the big firms, and was justified by appealing to the findings and principles of the theories of scientific organization of work, rational administration and the like (Guillén, 1992).

But, however accurate this picture might be for the big firms (and we will know more about this once the mixture of observations and prescriptions of the experts of that time are replaced by case studies still to be made), it seems quite unlikely that this picture fits in with the actual workings of the small (and medium sized) companies that made up most of the Spanish industrial landscape: firms with less than 50 employees accounted for 97.4 per cent of the firms, and 52.9 per cent of the workforce in 1989 (Escobar 1992; see also Viñals *et al.* 1990; and Segura *et al.* 1993). An exploration of a number of cases of medium-sized firms as they went through the rosy days of economic growth of the 1960s and the turbulences of the 1970s suggests a different scenario (González Olivares 1985). The authority structure of those firms was more akin to that of a patrimonialist bureaucracy than to that of a modern rational or legal bureaucracy (Weber 1978). Tasks were either diffusely assigned or constructed as well-established routines on the shopfloor. Accounting and financial controls were rudimentary

and confused. There was little "strategic thinking" regarding productive, financial or commercial strategies, not to speak of personnel policies. Managers were unrepentant short-termists, so to speak, taking advantage of the opportunities provided by the favorable environment of the 1960s: expanding demand, and the low costs of energy and labor (and to some extent of financing). The general climate was one of toleration for an inflation rate of about 6/7 per cent in which labor demands were easily accommodated by translating cost increases into price increases. Production was geared to domestic markets, still fairly well protected from foreign competition despite some crucial moves to the contrary in 1959-1964 (Martí 1975), and exports were just a device to compensate for conjunctural downturns in domestic demand. In the much harsher conditions of the 1970s, those firms had to face up to escalating energy and labor costs at a time of falling demand, and they barely survived. The point is that, at such a critical juncture, the baroque combination of this pattern of discretionary and erratic styles of management and the rigidity of work organization at the shopfloor level further aggravated an already difficult situation. The fact is that it had been consistent state policy since the 1940s to issue quite detailed regulations (*Ordenanzas Laborales*) for the tasks to be fulfilled by every occupational category in every productive branch.

The *Ordenanzas Laborales* were originally part of the grand corporative/authoritarian strategy of the Francoist state. They were understood as providing workers with a defense mechanism in the face of the discretionary powers of management. (Much in the same spirit, security of employment was supposed to compensate for the absence of free unions or the banning of strikes.) In due time, however, the oppositional unions starting to organize themselves in the 1960s and 1970s took over the task of defending the *ordenanzas*, and/or making their contents part of the collective agreements with managers (Amsden 1974, p. 124; Durán 1989, p. 121); and they carried over this strategy into the scenario of democratic Spain from the mid 1970s on. Thus, the rigid framework of the *ordenanzas* was basically confirmed by the Workers' Statute of 1980, and kept in place one way or another (for instance, through collective agreements, as has happened in the collective agreements for the chemical and metallurgical industries) up to the early 1990s.

Pressure from organized business to change the *ordenanzas*, and to include more flexible work organization arrangements in collective agreements have had very limited success, not only because of the unions' resistance, but also because of the different salience of the issue for small as opposed to big companies (Fina 1991, p. 134). Small companies seem able to live with the present state of affairs as a lesser evil, because they can always try to make ad hoc individual compromises with their personnel, and are unwilling to pay the price the unions demand in exchange for more flexibility: namely an increase in wages. Thus, multiple company agreements have introduced little flexibility so far. Big companies are much keener on a change in the *ordenanzas*, as they are clearly in need of more functional and geographical mobility, and this is reflected in some new arrangements which have gradually developed in the 1980s. On the whole, there has been a slight increase of agreements with clauses concerning geographical mobility (8.7 per cent of the all-levels collective contracts in 1986, and 14.7 per cent in 1988) and the replacement of occupational categories by broader professional groups (14.4 per cent of the agreements in 1986, and 19.7 per cent in 1988) (CEOE & CEPYME 1987, 1989; CEOE 1988).

