Greece’s Syriza government agrees to further savage austerity measures

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An agreement to impose an additional €3.6 billion in austerity cuts has been reached between Greece’s Syriza-led government and European Union (EU) and International Monetary Fund (IMF) officials.

Tuesday’s agreement is the latest brutal component of the €86 billion austerity for loans package signed by the Greek government in August 2015. Its commitment to further austerity was conditional on the EU releasing a tranche of €7.5 billion, needed to pay off debt due to mature in July.

The talks were drawn out over a period of six months, which increased speculation that an agreement would not be reached in time for Greece to meet its obligations on its overall debt burden that remains around €300 billion—179 percent of GDP. This would lead to a crisis similar to the one in the summer of 2015 when the country verged on default and banks were forced to close.

The financial markets reacted positively to the new agreement, with Greek equities jumping 3.1 percent.

Announcing the deal, Syriza Finance Minister Euclid Tsakalotos declared, “The negotiation is finished with agreement on all the issues,” adding, “We now have a decision that the Greek government will be called to enforce with laws and decisions.”

What Syriza will now “enforce” is further devastating attacks on pensions, wages and workers’ rights.

Pensions are set to be reduced by up to 18 percent from 2019, affecting some 1.1 million pensioners receiving more than €700 ($767) a month. The pension cuts are worth around €1.8 billion—around 1 per cent of GDP. For low-income pensioners these are the highest cuts since the first austerity package was signed in 2010.

There have been a staggering 23 reductions in pensioners’ incomes since 2010, which have cut pensions by an average of 40 percent. According to the United Pensioners’ Network, these amount to a total of €50 billion.

Speaking about the cuts, Network president, Nikos Chatzopoulos said, “It’s not only the cuts to our pensions, but also the hikes in social security contributions and taxation, which have reduced pensioners’ incomes by more than 50 percent…There are people who can’t afford to pay for their medicines. We no longer have money to pay for electricity and phone bills.”

The tax-free threshold will be reduced from €8,636 to €5,681, which will take many low-income workers and pensioners out of the tax-free band. The measure is also set to hit low-income pensioners earning as little as €500 a month. For those who are just covered by the current threshold, this will amount to a cut of about €650 to their income.

The reduction to the tax-free threshold also equates to fully 1 percent of GDP and is set to come into force in 2020, provided current budget surplus levels remain on target. If not, then they will be brought forward to 2019.

Additional austerity measures worth €450 million are set to come into force next year, including 50 percent cuts in the heating allowance, unemployment benefit and a cut in tax relief on medical costs. There are also plans to sell off coalmines and coal power stations owned by the Public Power Corporation (PPC), amounting to approximately 40 percent of its capacity.

At the centre of the agreement was an acceptance of a large part of the IMF’s demands for further attacks on workers’ rights. While the IMF’s demand for allowing lockouts of workers by employers was kept off the table for now, the agreement took one-step closer towards repealing legislation against arbitrary mass sackings. Although these are still limited to 5 percent of a company’s workforce—up to a maximum of 30 workers a month—they no longer have to be pre-approved by the Finance Minister and the Supreme Labour Council (ASE). Under the new process, the ASE will only be able to audit whether all legislative requirements are being followed.

The agreement also includes a commitment to introduce anti-strike legislation including a fast-tracked judicial process to rule on the legality of industrial action.

The government has until May 18 to get the agreement passed in parliament in time for the meeting of the Euro group council of EU finance ministers on May 22.

The impact of the new measures, disproportionately hitting some of the poorest and most vulnerable sections of the population, will be catastrophic. Since 2010, Greece's economy has shrunk by about 27 percent under the weight of the successive austerity measures imposed by the EU and the IMF in agreement with PASOK, New Democracy and Syriza-led governments.

Unemployment in Greece stands at 23.5 percent and is at nearly 50 percent among youth.

According to a recent study by the non-profit research organisation, Dianeosis, nearly 1.5 million Greeks—13.6 percent of the population—currently live in "extreme poverty." This compares to 2.2 per cent in 2009. According to the study, "a family of four just at the cusp of the extreme poverty limit can spend only €7 a month for their children's school expenses, €12 for shoes for the entire family and just €24 for hygiene products. Those that fall within the zone of extreme poverty can't even afford the above."

The disastrous economic situation in Greece, without precedent in peacetime, is a devastating indictment of the pseudo-left Syriza, which came to power in January 2015 on an anti-austerity ticket. Just months later this pro-capitalist party ditched its previous rhetoric and signed Greece's third bailout package, betraying the overwhelming rejection of austerity in the July 2015 referendum.

An EU/IMF statement praised the Greek government stating, "This preliminary agreement will now be complemented by further discussions in the coming weeks on a credible strategy for ensuring Greece's debt is sustainable."

The IMF has insisted that Greece's debt is not sustainable unless some debt relief is implemented. This has been a sticking point for the IMF, which is not participating financially in the austerity programme agreed with Syriza in 2015. The German government has been central in resisting calls for implementing any form of debt "haircut" since it would bear the brunt. This accounts for the reticent response to the latest agreement from Berlin. A German Finance Ministry spokesperson described it as an important "intermediate step," but added that work is still needed. Finance Minister Wolfgang Schäuble warned that "The [Greek] government has not yet fulfilled all the agreements."

There remains scepticism as to whether agreement on any debt relief is possible. Stephen Brown, an economist at Capital Economics, said, "As such, worries about default and the potential for 'Grexit' seem set to fade for a while, but not disappear."

In response to the measures, Greece's private and public sector trade union federations have called for a 24-hour general strike on May 17 to coincide with the date that the austerity bill will be passed through parliament. There have been countless such actions in the last seven years, all designed to allow workers to let off steam while the measures are passed.

There is, however, a sense that this well-worn path has run its course and that the bureaucracy will be unable to contain the social anger that the new measures will impose. The head of the Adedy public sector union, Odysseas Trivalas, told the *Guardian*, "It will be a very hot spring. We have yet to see the details of this agreement, but what we know is that it will mean further cuts. There will be a lot of strikes and a general 24-hour lockdown when the measures are brought to parliament for vote."

Trivalas' posturing is designed to conceal his and the unions' complicity in the implementation of austerity. His is a typical journey of union bureaucrats who were originally aligned with the social democratic PASOK party—architects of the first raft of austerity, which saw them wiped out in successive elections—and who have moved into Syriza's orbit in recent years.