

# Recession Robs Spain's Youth of Jobs and Hope

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By Helene Zuber in Madrid

The ongoing economic crisis has pummelled Spain. Small businesses feel abandoned by the government, layoffs are swelling the ranks of the desperate, and a whole generation of recent college graduates is facing a future without prospects.

It was early July when it finally happened and nothing came out of the ATM. With a sinking feeling, Iñigo Ortega went into his usual bank to print out his statements. The bank's maintenance fee had been debited from his account, and there was nothing left -- his savings were gone. It had taken only three months to go completely broke.

As recently as March, Ortega, 36, was employed as the head of a small but upscale architectural firm on La Castellana, Madrid's grand boulevard, making €3,000 (\$4,280) a month. But the firm specialized in luxury restorations and renovating hotels in historic buildings, and it had been getting fewer and fewer lucrative contracts. It wasn't really a surprise, seeing that the worsening economic crisis was keeping millions of foreign tourists away. The most creative designer on the firm's six-person team was the last one to be let go. And it was Ortega's bad luck that he had been working for the last four years as a freelancer without a set contract that would have entitled him to claim unemployment benefits.

"My job's gone, my money's gone and so is my hope," Ortega says bitterly as he leafs nervously through his documents. He has sued the owner of the architectural firm for the social security contributions he never paid, overtime hours, holiday pay and a settlement. He doesn't want to accept the fate of being "in my late thirties and dependent on my parents again, like a kid still in school." Ortega got the job after eight years of university followed by internships with some of the best firms in the business. But now it was all for nothing. At first he was needed. Ortega created a hip Web site for his boss and taught him computer drafting. But now the boss doesn't need him. He doesn't know what the future holds and is trying to figure out how he can "scrape through from day to day."

## Generación Ni-Ni

Tens of thousands in Spain are currently in the same dire straits as Ortega. As the country faces the worst recession since the Spanish Civil War ended 70 years ago, first-time jobseekers are being hit especially hard. No other country in Europe has as many young people out of work: almost 37 percent of people under 25 and a quarter of those under 30. Sociologists have already created a name for this group -- "generación ni-ni," the neither-nor generation. The term meant to describe young people who are neither studying nor working and don't have something in their lives that they can get excited about. It's a true zero generation -- zero jobs, zero prospects. A recent survey of Spaniards between the ages of 18 and 34 showed that 54 percent of those polled view themselves as neither-nors.

Take Eva Reina López, for example. She's 20; her father's an electrician and a widower. Reina did everything right. After getting her secondary school degree, she no longer wanted to be a burden on her father, who had raised her alone since she was six. So, instead of enrolling at one of Madrid's universities -- which had been her father's dream for her -- Reina followed her boyfriend to a small city in León Province nestled in the mountains of northwestern Spain. And there -- in her mother's hometown and where Spain's socialist Prime Minister José Luis Rodríguez Zapatero began his political career -- Reina learned how to weld. After six months of training at a company called Coiper, which manufactures towers for wind turbines, she secured an employment contract for six more months. The government in Madrid is promoting wind power as Spain's great industry of the future.

In January, it was all over. Coiper can no longer find buyers for its products. The government froze subsidies for sustainable-energy ventures after the economic crisis hit, which has caused wind-farm construction to stagnate. As a new employee, Reina wasn't entitled to claim unemployment benefits, and she only received welfare payments of €400 a month through June. Her boyfriend and other permanent employees have had their working hours reduced. Now they sweep the empty production rooms, waiting for the news that the company is shutting down for good. "There aren't a lot of choices here in Ponferrada," Reina says. "What will we do if everything here closes?"

"We've hardly even started our careers, and we're already disillusioned," says Noa Beade, 24. Like others her age, Beade gets upset whenever she gives some serious thought to her career prospects. A year ago, Beade received a journalism degree from San Pablo CEU, a respected private university. She has also completed four internships, speaks English fluently and spent six months in Paris learning French on Europe's ERASMUS student exchange program. But even with all these qualifications, she didn't land any of the several dozen jobs -- or unpaid internships -- she applied for directly out of college. A drop in advertising revenues has crippled the Spanish media. Instead of hiring, they're laying people off.

Beade's father, who lives in Galicia and also works in the wind energy industry, paid €4,057 to allow her to take a special course in financial journalism at Madrid's public Complutense University. He wanted his daughter to make it further in life than he and his wife, who works as a dietician in Vigo. The certificate helped Beade land another internship, this time working for a business news service for three months. She's not sure if she'll be paid while there.

## **The Building Bubble Bursts**

It's a vicious circle. In the 10 years before the global credit and economic crisis hit, more jobs were created in Spain than in the rest of Europe put together. But after 14 years of uninterrupted growth, the crisis hit Spain harder than other countries.

Spain's boom was marked by an intoxicating degree of consumption resulting from demand pent-up during the almost four decades of the Franco dictatorship. But it primarily came in the construction industry. Around 800,000 new apartments were built every year, more than in all of Germany, France and Italy combined. Blue-collar workers were able to buy homes on credit, and middle-class families piled up debt in order to be able to pass an apartment on to every child. Even outside of the upper class, a second or even third home on the sea or in the mountains wasn't unheard of. And it was all on credit. People chased after quick profits by buying and reselling apartments, which could bring in double their initial price once they were ready for use. The value of property shot up twenty-fold as soon as a town zoned it for construction.

