Spanish trade unions and Zapatero agree to pension cuts

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The two main unions in Spain, the UGT (Union General de los Trabajadores—General Union of Workers) and CC.OO (Comisiones Obreras–Workers Commissions), reached an agreement February 2 with the Zapatero government and the employers' association. This "social pact," as it is called, includes a pension reform, a change in collective bargaining, employment plans and stimulus measures, and a new energy policy.

Of these measures, the pension reform is the most important. The main objective of this reform is to reduce the meager public spending on pensions, currently standing at 10 percent of the GDP, to satisfy the European Central Bank, the IMF and the financial markets.

Negotiations have been taking place for the past 20 days between government officials, trade union leaders and the employers' organization CEOE. The final agreement was announced on Wednesday together with a photograph of Prime Minister José Luis Rodríguez Zapatero, Candido Mendez (UGT), Fernando Toxo (CC.OO), Juan Rosell (CEOE) and Valeriano Gómez (the Minister of Employment).

The next day, German Chancellor Angela Merkel, after a meeting with Zapatero on reforms and cuts in Spain, declared, "Spain has done its homework and is well on its way." She pushed Zapatero to end salary increases tied to the inflation rate as one of the conditions for approving the enlargement of the European rescue fund. This action would mean further pauperization of the working class, which already suffers from joblessness, social cuts and precarious employment contracts.

The current pension system consists of earnings-related schemes that cover both employees and self-employed persons, with an average pension set at €857.38 a month, and lower earners getting their pension raised to a minimum level.

The pension reform includes:

• An increase in the age of retirement by two years, from 65 to 67.

• Workers will only be able to retire with full pensions if they have contributed at least 37 years, while previously it was 35 years.

• To receive at least 50 percent of a full pension, workers must have contributed a minimum of 15 years.

• The pension will be based on the last 25 years of the working life rather than the present 15 years, effectively cutting the average pension for most workers.

• The age for voluntary early retirement will be 63, up two years from the previous 61.

• A partial retirement will be harder to obtain.

• The pension system will be reviewed every five years, with further changes made depending on the life expectancy of the population.

• The government will introduce incentives to work, for the purpose of extending the working life.

• The years spent by mothers taking care of their children and studying will also count as contributing years.

This last point has been widely hailed by the PSO government, union officials and the two pro-PSOE newspapers, *El País* and *Público,* as the greatest advance in the pension system since the Pactos de la Moncloa of 1977. Ignacio Toxo, general secretary of CC.OO, even went as far as declaring this point to be "revolutionary". The truth is that this new right does not compensate for what has been taken away.

The average pension will fall by 12 to 20 percent due to the new pension system being based on the last 25 years of the working life. It is a lie that "The reform will generate better pensions in the future", as recently stated by Jesus Caldera, former minister of employment and current president of the PSOE's think tank Fundación Ideas.

Many workers will not be able to retire and collect a pension because they will never be able to contribute 37 years to social security, due to the high levels of unemployment and job insecurity. Also, many jobs are in the tourist sector, which is highly seasonal and precarious, or in the black market, which entails no contribution to social security.

The new pension system will be reviewed every five years. In 2016, if the state does not have sufficient funds (the most likely scenario), life expectancy increases, the economy stagnates, high levels of unemployment continue, etc., the government will be able to continue cutting pensions and extending the retiring age.

Cayo Lara, head of the Stalinist-led Izquierda Unida (United Left-IU), stated, “The unions have reached where they could,” adding that the blame for the “pensionazo,” as the pension reform is popularly called, is due to Prime Minister Zapatero “who has imposed this.”

Not only is this a brazen lie, but it contradicts the statement by Candido Mendez, general secretary of the UGT, who declared that the unions accepted the agreement from “a sense of responsibility in the difficult situation that the country is passing through” and that it is an “effective remedy.”

The CEOE (Spanish Confederation of Employers' Organizations) usually criticises the government for not imposing harsher measures. Since its foundation in 1977, the CEOE has defended complete privatization of public services, pension cuts and worsening of labour conditions and salaries. But the organization stated that the Spanish pension negotiators “are doing good reforms, in the same direction and with the same intensity” as the rest of the European Union.

The unpopularity of the “social pact” is shown in public opinion surveys that show opposition ranging from 63 to 94 percent of the population, depending on the poll.

The “social pact” also introduces new changes in collective bargaining. The unions and the government have agreed to “rationalize”, to “better the collective bargaining agreements” and to “make them internally flexible.” This will mean the weakening of collective bargaining, which instead of being conducted across industries and companies, will take place more and more through individual negotiations between employee and employer.

This change will be significant, although in the past two years the right to collective bargaining has been practically abolished in practice, with the continuous cuts by the government in salaries for workers like air traffic controllers and civil servants.

The final part of the pact is related to energy policy and measures to stimulate employment. The government promises to undertake measures to create jobs and promises a new subsidy of €400 for workers who have drained their unemployment subsidy. This measure had previously existed but was ended last September. This new €400 subsidy will be accompanied by a clause forcing workers to accept training that is widely considered useless.

The measure will also introduce incentives to hire unemployed youths by lowering companies’ social security contributions, further undermining the pension system. None of these measures is likely to have much impact on employment, with figures just released showing the loss of another 100,000 jobs in January.

These agreements now go to the parliament. The legislative process will inevitably produce amendments to make the “social pact” harsher than it is now.

The “social pact” has been sold as the second Moncloa. That agreement, reached in 1977 between Stalinists, Social Democrats and ex-fascists claiming to be democrats, had as its main objective to stop rising inflation—that is, to hold down wages. But as Professor Jaime Pastor stated in *Público*, there is “one common aspect in both agreements, that they both represent a retreat in rights conquered by the workers.”

This corporatist agreement between the employers’ association, government and trade unions is being imposed against the general will of the population. Unions claiming to represent 15 percent of the workforce have once again been the main instrument for imposing cuts, in the same way as with the Labour Reform passed last June.

The unions are not “victims” of the government, as Izquierda Unida considers them, but accomplices who are well paid for their services. In 2009 alone, the CC.OO and UGT received €96 million each. Only by breaking with these bureaucratic, corrupt and corporatist unions will the working class be able to resist the measures being imposed by the financial markets, the International Monetary Fund and the European Central Bank.