However, big companies find themselves in a rather complicated predicament when the time comes to deal with the particular issue of changing their work organization, the result being a mixture of experimental moves and conservative tactics, as the case of the automobile industry illustrates. The automobile sector is central to Spanish manufacturing and the economy overall, accounting for 6.6 per cent of industrial employment in 1990 (MINER 1993), and 12 per cent of total exports in 1991 (*El País*, March 15, 1992). Since the Spanish-owned firm SEAT was sold to Volkswagen in 1986, the industry has been in the hands of foreign companies: 30 per cent of car production in 1992 was controlled by a German company, Volkswagen; 39 per cent by two American companies, GM and Ford; and 31 per cent by two French companies, Renault and Peugeot (apart from Nissan and Suzuki's production of trucks) (Source: ANFAC, quoted in Ford-España, 1993). Multinationals such as these have become committed to introducing a variety of changes in work organization which in the Spanish scene most observers label as 'Toyotism', the equivalent of 'lean production' (Womack, Jones, & Roos 1991). But it does not look as if these innovations, including quality circles, just-in-time

procedures and group work, have become widespread so far. Thus, FASA-Renault has experimented with variants of quality circles since 1973 and Ford introduced them in 1979, reaching up to 331 circles and one third of its employees by 1985; but Peugeot/ Citroën had only established 12 circles by 1986, and SEAT/Volkswagen, which began with 140 circles in 1987, had no more than 113 by 1989 (Castillo 1990; Castillo *et al.* 1991, Ford España 1993). Just-in-time arrangements have been applied by GM and Nissan, and they seem to have been given particular importance in the design of the Martorell factory of SEAT/Volkswagen; yet the number of suppliers located near or in the surrounding area of this factory was only 15 out of 440 (and 215 were located abroad, with more than half of the parts coming from Germany) (SEAT 1993). Group work seems to have become predominant in Renault (covering as much as 80 per cent of the personnel in 1992: FASA-Renault 1993), and is also quite important in SEAT's Martorell factory; but less so in GM, Nissan and Suzuki (CC.OO. 1992). Moreover, we have to see these moves in the context of an overall business strategy that responds to a fairly pessimistic view of the immediate and medium-range prospects for the European automobile industry as a whole, which leads to a sustained attempt at numerical flexibility and cost-cutting to meet falling demand and increasing competition. Thus, almost 50 per cent of Renault's investment in Spain in 1991 went into paying for a 10 per cent reduction of its workforce (*El País*, March, 15, 1992). In October 1993 Martin Bangemann, the Industry Commissar of the European Community, stated that the workforce in the European automobile industry is expected to be cut by half in the next few years (*El Mundo*, October 21, 1993): a statement seemingly corroborated by the closing of the Zona Franca factory of SEAT/Volkswagen (about 9,000 jobs) announced by Volkswagen that same month.

We can observe a similar mix of halfhearted moves in the direction of changes in work organization and of impending/expected or actual moves in the direction of numerical flexibility affecting a sizeable part of the workforce in other industries such as energy, textiles, or banking. In banking, for instance, changes in financial products, in the need for closer and better attention to clients, in giving more autonomy to local agencies, and in network technology, all imply organizational changes (IESA 1987; Castells *et al.* 1986; Castaño 1990). But all this has to be done in the context of an oversized sector of the economy which lives by

the day in the expectation of imminent restructuring. Financial services in Spain profit from diverse forms of protection that allow for financial margins much higher than those current in most countries, but only for the time being. This situation cushions the effects of an excess of personnel (Villarejo 1990) who enjoy a degree of job stability and economic compensation that will not be maintained if and when the effects of international competition zero in on Spain, as is expected to happen in a matter of a few years. By then, the latent issue of numerical flexibility will become prominent once again.

