Mass protests in Portugal against new budget cuts

Jordan Shilton
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Last Friday, thousands protested in Lisbon against the right-wing Social Democrat-Popular Party (PDS/CDS-PP) coalition government as its 2014 draft budget passed in parliament.

Finalisation of the €3.9 billion spending cuts will take place on November 26. They are the largest annual spending reductions in Portugal since 1977, targeting public sector jobs as well as wages, pensions, and health spending.

The budget marks a significant intensification of the austerity programme demanded by the European Commission, International Monetary Fund, and European Central Bank (the troika) as a condition of the €78 billion ($102.5 billion) bailout in May 2011.

Under the bailout programme, Portugal pledged to cut its budget deficit to 5.5 percent of GDP in 2013 and 4 percent in 2014. However, a series of troika-dictated budget cuts have worsened the economic crisis. This year Portugal is expected miss its budget deficit target and, next year, €13.5 billion worth of loans are due for repayment.

On October 19, a few days after the budget was first announced, tens of thousands gathered in Lisbon and Porto at rallies called by the General Confederation of Portuguese Workers (CGTP), the country's largest trade union, which is aligned with the Communist Party (PCP).

Dock workers struck and joined the protest, forcing ships to be diverted. On the following weekend, there were rallies in over a dozen cities called by the "Screw the troika" movement, which has organised mainly over social networks.

To coincide with the budget debate, workers on the Lisbon underground went on a 24-hour strike. It is the fifth time they have struck this year, against wage cuts and moves to privatise parts of the network. This week, strikes are to take place at national train, bus and ferry operators, in advance of a strike of all public sector workers planned for Friday.

After the country's constitutional court declared unconstitutional a previous plan to place public sector workers in a Greek-style labour transfer scheme for one year before they would lose their jobs, the budget contains a measure to reduce total public sector employment by 2 percent. It would cut wages by between 2.5 percent and 12 percent.

This forms part of total personnel savings of €1.3 billion in the budget. In addition, cuts totalling €900 million are to be made in health, pensions are to be cut, and the retirement age increased to 66, and moves taken to secure the "sustainability" of the social security system. Options being considered include cutting unemployment benefits, though almost one in five is out of work.

A privatisation wave is also under way. Last month, the government announced plans to sell off 70 percent of the state-run postal service. Over 900 workers have been laid off from the firm since last year to boost profits ahead of the sell-off. The government has already begun privatising power supplier EDP, energy provider REN, and airport operator ANA. It has plans to privatise the national airline and sections of the national water company.

Portugal's president has indicated that some of the latest measures, including €940 million in wage cuts for public sector workers and €380 million in pension cuts, will be sent to the constitutional court to review before they come in to force.

Despite previous declarations by the court that it is not opposed in principle to lay-offs and cuts in the public sector, the on-going threat of the judges' intervention has provoked a furious response in financial circles, particularly since previous rulings have delayed various cuts.

As Mujtaba Rahman of the Eurasia Group consultancy firm put it recently to the *Financial Times*, “The court is a thorn in the side of both the government and Brussels and is perceived as almost communist by the markets … It’s no exaggeration to say it’s the biggest impediment to the country’s clean exit from the bailout.”

In fact, it is the very austerity policies being imposed which are deepening the crisis and increasing the likelihood that Lisbon will require continuing financial assistance after the bailout programme runs out in June 2014.

According to European Union (EU) statistics, the economy will contract by 2.3 percent this year, and grow by 0.6 percent in 2014. The government is somewhat more optimistic, predicting a decline of 1.8 percent this year. The debt to GDP ratio is approaching 130 percent of GDP, a figure surpassed currently only by Ireland and Greece.

The austerity measures already implemented have caused social devastation. According to EU commission figures, average wages have fallen by nearly 5 percent since 2009. The unemployment rate would be even higher than its current rate of 17.6 percent but for a mass exodus of mainly young people from the country.

Official figures suggest that 52,000 left Portugal in 2012, although other estimates put the number as high as 150,000 in 2011. Many have moved to Portugal’s former African colonies, Mozambique and Angola, or to Brazil.

Responding to protesters’ calls for an end to austerity, Deputy Prime Minister Paulo Portas said: “We can’t go back to the times of excessive public spending and endless debt. That simply won’t work, because if we would do that, we would have to leave the euro.”

The government intends to continue its budget cutting after the current bailout expires. Economic observers expect further financial support to be necessary, and Economy Minister Antonio Pires de Lima stated at a recent meeting in London that negotiations would begin early next year with the EU to secure financial backing beyond June 2014. This will inevitably entail further moves to cut spending, slash wages, and privatise services.

Although it opposed the draft spending plan in parliament, the Socialist Party (PS) is in full agreement with the austerity measures. It negotiated the bailout terms with the troika before being voted out of office in 2011, and it has pledged its commitment to see the programme through to the end.

This has led to deepening hostility among the population. In local elections held in September, the PS lost 170,000 votes, while the governing coalition lost a combined 600,000. The numbers abstaining from the vote rose by 550,000.

The CGTP, and the other trade union confederation UGTP (aligned with the PS), have used the four one-day strikes since 2011 to allow the workers to let off steam and prevent a broader social explosion.

The PCP used the latest protests to promote its nationalist response to the crisis, declaring they were “in defence of April (the 1974 revolution against Salazar), the Portuguese constitution and national sovereignty.”