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Steel Maker Plans Deep Layoffs in Spain

By DAVID JOLLY

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[ArcelorMittal](#), the world's largest steel maker, said Wednesday that the Spanish government had granted it permission to lay off a major part of its work force in Spain, another sign of retrenchment in a country that already has the highest jobless rate in Europe.

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The government approved a business plan giving the company the flexibility to temporarily lay off as many of its 12,000 Spanish employees as it needs to reduce European capacity in line with falling demand for steel.

The layoffs would run until the end of the year and could be extended until June 1, 2010, if economic conditions warrant. All laid-off workers will receive at least 90 percent of their gross salaries, with part of that amount paid by the government.

The company did not say how many employees it intended to idle, but it said it could cut the total hours worked, at maximum, by 40 percent at its Spanish plants.

The looming layoffs are unwelcome news for Spain. Its unemployment rate, at 18.1 percent in April, is the highest in the [European Union](#), and nearly double Europe's average of 9.2 percent.

[Banco Bilbao Vizcaya Argentaria](#), based in Madrid, said Wednesday that it was adopting new measures to reduce labor costs, including reduced hours and unpaid family leave. Banco Bilbao is also giving some employees an option to take three- to five-year leave at 30 percent of their pretax compensation to pursue personal or professional opportunities, with a guarantee that they can return to their jobs at the end. They would also receive health insurance.

"Spanish labor law is very strict," said Susana Sola, a partner at Strong Abogados, a law firm in Barcelona. The downturn is compelling companies to devise innovative ways of cutting costs, she said.

"If you fire an employee in Spain, you must pay 45 days' salary for each year they've worked," she said. "That's a lot of money. So it's very hard to fire people when a company is in difficulties."

On Tuesday, ArcelorMittal said it had reached a deal with workers at its Kazakh unit to cut their pay by 14 percent this year to avoid layoffs. Earlier, it had threatened to close the plant, putting 46,000 people out of work, if a deal could not be reached.

Maria Camila Perez contributed reporting.

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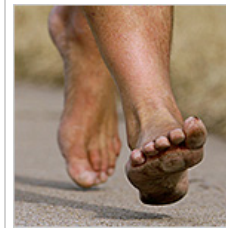
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