Spain to cut pensions as billions go to super-rich in EU pandemic bailout

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Spain's Socialist Party (PSOE)-Podemos government is preparing to cut pensions by around 5.5 percent and raise the retirement age to 67 over the next six years. The attack on pensions is one of a series of cuts to basic social programs the government are carrying out at the European Union's (EU) behest in exchange for hundreds of billions of euros in COVID-19 pandemic bailout funds.

Spain is to receive €140 billion of the EU's €750 billion coronavirus stimulus package, including €72 billion in grants. A draft law unveiled in late November made clear this funding will be funnelled directly to the banks and large corporations. This process will be overseen by the "left populist" Podemos party.

According to a draft by PSOE Minister of Inclusion, Social Security and Migration, José Luis Escrivá, the number of working years taken into account in calculating pension benefits will rise to 35. This would slash the average pension payment retirees receive.

Workers are generally on better contracts and pay in the later years of their working life, and so contribute more to the pensions system at the end of their careers. Calculating pensions based on an average wage across almost the entire working life ensures that most workers will end up with a far smaller pot than they would with a calculation based only on the later years.

Pensions have been in the firing line of both PSOE and right-wing Popular Party (PP) governments for decades. Increasing the number of years used to calculate a worker's pension has been a key part of both PSOE and PP cuts. In 1985, only the last two years of working life were used to compute retirement, rising to 11 and then 15 years. In 2011, a pension bill agreed by the unions and José Luis Rodríguez Zapatero's PSOE government laid out plans to increase this from 15 to 25 years between 2013 and 2022.

The current plan to suddenly raise this figure to 35 amid the social crisis caused by the pandemic represents a drastic escalation of austerity. The 2011 legislation would have raised the number of years used for pension calculations to 25 by 2022. Escrivá's proposal was not included in recommendations published in October by the Toledo Pact commission—a permanent, cross-party non-legislative body set up in 1995 to propose attacks on pensions.

The Toledo Pact recommendations include eliminating the social security deficit by 2023; encouraging workers to keep working past the official retirement age; stepping up inspections and sanctions for alleged fraud; and pressing workers to invest in private pension plans.

While PSOE Economy Minister Nadia Calviño claimed "workers will be able to exclude the worst years of their contributions" from the calculation, it is unclear how this would be done. Whatever calculation methodology is eventually agreed by the PSOE and Podemos, it will provide little comfort to the millions of workers set to lose much of their retirement.

The retirement age will also rise to 66 years in 2021, up from the current 65. This is in line with the proposals set out by the PSOE government of Zapatero in 2011 and ratified in 2013, which introduced legislation to raise the retirement age from 65 to 67 years of age by 2027.

If a worker chooses to take early retirement at 65 years of age, they will only be able to draw a state pension if they have worked and made pension contributions for at least 37 years and three months. By 2027, this will rise to 38 years and six months.

According to the draft document sent by Escrivá to other government ministers, the new pension plan will see an average cut in each worker's retirement fund of

5.5 percent. The amount lost by workers will vary from 3 percent and 7 percent based on factors like age, salary and number of years worked.

This will significantly exacerbate the dire situation facing retirees in Spain, many of whom face poverty and insecurity in their old age after decades of toil.

In 2019, roughly 1.6 million retirees in Spain were in poverty, meaning that they received less than €9,000 a year in pension income, according to Spanish government figures. This is 12.7 percent of Spain's approximately 6.09 million retirees. Around 555,000 (9 percent) were in severe poverty, receiving less than €6,000 annually.

These figures rise to around 31.1 percent in poverty and 14.2 percent in severe poverty if all types of pensions are taken into account—including for those with permanent disabilities, for widows and widowers, and for orphans.

This bill exposes the reactionary class interests served by Podemos, a "left populist" party of the affluent middle class. It is a tool of the banks. Indeed, Podemos leader and Deputy Prime Minister Pablo Iglesias hailed the EU pandemic bailout, declaring: "For the first time in the history of the EU, a package of subsidies financed with joint debt is being proposed. Eurobonds, which seemed unfeasible a few years ago, are now a reality and will serve to face this crisis in a different way, without social cuts." This is exposed as a pack of lies.

Like its Greek ally Syriza ("Coalition of the Radical Left"), Podemos supports slashing wages and living standards. This is why Podemos also voted to accept the Toledo Pact's recommendations in November, which intensify attacks proposed by Zapatero in 2011.

Podemos is cynically posturing as an opponent of the pension cut, with its spokesperson Isa Serra declaring that the pension reform is "going backwards." This is a pathetic charade: they are members of the very government imposing these attacks.

The PSOE-Podemos government also plans to freeze Spain's minimum wage, which now stands at a paltry €950 a month—though in-work poverty rose by 16 percent from 2010 and 2019, even before the devastating impact of the pandemic. Across Spain, 12.7 percent of workers were in poverty in 2019, according to a study from the European Confederation of Unions. This makes Spain the sixth-worst affected country in terms of the increase in the number of working poor out of the 27 EU member states.

Exposing the class interests involved in the attacks on pensions, Escrivá's pension proposal came as it was reported that €113 billion of bad debt held by Spain's banks had been backed up by state guarantees from the government's Official Credit Institute. This is far in excess of the roughly €14 billion Madrid expects to have spent on ERTE income support schemes for workers affected by the pandemic by the end of 2020.

The wide-ranging attacks on the pay and pensions make clear that the ruling elite intends to claw back every cent of its bailout of big business from the working class. As the COVID-19 pandemic hit, billions of euros were handed to the banks and large corporations by the European and international governments, while millions of workers lost jobs and incomes or were forced to continue working and risk exposure to the potentially deadly virus.

Meanwhile, the elderly and vulnerable, who are seen as a drain on resources by the ruling class if they can no longer work, were left to die in droves in care homes and hospitals.

The coronavirus pandemic has starkly posed the basic necessity of expropriating the wealth of the financial oligarchy in order to provide for workers' social needs, including the fundamental right to a dignified and comfortable retirement.