## **5. Professional training.**

In the Francoist years, the state set up two main types of professional training institutions: the so called *Formación Profesional Reglada* (FPR) and occupational training. The FPR was a teaching program of several years duration aimed at youngsters before they entered the labor market, which, on paper, should have prepared them for a professional career. In fact, it was but a variant of the general program of secondary education, with some light touches of professional knowledge, for adolescents lacking the economic resources and/or the intellectual ability to follow the main track of the baccalaureate. And those features were accentuated even more after the General Law of Education of 1970.

Professional training ranked low on the agenda of both center and socialist governments after the transition to democracy until the late 1980s/ early 1990s (see *infra*). This combined with the effects of the economic crisis to create a situation where the old institutions remained in place, and were allowed to drift on for a long while. The FPR kept its character of a residual track for general secondary education for about one and a half decades. However, it was common knowledge that the kind of learning provided by the FPR was disconnected from the demands of the economy, and was basically fulfilling the role of a convenient parking lot for about a third of all 14 to 19 year-olds. By the late 1980s the administration started to consider this state of affairs as unacceptable, and to search around for better alternatives in the European experience, and, finally, with the backing or acquiescence of organized business and labor, the Ministry of Education came out with an interesting reform that is just now being

introduced. The plan is designed to provide professional education to youngsters aged 16 to 18, which would require them to take about 1,000 hours of professional courses, and spend about 300/500 hours in professional practices in firms. The plan seems to have been conceived as a variant of the German system (what the designers of the plan call a system of training *en alternancia*: by the alternation of classes in school and practices in firms), and includes the participation of the Chambers of Commerce, organized business and unions in its implementation: an experiment almost without precedent, whose progress it will be interesting to follow closely when implemented.

The most important program of occupational training for the adult population developed in the early/mid 1960s in the wake of the long sequence of economic growth of that period. It depended on the Ministry of Labor, and was managed through the PPO (*Programa de Promoción Profesional Obrera*, later to become part of the *Instituto Nacional de Empleo*, INEM). The PPO was a quite remarkable experience in that it was fairly efficient in providing hundreds of thousands of people with the basic occupational skills they required in the move from the agrarian sector to the building industries, tourism-related activities, and manufacturing, as well as helping large segments of the agrarian population to learn the fundamentals needed for managing the new agricultural machinery (tractors, mechanical harvesters and the like) (Pérez Díaz 1972). The PPO set up hundreds of courses of about 100/200 hours to be given by mobile teams of skilled monitors in villages, factories, schools or city halls. But successful as it was, the PPO was mainly an ad hoc response to the immediate needs created by the growth of cities, industries and the affluence of tourists.

This trajectory was hindered by the economic crisis and the democratic transition. For about ten years, between the mid 1970s and mid 1980s, programs of occupational training were allowed to deteriorate. The different governments, business and labor were all too busy debating wages, regulations of the labor market and social spending, and in signing the sequence of social pacts of 1977-1986, with only occasional lip service being paid to the issue of occupational training. The government was preoccupied with the basic macroeconomic equilibria; business had a tradition of lack of interest in the matter; and labor focused on wage bargaining. Meanwhile, the PPO (whose name had changed to SEAF-PPO in 1973: CIFP

1981, p. 56) had become part of the INEM: an organization set up to handle not only activities related to occupational training, but also the distribution of unemployment subsidies (with the monopoly on job search and placement for the unemployed) at a time of increasing unemployment of extraordinary proportions. In this way, occupational training became a minor item on the agenda not only of the political class, business and labor, but also on the agenda of the administrative agency responsible for it, whose resources went into the administration of unemployment benefits (and which allowed about 2,000 of its staff, two-thirds with university diplomas to leave the agency during the 1980s) (CEDEFOP 1988, p. 44). The result was the drastic reduction of occupational training activities between 1975 and 1985: 300,000 people attended to occupational training courses in 1975, compared with about 60,000 in 1980 as well as in 1985 (Eusebio 1987, p. 29).

