Italian government pushes through pension “reform”

Prodi completes what Berlusconi began

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After overnight negotiations, Italian Prime Minister Romano Prodi won the agreement on July 20, of Italy’s biggest trade unions for his latest so-called pension “reform.” The Prodi reform is an important step toward abolishing the relatively generous Italian system of pensions first introduced in the 1960s.

The Italian pension plan is central to the country’s social system. Its provisions provided more protection for the unemployed and those dependent on social welfare assistance than in any other Western European country. Theoretically at least, an individual could take a full state pension in Italy at the age of 57. Only three years ago the average age of retirement in Italy was 59.

Prodi’s predecessor as Prime Minister, Silvio Berlusconi, made his own attempt to break up the pension system in 2004. According to Berlusconi’s proposal, Italians would have worked until at least age 60, with 40 years of full insurance payments, instead of the existing retirement age based on 35 years of contributions.

One of Prodi’s principal promises in the national election campaign one and a half years ago was the cancellation of this pension “reform,” known as *lo scalone* (the big step). The program Prodi is now advancing, however, is nothing less than Berlusconi’s policy, in a slightly altered form.

Instead of an increase in the retirement age from 57 to 60 on January 1, 2008, the threshold will be raised in stages to 61 by the year 2010. At the beginning of 2008 the minimum retirement age will rise to 58, and the increase in contribution years will also be introduced gradually. The aim of the government, in line with other European countries, is to establish a retirement age of between 65 and 67, resulting in large-scale savings for the national budget.

At the same time, the new law is aimed at encouraging a shift away from state-supported pensions to private pension funds, placing pensions at the mercy of the stock market while holding out the promise of large returns for major investors.

The inevitable result will be increased social inequality and the prospect of impoverishment for many retirees. Under conditions where unemployment is high and uncertain and precarious jobs are on the increase, it is increasingly difficult for millions on low wages to put aside a part of their income for their retirement. Existing retirees are already facing huge problems in the face of growing inflation. According to current statistics, 24 percent of Italian pensioners (over three million citizens) survive on €500 ($US 683) a month or less. A further 31 percent receive a pension between €500 and €1,000.

The worsening conditions for retirees are reflected in a series of mass demonstrations in recent years involving large numbers of protesters. In October 2003 ten million Italians took part in a general strike. At the end of the same year over one million participated in a demonstration in Rome against Berlusconi’s plans. The protest brought together industrial and white collar workers, as well as pensioners, many young people, students and numerous prominent artists and authors.

In mid-June of this year large demonstrations in many Italian cities once again highlighted the constant deterioration of living conditions for retirees. All of the major trade unions participated in these protests and promised to use their influence to defend and improve the national pension system.

Just a few weeks later, however, on July 20, all the leaders of the major trade unions—Guglielmo Epifani (CGIL), Raffaele Bonanni (CISL) and Luigi Angeletti (UIL)—signed on to the Prodi government’s plan, which is to be submitted to parliament at the end of August within the framework of a national finance plan (*finanziaria*). This is the traditional period of summer holidays in Italy with many companies and government closed for business. The aim is evidently to rush the measure through and avoid any large-scale protests by the working class.

Epifani, the head of the largest trade union CGIL, told the press that the meeting with government representatives had been “hard and difficult,” and that the government had insisted on a number of concessions. Epifani sought to put a positive light on the deal by declaring that in the future women could also retire at 60. The fact remains, however, that Epifani put his signature on a deal that puts an end to the former pension system.

Leading figures of the Prodi coalition governing, and in particular representatives of the Left Democrats (DS)—successor organisation to Italy’s former Communist Party, agitated strongly on behalf of the pension reform. In a television interview June 29, Walter Veltroni (DS), the mayor of Rome, declared that: “The pension system exhibits a strong imbalance, and this imbalance has to be maintained by a huge influx of funds. These funds have to be re-diverted and used in the fight against insecure forms of work. Negotiations with the trade unions are taking place, but the increase in pension age is absolutely necessary.”

Veltroni is a leading candidate for the chairmanship of the planned new Democratic Party and has been feted recently by the international press as a possible alternative to Prodi. The US newsweekly *Newsweek* recently termed him “the Italian Bill Clinton” and praised his positive embrace of the free-market economy as well as his enthusiasm for the United States.

