Portuguese government deepens attacks in 2014 budget

Jordan Shilton
2 December 2013

On November 26, the Portuguese parliament voted in the 2014 budget, which contains €3.9 billion (US$5.3 billion) in austerity measures. This is equivalent to 2.3 percent of the country's annual economic output. The cuts are the worst in Portugal for over 30 years.

The right-wing government led by the Social Democrats (PSD), who rule in coalition with the Popular Party (CSDPP), won the support of 132 of the 230 deputies in parliament. The opposition Socialist Party (PS) voted against the spending plan, but it led the negotiations over Lisbon's bailout in 2011 and is in full agreement with the spending cuts.

Thousands of workers and pensioners demonstrated outside the parliament building, calling for the resignation of the government. Four government ministries were occupied by around 200 protesters. One protester summed up the feelings of many when she declared, "They are driving people into hopelessness, suicide and starvation. It can't carry on like this. This isn't what the people want."

The protest was called by the CGTP trade union confederation, which is close to the Communist Party, and backed by the UGT union association, which aligns itself with the PS. Other protests included a transport strike in Oporto, Portugal's second largest city.

On November 25, ferry workers in Lisbon walked out, and there were also strikes by magistrates and border guards at airports. Subway workers in the capital have launched three separate strikes over the past month to protest the government's austerity measures, the latest on November 28 lasting three hours.

The budget contains severe attacks on public sector workers and pensioners. Wages are to be cut by 2.5 percent for those earning more than €675 (US$915) per month, rising to 12.5 percent for those earning €2,000 (US$2,715). The number of public sector workers is to be reduced by 2 percent across the board, to be achieved initially by not filling vacant positions.

The remaining workforce will face intensified exploitation, as the working week will rise from 35 hours to 40 hours, without any corresponding pay increase. This change was declared not to be in breach of the constitution by Portugal's constitutional court, which has previously held up some government measures on that basis.

Annual holiday entitlements will drop from 25 days to 22 days, and all workers will have to pay an emergency levy of 3.5 percent on their earnings.

For pensioners, anyone receiving a monthly pension of more than €600 will see it reduced by 10 percent. In addition, the state pension is to be merged with private pensions, which will inevitably shift the burden for any shortfall onto retired workers who will be confronted with even larger cuts.

As she unveiled the budget, Finance Minister Maria Luis Albuquerque was adamant that the vicious attacks of the government would continue long after the bailout programme comes to an end next summer. Referring to the €78 billion programme that Portugal began in May 2011, she declared, "The loss of financial autonomy resulted from inadequate policies which resulted in successive budgetary and external deficits."

The "recovery of financial autonomy has to go beyond the conditions imposed by the bailout programme," she added.

This assessment followed the release of data from the European Commission earlier in November, which showed that the Portuguese economy would grow by only 0.8 percent next year. Even this estimate is optimistic given the broader outlook for the European and global economy. The commission anticipated that the budget for 2015 would contain a further €1.7 billion in cuts, a projection that corresponds with government figures.

Even with the implementation of such brutal measures, Portugal is failing to meet its bailout targets. The commission document stated that Lisbon's budget deficit would be 6 percent of GDP this year, well above the 5.5 percent that was previously agreed.

Far from solving Portugal's problems, the measures adopted in the latest budget and those already implemented have only deepened the indebtedness of the country and thrown thousands into poverty. Doubts are increasing as to Lisbon's ability to exit the bailout programme next year, with the main question being whether Portugal will be able to raise enough money to operate merely with a one-year precautionary credit line from the European Central Bank, or if a second bailout will be required.

The *Financial Times* wrote that over the next two years, Portugal's total financing requirements amounted to €51 billion, and when the remainder of the bailout and existing deposits were taken in to account, this would mean a need to raise €14 billion on the markets in 2014.

But as one analyst put it, private investors are likely to prove unwilling to take back debts which were off-loaded onto public lenders due to the unlikelihood that they will be met in full. An official from the troika told the *Financial Times*, "One has to differentiate between putting your toe in the water and getting some market access [and dealing with] the very high refinancing need. Do you think after public sector lenders took on so much Portuguese debt that the private sector will be willing to take it all back?"

The troika is fully aware that Portugal's rising state debt, which is approaching 130 percent of GDP, will never be paid back and the working class in Portugal and across the continent will have to bear the cost of this through austerity measures.

The intensification of the attacks on working people is embraced by the entire political establishment. Although voting against the latest budget, the opposition PS is committed to similar budgetary consolidation. Its main criticism of the government was that it had not listened to the PS's proposals to achieve cuts. PS leader António José Seguro said in parliament that out of 300 proposals made by his party, the government had accepted only six.

The trade unions have no intention of challenging the existing set-up and are doing everything in their power to hold mass protests in check. Responding to rumours that the occupation of four government ministries had taken the intelligence services by surprise and that concerns were mounting of more radical and widespread action, the head of the CGTP union confederation, Armenio Carlos, described the act as merely a "demonstration" that was not going to result in "scenes of violence."