By the mid 1980s, once again, the situation started to change. Entry into the European Community gave Spain access to the European Social Fund, which would subsidize up to 65 per cent of occupational training activities provided the national governments made their own contribution. Firms were required to contribute 0.7 per cent of the total amount of their wage costs to the INEM to pay for occupational training: 0.6 per cent for the unemployed, and 0.1 per cent for continuous on the job training or *formación profesional continua* (FPC). As a result, funding for both types of occupational training went from 15.3 billion pesetas in 1985 to 47.7 in 1986; and to 134.0 in 1989. The number of people attending these courses rose to more than 400,000 in the early 1990s (MTSS 1992). The general quality of these courses is generally supposed to be very low, particularly those for the unemployed.

However, once again in the very late 1980s, the administration, business and labor finally seemed to take notice of the dismal state of, at least, the FPC, as it was commonly held that the majority of the workforce was poorly qualified (Bushell & Salaverría 1992); and as it was plain that, up to then, continuous training had only reached a very small proportion of employees. So they started to discuss several projects on continuous training, and reached a general agreement in December 1992 to help large firms and groups of small firms to train or retrain their employees, as well as another more specific agreement in the construction sector. A number of large firms (banks, utilities, energy, or big stores such as El Corte Inglés) have

been engaged, for some time, in retraining some of their employees by means of courses of very short duration (about 20/30 hours a year), especially white-collar employees and managerial staff. In banking, for instance, retraining usually means learning about the use of computers, about new financial products and about ways of passing that information on and dealing with the public. It may also mean attempts to instill new attitudes, a corporate culture, a code of ethics, and, more particularly, to promote an entrepreneurial culture in key segments of the managerial staff.

## **6. Industrial relations, and corporate culture.**

We will end our discussion with a few references to changes in the domains of industrial relations and corporate culture. The theme of industrial relations includes and goes beyond that of firm governance insofar as industrial relations concern (a) the institutional mechanisms of voice for both employees and their representatives in the decision-making processes of the firm at the microlevel, and (b) the institutional mechanisms of collective bargaining and sociopolitical pressure that take place outside the firm at the macrolevel. The theme of corporate culture refers to some of the cultural premises of industrial relations at least at the microlevel.

In the Spanish system of industrial relations the law guarantees the presence of union representatives in firms under two guises: as members of the local sections of the national unions; and as members of the works councils that the workers choose in nation-wide elections that take place about every four years. This system was put in place after the transition to democracy but built on experience over the previous ten to fifteen years (see *supra*) when local militants were simultaneously part of semispontaneous workers' commissions and of the local offices of the official unions. This helps to explain the ambiguity of the institutional design of workers' representation at the local level, where union sections and factories' committees coexist rather peacefully and tend to reinforce each other. Even more relevant to our story is, however, that, in the final analysis, this mutual reinforcement of the two institutions has not resulted in a strong local tradition of worker representation, least of all in small and middle-

sized firms, but neither to any great extent in large ones. Such weakness is very much related to the existing traditions in collective bargaining.

Collective bargaining had already become a central feature of industrial life in the 1960s (see *supra*), but its full development came with the transition to democracy. Its coverage has extended from 2.8 million employees in 1977 to c.6 million in 1980-1982, and 7.4 million in 1992. At the same time the number of agreements has gone from 1.300 in 1977 to 3.300 in 1982 and 4.800 in 1992 (Ruesga 1991; MTSS 1993). Most of those agreements, however, have been made above the company level throughout the entire period, so that company agreements affected only about 1 million employees in 1992, mostly in big companies. Collective bargaining above the company level may be provincial-sectoral and national-sectoral (both covering about 6 million workers). The point is that agreements above company level require bargaining between organized business and leaders of the territorial branches and/or the trade federations of the most representative unions, with little direct involvement on the part of the local unions and the works councils. The truth of the matter is that these local organizations have weak foundations, and in many cases they barely exist. They are set up at election time, when the national unions come to the shopfloor and persuade mostly unaffiliated workers to stand as union candidates. Once the election is over, the unions count the number of "their" delegates, which they present to the government as their credentials to get the government's prize: receiving the legal prerogatives attached to their character as "most representative unions" (which requires more than 10 per cent of the members of the works councils). Chief among these prerogatives is the right to engage in collective bargaining, as well as to gain free time for their militants, to call a strike, to call the next elections for the committees, and to sit on an array of state- and para-state organizations.

