

The pain in Spain stays mainly with the jobless

As unemployment hits a record high, Spaniards are being forced to make difficult choices. Alasdair Fotheringham reports

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Spanish accountant Raul Esgueva Arranz has been out of a job for more than two years.

He has two young children and lives in a country where over one in five of the working population are all but scouring the streets for employment. Yet he is one of the luckier ones. "My dole money only ran out in March and we've got some savings," says the 34-year-old from Bilbao. "But from now on, I've got nothing coming in whatsoever. Where do I go from here?"

He is not the only Spaniard to be asking the question. Unemployment hit a new record high of 4,910,200 last week. A round 1 million unemployed receive no state benefits and in 1.38 million Spanish families, no one has paid work. In the first quarter of 2011, 256,500 people joined the dole queues – 5,000 more than in the same period last year. There is no sign of a quick end to the recession.

The steady erosion of employment has required Spaniards to make some drastic choices, with emigration one of them. An estimated 1.7 million already live abroad and in the first quarter of 2011, emigration rose by 30 per cent. Some professions are keener to leave than others. No less than 74 per cent of Spanish architects, according to one union survey, are trying to work abroad. The one million empty houses left from the construction boom are a reminder of why their services are no longer required.

The consequences are not all bad. In the struggle to acquire skills and impress employers, language schools and some postgraduate colleges are booming – for those that can afford their fees. "Everybody is desperately trying to beef up their CVs," says Esgueva Arranz. After he lost his job, he completed a Masters course in small business management. It cost him $\times 2,000$ (£1,750) – but to no avail. "Even for a clerical job at $\times 1,000$ a month you need languages and accountancy skills. If you don't want to work for that kind of money, there are 500 people standing in the queue behind you who will."

Fiona Baird, a teacher at the University of Granada's Centre of Modern Languages, says: "English is definitely on the up. My classes are fuller, even compared with last term. Many of them are unemployed people trying to get better qualifications."

Not everybody is trying so hard, though. Working population figures have dropped by 43,000 in the last quarter, an indication of increasing pessimism as Spaniards give up the search for employment. With 45 per cent youth unemployment, there is talk of an entire generation of young adults stuck in the family home who neither work nor study.

Yet an already large public sector continues to swell, with an 8.7 per cent increase since 2007. Other Spaniards, perhaps spurred on by tax changes for farmers last week, are returning to the villages they left a generation before.

One glimmer of economic light may be tourism, up 5 per cent in the first quarter. The popular holiday resort of the Canary Islands was one of a handful of regions to register a drop in unemployment recently. The tourist increase is totally due to foreigners, whose numbers were up 13.5 per cent.

Spaniards' gloomy pragmatism extends towards the afterlife. University hospitals are reporting record rises in the number of bodies donated to science as families try to dodge funeral costs of around $\times 3,000$.

The fabled generosity of Spanish families appears to be dropping too, with the number of organ donors decreasing

last year. According to the president of the Spanish National Transplant Association, Rafael Matesanz, this was due to the "climate of social pessimism". He cited the case of a bereaved father in Murcia who refused to donate parts of his dead daughter's body. "He said he was unemployed, and given society had done nothing for him, why should he do anything for society".

Inflexible labour laws are blamed for some of the problems. Without reform, economists predict, fewer than half of the 2.3 million jobs lost since 2007 will be made up by 2014.

Javier Diaz-Gimenez, a professor of economics at Spain's IESE business school, says: "We have the most inflexible labour market in Europe. Labour protection is high but it's badly distributed. Around 30 per cent of the workforce has none and the rest are tenured workers who are almost impossibly expensive to fire."

High labour costs are one of the reasons small business finds it so difficult to create new jobs. Esgueva Arranz experienced these costs while working as an accountant for the car parts business which employed 12 people. "If I had employed one person for $\text{€}1,300$ a month, it would have cost us $\text{€}400$ in contributions," he says. "Firing somebody after four years would have cost $\text{€}7,000$. You didn't hire people because you were scared you couldn't sack them."

This predicament has deep roots. "It has been going on since Franco died," says Diaz-Gimenez. "Franco's regime extended no political rights, so to compensate there was an extremely protectionist labour market."

"When Franco's trade unions moved out, the new ones moved into the same buildings and the lifts were still working. The status quo was out of line with the economy then and it's completely out of line with the globalised economy of the 21st century. "We have the worst possible labour legislation for this territory. It's a complete mess. But there are so many vested interests keeping this legislation going that it still has majority support."

Spain's beleaguered businesses get little sympathy from the banks. A European Central Bank study last month reported that "SMEs in Spain continued to report significantly lower success rates than in other countries when applying for a loan".

But as one former Madrid businessman says: "Every time you have to ask for credit, you have to prove you're making a profit. To do that you have to cook the books. You end up paying taxes to be able to borrow money. That's crazy." For some business people threatened with becoming part of Spain's unemployed army, this may be the only alternative.

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