Greek unions reject plans to reform state pensions

By Kerin Hope In Athens

Greece's militant trade union movement yesterday rejected government plans to overhaul the near-bankrupt state pension system as "arbitrary and unjust", setting the scene for a wave of strikes and protests over the proposed reforms.

Riot police clashed with demonstrators outside the offices where Costas Simitis, the prime minister, was discussing the measures with cabinet ministers and senior members of his governing Panhellenic Socialist Movement. Mr Simitis said the government was committed to supporting the pay-as-you-go pension system, but warned that the current retirement age – 55 for most workers – would rise.

The issue of pension reform threatens to split Pasok and could bring down Mr Simitis's government. The hard-left faction that controls the trade union movement successfully opposed previous efforts to launch pension reforms by refusing to negotiate with the social welfare ministry.

White-collar workers are also deeply suspicious of reform. They fear their generous pensions, often exceeding their salary on retirement, will shrink under a scheme to merge professionals' pension funds with heavily-indebted funds for farmers and unskilled workers.

The reform plan is based on an independent report submitted last month by the UK government actuaries department. The report has not been made public but is understood to have warned that the present pay-as-you-go system will become unsustainable before 2010.

To make the measures more palatable, the government is expected to propose a seven-year transition period before raising the retirement age to 65 for all workers and reducing the number of pension funds from 60 to fewer than 10. For most workers, pensions will not exceed 80 per cent of salaries in the final year before retirement.

Since Greece's entry to the euro-zone in January, the Socialists have faced mounting pressure to implement structural reforms overlooked in the rush to meet the inflation and budget deficit criteria for joining the single currency.

Pension liabilities already place a heavy burden on the budget, with the state's contribution projected to amount to 3.3 per cent of gross domestic product this year.

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