Labor leaders engaged in these multiple-company bargains for entire sectoral-provincial aggregates of small and medium-sized firms may well be working in, or be otherwise connected with personnel of large companies. They aim at getting relatively high levels of economic compensation for the entire aggregate, and they fear that otherwise the wage level to be obtained later for the large companies will be reduced, since the two types of collective bargaining are not articulated (in the sense that the sectoral-provincial agreement does not

provide a floor for the company-level one). At the same time, they know that the personnel, and the management, in small and medium-sized firms are not much interested in issues such as those related to work organization and the reform of the ordinances. As we have already seen, local tradition is, in this respect, one of muddling through the baroque coexistence of bureaucratic paternalism and ad hoc flexible individualized arrangements. Hence multiple-company collective bargaining has been traditionally concerned, above all, with wages. And the mechanism has worked for many years by setting a goal-range of wage increases about +3/-3 points above past cost-of-living increases, with business and labor organizations gradually converging around +1 point, which is expected to become 2 points above inflation once wage drift is taken into consideration. During most of the 1980s this has roughly corresponded either to the guidelines proposed by the social pacts, or (in the absence of the pacts, after 1986) to government recommendations. In their roundabout way to an agreement, organized business usually takes comfort from discreet government encouragement, and labor flexes its muscles with fairly frequent use of short, massive strikes (6.2 million workdays lost in 1992) (MTSS 1993). But the end result has not changed much for the last ten years or so. And from the viewpoint of the local workforce of small and medium-sized companies this is a rather mechanistic and ritualistic endeavor that requires neither much commitment nor deep involvement in local unionism. Company agreements are certainly more important for companies of over 200 workers. Collective bargaining in this case may be extended to cover issues other than wages: changes in occupational categories, changes in forms of payments, productivity and the like. Still, wages have been by far its most important element, and the current crisis (of the early 1990s) has reinforced this characteristic. The point is that we cannot see a strong local tradition being formed of agreements and understandings between management and local representatives of the workforce, or the workforce itself, on so called qualitative issues, which could both respond to and reinforce local unions and/or works councils.

From the viewpoint of that segment of management (particularly in large companies) more inclined to take the long view, the situation may be seen as follows. They find the unions basically interested only in wages and employment security, marginally interested in the

variable component of economic compensation and the forms of temporary employment that business is most keen on, defensive when the time comes to discuss matters of work organization and functional mobility, and paying only cursory attention to professional training. At the same time, such managers think that the unions' basic cultural premises correspond to a mentality of confrontation and suspicion regarding management goals and modus operandi, and of deep distrust regarding the basic rules of the game in a market economy. Therefore, they consider long term understandings (for instance, of a so called "productivistic" nature) with such unions quite unlikely. From this definition of the situation follows an alternative course of action most visible in key big companies (like BBV, Repsol, Iberdrola or El Corte Inglés, just to name a few), in which they have already embarked upon a still ill-defined process of redefinition of their corporate culture. They are trying to articulate values, criteria and objectives which will serve a process of internal restructuring, changes in styles of management, increasing attention both to cost-cutting and to product quality and relations with the public among others. They are searching for common ground for the understandings and motivations of the different layers of management, and also for common ground between management and the core (that is, the most stable and qualified part) of their workforce. This is an on-going process, very much in its infancy and quite uncertain regarding the form and the direction it will finally take.

## **7. Concluding remarks: A four-cornered society.**

For all its apparent inconsistencies the Spanish scenario of human resources practices and policies, and industrial relations exhibits a basic systemic or quasi-systemic character. Its several elements are loosely connected to each other, so that changes in any one of them may have significant effects on the others. But in order to understand such an underlying system we must reject the idea of a homogeneous space where all the rules and institutions apply evenly. The key for understanding the actual picture lies in differentiating between several spaces, and in following the links between them.