But last year, after the summer holidays, the real estate market's gigantic bubble burst. The same banks that had recently been handing out mortgages with abandon were now only reluctantly granting credit for building projects, and interest rates were skyrocketing. There are now a million vacant apartments. Likewise, people who piled up debt now have to pay off the absurdly inflated original price of their properties rather than the substantially lower current value. Many of them can no longer afford their loan payments. Of course, they would love to sell off their properties, but no one is buying.

Everything in Spain seems to be somehow connected to the construction industry. Even the soccer teams have real-estate speculators to thank for their world-class players. The real-estate market once generated an outsize proportion of Spain's GDP. But now that the building sector has collapsed, Spain's economic miracle is viewed as more of a curse.

Construction, the supply industry and tourism were primarily responsible for creating 7 million jobs. Most of these required very little specialized training, and at least 5 million immigrants were brought into the country to do the hard work. When the recession hit, foreigners were the first to be laid off. Next to go were the temporary workers, who could be let off with only a small compensation package. Out of a total of 19 million employees, 7 million have these "dirty jobs," and 12 million are "mileuristas," meaning that they work for under €1,000 a month. Over the last 12 months, almost 2 million people have lost their jobs. Unemployment has shot up from less than 8 percent in 2007 to today's 18.7 percent. The ranks of the unemployed have swelled to almost 4 million. That's more than there are in Germany, which has twice as many inhabitants as Spain.

## **Belt-Tightening**

At the beginning of the year, Ortega had just moved into a bright new apartment with a view of Retiro Park, Madrid's green lung near the Prado Museum. The architect shares the apartment with his sister. It's a blessing for him that she still has a job as an optician and can cover his share of the rent. In the mornings, when he jogs through the park and the nearby upscale neighborhood of Salamanca, Ortega notices more and more "For Sale or Rent" signs on the grand old buildings.

Many clothing and furniture stores in the once splendidly decorated shopping streets are also empty. Their windows are now plastered with posters bearing pictures of the prime minister and reading: "Thanks to Zapatero and his vision for the future." They've been placed there by political groups, such as the far-right Frente Nacional (National Front) party, that wouldn't have any following if it weren't for the recession.

Status-conscious people in Madrid used to like to show off in fancy cars. But now, even with the government's €2,000 subsidy for people buying new cars, sales have nosedived. Sales of BMW's, which are especially popular in Spain, dropped a further 39 percent in May. And trendy restaurants that used to require reservations a week in advance have started offering discounted daily menus just to get some lunchtime business on weekdays.

"We don't feel like celebrating anymore," says José Ignacio Recoder, 64, who owns a family business that makes diamond-cutting machines primarily for the construction industry. Like most companies in Spain, Recoder's has made drastic cuts in services. The company used to employ 60 people and boasted annual sales of €12 million, but now he's had to lay off a third of his workforce.

Small and medium-sized companies make up the bulk of Spain's business world. The prime minister has promised them tax cuts, but "that's no help to us if we're losing money," Recoder says. The federal government has provided local governments with €8 billion to create hundreds of thousands of jobs building roads and renovating town halls and schools. But Recoder doesn't have much faith in this plan. "It would do a lot more good if the towns and the government would pay their invoices on time," he says.

Governments in Spain currently owe such businesses around €32 billion. While the average payment delay in Germany is 40 days, it's 94 days in Spain. The courts are overburdened, and larger companies are also able to delay paying their smaller suppliers by 180 days or more without consequences. "We have to pay value-added tax for income that we haven't received yet," Recoder complains. He speaks for many small employers who are being choked by the crisis because banks refuse to grant them short-term credit. Recoder is depressed about not

having a better inheritance to leave to his five children after a long life of work.

### **A Fraying Social Safety Net**

For the moment, most unemployed people in Spain are relying on their families for support. But there are still nearly a million households without a single regular income, and 600,000 people are already dependent on charity. Recoder's oldest son, who is a partner in the family's crippled business, must also support his grown daughters. Both of them have lost their jobs -- and become new members of the neither-nor generation. Beade needs a minimum of €700 a month to live in Madrid, where she shares a €1,200 flat with three friends. If she doesn't find a paid job in the fall, she'll have to move back in with her parents in the cheaper region of Galicia.

Eva Reina López would like to stay in the small village of La Rivera de Frogoso, where she shares a two-room apartment with her boyfriend for just €250. Her grandmother lives nearby, and she often invites the young couple over for meals. They've dropped any plans for vacations or going out in the evenings. Things have gotten even tighter because Reina's father just lost his job, too, and can no longer support her. After more than 30 years of hard work, all he has left is 24 months of unemployment benefits.

The wind turbines let Reina down, even though Prime Minister Zapatero continues to preach "less oil and more renewable industry, less brick and more computers" as his country's new growth model. But the International Monetary Fund predicts a very slow recovery for Spain. "Who knows if I'll find something else," Reina says. In order not to waste away in the ranks of the neither-nors, she's registered for a correspondence course in social work.

And Ortega, the architect, lost his lawsuit. In the judge's eyes, he was unable to prove that he'd been fired since he got his pink slip verbally and with no witnesses. "I feel bad," he says, "like a total failure." If Madrid gets to host the 2016 Olympic Games, maybe there will be work for him again.

### **URL:**

- <http://www.spiegel.de/international/europe/0,1518,638981,00.html>