Portuguese public sector workers in 24-hour national strike

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A 24-hour strike by Portugal's 500,000 public sector workers Thursday caused widespread disruption. Transport, schools and hospitals were hit by the stoppage, called in protest at the Socialist Party (PS) government's austerity measures. The Frente Comum (Common Front), the union coalition that organised the strike, said that about 80 percent of workers participated in the action.

Some schools were closed completely, and a number of hospitals and health centres offered only minimal services. Courts, government tax and custom offices, and refuse collection were also affected.

The strike came against the backdrop of workers' protests in Greece, Spain and France over attacks on their jobs and living standards now being imposed across Europe. Just one day before the social democratic PASOK government in Greece agreed a new round of cuts, to the approval of the international finance markets and the European Union.

Derided by financial commentators as one of the Eurozone's "PIGS" (Portugal, Italy, Greece and Spain), the government of Prime Minister José Socrates has been told by the EU, the European Central Bank and the International Monetary Fund to cut Portugal's budget deficit from 9.3 percent of gross domestic product to 3 percent by 2013.

The Socialist government, as with its counterparts elsewhere on the continent, has made clear it is only too willing to oblige. Under the budget submitted on January 26, public sector workers are to be subject to a pay freeze, the diminution of pension rights, and a reduction of jobs in the sector by 10 percent, in addition to other measures.

As the strike was under way the so-called Stability Pact was under discussion in parliament, which is expected to approve the budget on March 12 after the opposition agreed to abstain so as to ensure its passage. It will then go on to the European Commission for agreement.

Speaking on Thursday, Goncalo Castilho dos Santos, secretary of state for the civil service, said the government would not deviate from its austerity plan. Portugal "cannot sacrifice the common good for the sake of individual well-being," he said, urging workers to accept the cuts.

It is not the "common good" that the SP is protecting, but the wealth and privileges of the super-rich and the international finance houses. Portugal is the poorest country in Western Europe, with unemployment already at 10.5 percent—the fourth highest in the Eurozone.

Even before the "credit crunch" resulting from the sub-prime mortgage crisis in the United States, the SP government had made a series of attacks on wages and pensions. Having come to power in February 2005 on a wave of popular hostility to the right-wing Social Democratic and Popular Party (PSD-PP) coalition government of Pedro Santana Lópes, it pushed through some three years of austerity measures, including job cuts, a hike in the retirement age and VAT increases. Between 2005 and 2009, some 73,000 jobs in the public sector have been lost.

Now it is being pressed to go even further. When the government set out its initial proposals to cut the deficit, the banks and finance houses responded furiously to what they considered to be a far too cautious approach—selling off Portuguese government bonds and placing its long-term sovereign debt rating on a negative outlook.

Since then, the argument employed by the SP government is that only greater inroads into public services and living standards will be able to stabilise the country's economy. Paula Carvalho, an economist at Banco BPI, described the Stability Pact as the government's "second opportunity to calm markets down."

The trade unions have played a key role in enabling the SP to carry through its offensive. While organising token protests and strikes, they have done their utmost to prevent any political challenge to the Socrates government and its big business backers. Even though it is already clear that the budget will go through, union leaders Thursday could only outline vague proposals for future action over the next months. Summing up the unions stance, Professor Andre Freire said, "We expect any protests to be used for bargaining, not to disrupt the economy."

In reality, harsh as it is, the proposed budget is just the start. Socrates has pledged "bold and decisive" action, and the government has indicated it intends to outline additional cost-cutting measures, which are thought to include extending the wage freeze beyond this year and cuts in pension benefits.

The scenario for Portugal is same as in Greece. The austerity measures unveiled by PASOK on Wednesday were the government's third package of cuts in as many months. Totalling €4.8 billion ($6.5 billion or £4.4 billion), it includes tax hikes, a freeze on pensions and a 10 percent cut in public sector pay.

Cited in the *Financial Times*, economist Nick Kounis described the plan as "historically unprecedented for a developed market."

Papandreou has also claimed that this government's measures "are necessary for the survival of the country and the economy."

While the financial elite have welcomed the measures, they are far more cautious as to their success. Luigi Speranza at BNP Paribas said PASOK's plans would "dramatically enhance" Greece's credibility as well as "the credibility of the whole European Union framework, for which the Greek case is probably the first significant test." He nevertheless expressed doubts at the "long-term feasibility of the planned adjustment" in face of popular opposition.

The credit rating agency Moody's also welcomed the package as "a clear manifestation of the government's resolve to regain control of public finances." In a statement, Moody's stressed that avoidance of a downgrading in the country's current A2 rating necessitated "drastic fiscal adjustment and improved competitiveness."

It too expressed scepticism as to the long-term prospects for reversing the country's economic "deterioration in a sustainable way," stating that a significant "turnaround is not the most likely outcome."

Warning that the situation would be reviewed again in the next months, it stated that any "deviation from this announced plan" would lead to its credit downgrading.

"A multi-notch downgrade would occur if the plan was derailed rapidly and significantly," Moody's stated, "ruining the probability of a stabilization of Greece's debt in the coming years, let alone of a debt consolidation."