First, the most visible space seems to be that of the protected core of the labor market (space 1). This is the space to which the rigid rules for exit and entry to the labor market have already been applied uninterruptedly for about five decades. There have been significant changes in the rhetorical cloak and the political underpinnings of these rules during this period of time: from the "concessions" of an authoritarian corporate regime to the "social conquests" confirmed by a new democracy; but the rules of the game have been remarkably similar. The unions are basically geared to representing and defending the interests of the seven to eight million employees in that space: increasing the costs of their dismissals, and raising their wages and social benefits. However, the very success of the unions in providing the core labor force with employment stability and real wage increases at a time of deep, continuous economic crisis in the ten years or so between the mid 1970s and 1980s has been determinant in the creation of three other fairly large spaces following quite different rules: those for temporary workers, for workers in the underground economy, and for former employees living off public subsidies.

Since business has been quite reluctant to create jobs in conditions of low demand, increasing real wages and social security payments, and costly compensations (and lengthy procedures) in the case of dismissals, the socialist government decided to introduce some flexibility into the picture. Space 2 was thus created in the mid 1980s for temporary workers, and with such success that by the early 1990s about three million people were operating under the new rules. Almost every new entrant and, therefore, a sizable part of the young generation, is now working under conditions of temporality. These youngsters usually have contracts for up to three years, at the end of which they are given a fairly modest sum of money (about 12 days salary for every year worked), and they then go onto the payroll for unemployment subsidies for some time, before they get the chance of a new temporary job. A limited percentage (17 per cent) is able to get a permanent contract (Segura *et al.* 1991); most do not. They are covered by the collective agreements, but their lack of seniority and their limited skills make their wages lower than those of the core force. Moreover, labor costs to business are considerably less in the case of temporary workers not only because of lower wages but also because of significant reductions in social security payments.

Still, permanent and temporary workers are only the visible, official part of the labor market. Space 3 is that of the underground economy, which is quite important in some sectors: in agriculture, but also in consumer goods industries such as textile and shoe manufacture. Thus, the peculiar exporting dynamism of the shoe sector, located mainly on the Mediterranean coast, is dependent on the existence of a widespread underground economy, protected, in different ways, by the local authorities and a variety of local leaders and organizations: political parties, churches, unions, and the media. Estimates for the underground sector in these consumer industries for 1986 range from between 280,000 to 370,000 employed people, and, for the whole economy from between 1.5 to 2.5 million employed people (Trigo 1988; Muro *et al.* 1991). This is a space where firms and workers operate under different rules, where jobs are dependent on performance, wages are lower, and social security payments nonexistent. However, there are different ways in which people working under these arrangements do get access to complementary welfare provisions (for instance, through relatives or fictitious disabilities). This is done by means of using rules, institutions, and material resources of another space, that of public subsidies, and by means of making the boundaries between these two spaces, that of the underground economy and that of the public subsidy, as fuzzy as possible.

Space 4 is, then, that of the officially ex-employed or unemployed population. By ex-employed population we mean the significant segments of relatively old workers who were persuaded to take early retirement, benefitting from generous compensation offered to them by entrepreneurs eager to reduce their workforce (with state help, as happened in most of the restructuring operations of the early 1980s), and then covered by pensions, which were substantially raised in the late 1980s. The officially unemployed population has fluctuated between two and three and a half million for the last ten to fifteen years, and individuals receive a sizable part of their last salary for quite some time. However, the boundaries between spaces 3 and 4 are fuzzy and allow people to live off subsidies and work in the underground economy. It is also possible to alternate between spaces 2 and 4, by working about one or two months in the countryside, and then receiving a subsidy for the rest of the year (the so called PER plan: *Plan de Empleo Rural*).