Two left parties in the Prodi coalition—Communist Refoundation (Rifondazione Comunista, PRC) and the Italian Communists (PdCI)—have played a crucial role in preparing the way for the imposition of the new pensions legislation. The leaders of the two parties—former head of the PRC, Fausto Bertinotti, and his successor, Franco Giordano, together with PdCI boss Oliviero Diliberto—had repeatedly promised to reject both Berlusconi's and Prodi's *scalone*, and defend the former Italian pension scheme with all their might.

But following the signing of the Prodi plan by the trade unions, PRC leader Giordano sought to put the agreement in a positive light declaring that: "Anyone with forty years of contributions can retire." He also held out the prospect of a popular referendum to decide on the pension reform.

He was equally vague July 28, when he declared that the deal "opens a new stage of the political and social mobilization of the left throughout the entire country ... aimed at restoring the important co-operation between the people and official politics, between the hidden expectations which millions of people have in the *Unione* [the governing centre-left coalition] and the concrete actions of the government majority. Our attitude in parliament will depend on the outcome of this conflict."

Two days later the secretary of the Italian Communists (PdCI) Oliviero Diliberto declared: "I did not expect such a contract, I am very disappointed.... If the government had only listened to us in a reasonable manner it would have been possible to arrive at a better proposal." Asked whether he would vote against the plan in parliament at the end of August, Diliberto replied: "Then I would have to vote against the finance plan ... We will see what the correct parliamentary means are. As ever, we fight for an improvement ... in the autumn we will resume the struggle for pensions."

In fact these organisations have long since capitulated to the Prodi leadership. Six months ago they agreed to demands laid down by the prime minister that gave him a virtual blank cheque for his government program.

Prodi resigned his post in mid-February, following his failure to win a majority for the continued stationing of Italian troops in Afghanistan. He only declared his readiness to resume office after all nine coalition parties had signed a twelve-point program, which along with pledges to support military missions in Lebanon and Afghanistan and the extension of US bases on Italian soil, also demanded support for neo-liberal "reforms," including the pension "reform." It was at this point that the PRC and other "left" coalition parties agreed to back Prodi's pension proposals.

Two days prior to the meeting with the trade unions in July, all the government parties agreed in parliament to a package of measures proposed by Prodi and once again backed up with a threat of resignation—his twentieth resignation threat this year. The measures involved a broad range of payments from the budget surplus for a variety of issues—including funding schemes for young people without regular jobs, the financing of Italian participation in Bosnia (100 million euros) and a paltry increase of €33 per month for pensioners receiving the minimum allowance.

With their approval for this package of measures, the government parties also signalled their agreement to Prodi's pension "Reform."

The Italian press reported that the European Minister Emma Bonnino had threatened her own resignation, should Prodi "give way to pressure from the trade unions" and postpone his pension "reform." Both the European Union and the International Monetary Fund have demanded that the Italian state drastically reduce its expenditure on pensions.

Following the meeting with the trade union leaders, Economics Minister Tommaso Padoa Schioppa expressed his satisfaction with the pension "reform," while complaining about the "the delay " involved in implementing it, which would cost the state an extra ten billion euros.

International market analysts have expressed their scepticism with regard to the plan, which they declare does not go far enough. A representative of Standard & Poor's declared that the new pension scheme would even involve additional costs: "This leads to considerable concerns about a country, which spends more public funds on pensions than any other in Europe."

The same theme has been taken up by former prime minister and leader of the country's right-wing opposition, media magnate Silvio Berlusconi, who has also claimed the Prodi plan does not go far enough. At the same time his right-wing allies, the separatist Northern League and the post-fascist National Alliance, have demagogically sought to pose as the defenders of the pensions of the "small man."

Berlusconi is seeking to mobilize support from small business owners who support cuts to social security contributions and tax rates, while regarding Prodi as a representative of the hated European Union. Berlusconi has declared that Prodi's days are numbered and that his unstable coalition of parties cannot last long.

In fact it was the pension issue which led to the downfall of the first government led by Berlusconi. Following a series of strikes and mass protests in 1994 against his own pension "reform," Berlusconi was forced to step down after his coalition partner, the Northern League, quit the government. The continued assault on pensions was then taken up by both the subsequent centre-left government, and the second Berlusconi government. Now Romano Prodi is completing the process which Berlusconi began.

The so-called "left" parties in Prodi's government coalition, and in particular the PRC, have repeatedly maintained that their acquiescence to every swing to the right by the government was necessary to prevent a return to power by Berlusconi. Now by the same logic, these parties find themselves in a position where they are imposing the policies first put forward by their supposed arch opponent.