Spanish government approves pension "reform" and freezes public-sector pay

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The Spanish Popular Party (PP) government passed a new pension reform and approved the draft state budget Friday which consists of more austerity measures. The day before, the Ministry of Finance reported to the civil servants' unions that their salaries would be frozen this year.

Deputy Prime Minister Soraya Sáenz de Santamaría said the "budget is reasonable and realistic" and aims "to contain spending and drive the recovery."

The 2014-2015 budget is based on a growth forecast of 0.7 percent, a figure which, according to the government, will create jobs. However, taking into account that unemployment now stands at 26 percent, this minimal growth would not scratch the surface even if it materialised. Economy Minister Luis de Guindos was forced to admit "there will be net creation of jobs, small, insufficient, but still the first creation of jobs of the crisis."

The new budget cuts 7 percent from the estimated amount of unemployment benefits and programs to get people back to work for this year, even when they project that the average jobless rate will be 25.9 percent.

The budget includes €250 million for educational grants for the poorest students and families. This is a miserly sum taking into account the hikes in university fees, the elimination of free subsidised meals in schools and textbooks, and other austerity measures passed over the years affecting the majority of the population.

On the other side, €36,590 billion will be paid in interest payments on the public debt compared to €34,584 billion to finance the activities and expenditure of all the ministries. The current national debt is expected to rise to over 96 percent of GDP.

On the same day, the PP approved a draft pension reform to be approved in parliament. This was one of the conditions imposed by the European Union last April on Madrid in exchange for a prolongation of another two years to bring its deficit down to the 3 percent target.

The reform will slash €32,939 billion in the period 2014-2024 in pensions by introducing a new mechanism in the way they are valued annually, according to the Economic and Social Council (CES) consultative body. The current method is linked to the consumer price index (CPI) which measures changes in the price level of consumer goods and services purchased by households, thus compensating pensioners for the loss of purchasing power as a result of inflation.

The new mechanism will mean that pensions will rise by a minimum of 0.25 percent every year, well below inflation rates expected to rise by up to 2 percent, while maximum increases will be capped at inflation rates plus a 0.25 percent top up.

The new formula to calculate annual pensions will be based not on inflation, but on variables such as the number of pensioners, the financial situation of the social security system or the level of pension payments over many years.

The so-called sustainability factor will start in 2019, eight years earlier than the previous reform under the Socialist Party (PSOE), which will limit pension rises by linking the pensions to the evolution of life expectancy.

According to a report by the Economic and Social Council, the new law will "cause a loss of purchasing power in contexts of [economic] crisis, which would not be recovered."

The analysis warns that this rate would apply to all contributory pensions, "without differentiating by types or amounts", with the poorest pensioners being the worst off. It notes that 50 percent of contributory pensions are below €650 per month.

With 26 percent unemployment and 56 percent among youth, the report concludes with a warning to the government that 4.6 million households depend on the pensioners who are "having a decisive role in the Spanish economy and the maintenance of social cohesion, helping to alleviate the economic difficulties of the families."

The government has announced that 2.8 million civil servants will have their salaries frozen for the fourth consecutive year. In 2010, the previous PSOE government slashed their wages between 5 to 15 percent depending on their income and they were deprived of their Christmas bonus, equivalent to 7 percent of their wages.

According to the Union General de Trabajadores (UGT) and Comisiones Obreras (CCOO), public sector workers have lost 20 percent of their purchasing power due to the austerity attacks of the government. Overall wages from both public and private sector, discounting inflation, have fallen by 6.3 percent.

If the government has been able to proceed in imposing a new wave of attacks on public civil servants and public pensions, it is due to the collaboration of the trade unions.

Miguel Angel Garcia, head of the CCOO's Economic Cabinet, participated in a 12 "wise men" committee last June set up by the government to produce proposals to change the pension system. In it, the CCOO representative voted in favour of a report which has now become the template for the current legislation. The CCOO executive was forced to issue a face-saving statement saying it was a "mistake", but that Garcia had "contributed to stopping the more extreme reforms proposed"—which in the end amounted to a simple delay of the final year of implementation.

In 2011, the UGT and CCOO signed a "social pact" with the PSOE government and the employers' association, which included a pension reform that increased the age of retirement by two years, from 65 to 67.

The unions have dealt similar betrayals to public sector workers, who have repeatedly shown their readiness to fight the austerity measures. For a whole year, education, health care and public administration workers have marched in ineffectual one-day protests and one-day strikes called by the unions, who have been forced to action only because it was becoming impossible for them to oppose any struggle against the government.

The CCOO and UGT have also played an important part in the attack on wages, agreeing to wage-cutting. A quick glance at this month's agreements signed between the unions and different companies is illustrative of their role:

In Globalia, a travel agency, the company and the unions agreed that its 2,200 workers will have a salary cut of 25 percent and a reduction of working hours.

In Uminsa, a mining company, unions agreed to a 15 percent reduction affecting 367 workers.

In EVO Banco, the unions agreed to an average 7.2 percent wage cut, and in Bridgestone, the unions are in the process of negotiating a five percent reduction.

The ruling class, aware that the unions' suppression of the class struggle will reach its limits, is preparing a mass crackdown on protests. The PP government has recently increased the anti-riot budget from €173,670 in 2012 to more than €10 million in 2016, which includes new weaponry such as laser rifles, sound cannons, microwave guns, electromagnetic guns and foam launchers.