So what we have is a sort of segmented, four cornered system, with people operating in each of these four corners by different rules, and moving from one corner to another at different times: a sort of massive rehearsal (and "eternal return") of the classical Spanish children's game of the four corners. In this game four children are located in four corners of a room or a garden, watched by a fifth one standing in the middle. The four children play around and feel safe so long as they stay close to their spots. But of course they move and run from one corner to another, switching places. And the moment any of them moves, and leaves his spot unguarded, the fifth children runs into it and tries to take his place. The name of the game is to stay in any of the safe corners and move around swiftly and carefully while the unlucky child in the middle tries to replace one of the runners. Spanish workers do play around from one safe corner to another, with unlucky watchers in the middle who have just dropped out of the safety net, for one reason or another (employment benefits have run out, there is no underground activity to take advantage of, no extended family around to take care of them)-- and with more and more foreign immigrants playing the game, and starting as unlucky watchers.

The stability of such a system lies in the peaceful coexistence between, and the complementarity of, the subsystems, and in the fact that they are anchored to the same basic consumer and emotional/moral unit: the extended, or quasi-extended, family; one which is composed of two or more generations, either living together, or closely tied to each other, and helping each other to survive through difficult times. The family is the open secret of the Spanish labor market scenario, and the explanation for the fact that Spain may have already survived, without apparent sociopolitical trauma, about fifteen years of huge unemployment. The family survives on a variety of sources of income and of social provisions which can be pooled: the wages of permanent and temporary workers, salaries earned in underground activities, pensions and unemployment benefits.

The relative rigidity of the rules of space 1 concerning job stability and wages is to a significant extent responsible for the scope and the characteristics of spaces 2, 3 and 4: instability and lower wages for temporary and underground workers, the levels of subsidies for ex-employees and the unemployed. They may even reinforce one another. For instance,

paying lower wages and social security payments to temporary workers provides firms and unions with a margin for manoeuvre in order to increase the wages of the core workforce (Bentolila & Dolado 1993). But the connectedness among the different spaces is also evident with regard to other human resources practices and policies, and industrial relations.

People living under temporary arrangements or in the underground economy are usually not given the incentives or the opportunity to develop their professional skills. In fact, in most cases, temporary arrangements and underground work usually come with low skill requirements, and those workers lack prospects for a professional career tied to enhancing their professional skills. At the same time, the core workforce's basic motivations to keep jobs and wages, and their age and learned capacities make them reluctant to undertake systematic, sustained efforts at professional re-training. Hence the usually low priority accorded to professional training. On the other hand, since professional categories are strongly connected with seniority and wage levels, and weakly connected with skills, workers and unions have considerable incentive to resist changes in the labor ordinances of the past, thus making the outcome of shopfloor negotiations in regard to changes in work organization and functional mobility more difficult and erratic.

The stability of traditions of routine on-the-job training and work organization fits in fairly well with a system of industrial relations in which comparatively modest emphasis is put on company or local bargaining. Despite their symbolic salience, and the extraordinary visibility of their sociopolitical moves, Spanish unions are rather weak, not only because they have few affiliates, but above all because their local roots, though they may be extended (as reflected in the numbers of the union-related members of the works councils), are in fact quite superficial. And the unions have not developed, or helped to develop, a strong tradition of local bargaining. By contrast, the unions have developed fairly strong sociopolitical personalities which they have used to increase the stability of the system. Thus, they have focused public attention on increasing the welfare state provisions for pensions and unemployment subsidies; they have diverted the public and the (central and regional) political authorities' attention from space 3, the underground economy, and from the fuzzy boundaries between spaces 3 and 4;

and they have diverted attention from the potential conflict of interests between the people operating in space 1 and those operating in space 2.

