 F.T p.3 18/5/01

Thousands join Greek pensions protest

By Kerin Hope in Athens

Greece was closed for business yesterday after thousands of shop and bank employees joined a 24-hour public sector strike to protest against the Socialist government's plans to overhaul the pay-as-you-go pension system.

The unexpectedly broad participation in the strike underlined the challenge facing Costas Simitis and his modernising faction in the Socialist party.

An opinion poll published last week showed a slump in Mr Simitis's approval rating. For the first time in five years as prime minister, his rating matched that of Costas Karamanlis, the conservative opposition leader, at 32 per cent.

Mr Simitis is accused by senior members of his Panhellenic Socialist Movement of abandoning the party's commitment to workers' rights. But Greece is under pressure from its EU partners to speed structural reform and reduce public debt after joining the eurozone in January.

George Zannias, a government adviser on pension reform, said: "We've been slow to make clear the size and the urgency of the problem. But there's no going back. The actuarial study shows that without reform the pay-as-you-go system faces collapse at the end of this decade."

Demonstrators in central Athens yesterday. Pension reform is opposed by many sections of society AP

Pension outlays are projected this year to reach 3.3 per cent of gross domestic product. A study by the Organisation for Economic Co-operation and Development forecast that without reforms the cost of the pension system would rise to 10 per cent of GDP by 2015.

Mr Simitis has taken personal responsibility for introducing changes to ensure the system's survival, following fierce reaction from the party's hard left faction and GSEE, the Socialist-controlled trade union federation.

However, the government has backed down from an initial proposal to raise the retirement age from 55 to 65 for both men and women and sharply reduce the number of pension funds. Workers' contributions were to rise, while pensions would be cut by 15-20 per cent.

Instead, Mr Simitis wants to launch a "social dialogue" with unions and employers' representatives to build a consensus for reform. He has promised the state will continue to finance pension payments out of the budget, and, for now, rules out introducing private pension funds.

But Christos Polyzogopoulos, GSEE chairman, believes the unions will refuse to negotiate unless the government agrees to increase the state's contribution to the pension system and guarantees there will be no cuts in pension payments for workers already in the system.

The finance ministry estimates it will cost about Dr20,000bn (€59bn, $51bn) to ensure the pay-as-you-go system's survival over the next two decades. Officials say part of this could be raised through better management of the pension system, while additional funds could be allocated out of privatisation revenues and, from next year, a projected budget surplus.

IKA, the biggest pension fund, is trying to reduce administrative costs and crack down on employers and workers who fail to pay contributions. From next month, new immigration regulations will make it easier for an estimated 400,000 illegal immigrants to obtain work permits and start contributing to the pension system.