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A country of unemployment and self-service

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It has always surprised me that in countries richer than Spain, gas stations have staff to fill our tanks, a job that in Spain we have to do for ourselves. Now I know why. It is for the same reason that AENA, the Spanish airport and air navigation agency, which reports to the Ministry of Public Works, is going to replace air traffic controllers with machines.

The figures presented by the Ministry are only too clear. Each controller costs an average of 375,000 euro a year. It seems more than reasonable to replace them in small airports. But why not in all airports? The machines replacing them are not only cheaper, they have no need for apartments to rest in, cannot work to rule, and do not insist on AENA hiring their relatives.

But a military air traffic controller commands just 23,500 euro a year. From the social point of view, this is the most relevant cost, assuming that the competence and performance of military controllers are at least similar to those of civilian controllers. So it makes more sense for the Ministry, instead of replacing the latter with machines, to take on more controllers but replacing the civilians with military controllers.

The difference between the two wages is just the rent received by the civilian controllers for having had the skill or the good fortune to become controllers. The situation seems unfair—the civilians earn 16 times more. But it is not just a matter of distribution. Not only are resources being wasted on rent seeking but these inflated wages distort decision-making. Even a publicly-owned company such as AENA is now avoiding hiring more staff, preferring to replace them with machines.

For the same reason, converting gas stations into self-service operations was perhaps not cost-effective. In general, it is hard to know if it is cost-effective or not to use so much capital-intensive technology. I fear the signals being conveyed by Spain's inflated wages are leading to wrong decisions.

For example, the employers' organizations and the trade unions have just agreed on a one per cent wage rise for 2010 in a context that is almost deflationary and for which all sorts of experts were recommending wage drops. For decades, they have been agreeing on such high wages that it is now in employers' interests to replace workers with machines. This means they are excluding the less skilled workers from the labor market. The results are self-service at gas stations, ATMs in banks, drivers having to pay by card at motorway tolls and cinemas with no ushers to take us to our seats. And, inevitably, factories are disappearing and those that remain are increasingly using automatic processes. It also seems inevitable that work will be concentrated in sectors in which labor regulation is less strict, such as construction, self-employed work, and in the underground economy. The fact that all these activities use labor-intensive technologies speaks for itself.

Moreover, it is not true that replacing work with physical capital heralds a new economic model because Spain has 20% unemployment and an overabundance of unskilled workers. The INEM, Spain's employment institute, forecasts that four out of every ten unemployed workers have little possibility of finding a job. Fortunately, this forecast is incomplete—it only applies to workers whose wages are greater than the value of what they produce.

The gap between their productivity and the natural aspiration to higher wages can be filled by increasing productivity or reducing wages. But we have spent decades trying to increase the productivity of the unemployed by offering them training. Instead, all we have achieved has been a parallel education structure in the hands of the employers' organizations and the trade unions, one which is even less efficient than the general education system. We also subsidize hiring, but it comes at a huge administrative cost with very meager benefits.

We need to look the facts in the face. Our labor institutions cannot continue expelling the least productive workers from the official labor market, condemning them to degrading unemployment benefit, trumped-up training courses that only serve the interests of their organizers, and subsidies that are hugely expensive considering they serve only as a cover-up.

These millions of workers have the right and the obligation to work and, if

they produce to a level below the wages agreed on by our selfish “social” agents, then the representatives of popular sovereignty should rescue this sovereignty and seek justice. We may give them direct compensation for their low wages, but we should not tolerate their being excluded from productive activity. We cannot continue to allow these consensuses that are being reached behind the backs of the poorest and to their detriment.

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