So here we have what we might label a segmented, four cornered society, or socioeconomic system which stands as a sort of "model" of adjustment (with no normative implications) to the prolonged economic crisis of the last two decades (with the brief interlude of the late 1980s bonanza in between). It has provided a modicum of socioeconomic, political and cultural stability. Of course it may be suggested that the long term prospects for such a system are dubious. In a sense, it is a system that seems inimical to the actors expending much energy on consideration of the future. Young people are provided with slim prospects for professional careers, and socialized into developing low professional expectations. Long term policy decisions can be put off, and, as in the case of professional training, they may be finally reached with a delay of many years (and then with only cursory attention being paid to the critical issue of the bottleneck in teachers who, in turn, would take a number of years to train). The entire productive system, in the meanwhile, may lose competitiveness vis-à-vis other countries. But all this may be considered (by some) just "the price to be paid" in exchange for the benefits of social peace, and the system's resilience to survive and to carry society over from one critical stage to another without losing its composure.

Now, without exploring further the highly disquieting question regarding the price to be paid for the stability of the system, let us see what can be said as to how and why this system has come about. Regarding the genesis of the system, the most interesting point is that nobody has designed it. As Hayek would say: it is a result of human action, not of human design (Hayek 1978). Nobody has deliberately set up this curious, and so far stable, combination of permanent workers, young temporary workers, underground economy and unemployment. A succession of governments, political parties, the media, unions and business organizations, not to mention academic experts and, last but not least, electoral bodies casting their ballots in one national election after another since 1977: none of them have designed the system, neither would they even accept it as a "system". In fact, they have just let the four-cornered society "happen", so to speak, with their helping hand. But to impute the result to the "strategic choices" of the state, unions and business, or the public, would clearly be out of the question.

Nor is it the case of the state and the main socioeconomic actors designing the institutional setting that, once in place, has, in turn, pushed that system along. During the last twenty years or so, building on previous foundations, politicians, civil servants, union officials and business leaders have collaborated in setting up a set of industrial relations and public policy institutions: most notably, those of dual local workers representation, collective bargaining at several levels and social concertation. Now, this institutional system may have contributed to but cannot be held responsible for the segmented, four cornered society just described. Institutions like those, or similar to them, could have been set to work with quite different results, providing for more flexible and less segmented arrangements in matters of job stability and wages, work organization and training.

The explanation may lie less in strategic choices and institutions and more in the "inertial choices" of organizational actors which, faced with unprecedented challenges and uncertain circumstances, stick to their traditions and the explicit or implicit understandings that go with them. The liberal-democratic state of the late 1970s through to the 1990s has been in the hands of politicians and civil servants keen on an expansion of the welfare state, and the maintenance of a relatively high level in job stability and real wage increases for a fairly extended protected core of the labor force. Unions have not even ever considered that their strategy could be other than one of playing on and reinforcing such inclinations, and to soften the impact on the non-protected labor force by means of social welfare provisions and de facto toleration of the underground economy. Spanish business has a well established tradition of deference vis-à-vis the state and short-termism in its dealings with its workforce and the unions. Business and unions have a consistent tradition of avoiding face-to-face company level bargaining where there might be the opportunity to bring up, debate and possibly solve a large or complex array of issues. Such absence of a strong local tradition in collective bargaining fits in with a tradition of giving low priority to the issues of expanding the variable component of economic compensation, of work organization, and of professional training; and, more generally, these traditions, in turn, fit in easily with the absence of a tradition of continuous compromise, mutual understanding, and in the end, possibly a modicum of mutual trust, which can only be built on such experiences of shared local knowledge and intense interactions.

It may well be that these traditions and understandings have been, and are, dependent on a soft economic environment: soft in the sense of allowing easy translations of labor cost increases into prices, and of protecting inefficient firms from domestic and foreign competition. So, it may well be that the structural economic preconditions for the persistence of those traditions are being gradually eroded by the much harsher environment of the late 1980s and early 1990s, wherein toleration for inflation and for low competitiveness has been, and is being, drastically reduced. Thus, economic sectors more exposed to external competition may be those more congenial to the emergence of new local traditions of collective bargaining encompassing the issues of work organization, training, and a climate of mutual, realistic understanding between business and workers. To what extent these new traditions do depend on local/regional political and cultural arrangements, and to what extent these emergent traditions may be compatible with the persistence of the four cornered, segmented system will be the matter for another discussion.

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