

Portugal's "Miracle" of 2025: Profits soar and workers suffer

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When *The Economist* crowned Portugal the “best performing economy of 2025,” it was applauding a model that has turned Portugal into a low-cost platform for global capital. By these measures, the ruling class is thriving. But for workers facing stagnant real wages, precarious employment, soaring housing costs, and austerity-driven public service decline, the so-called miracle is a social disaster.

The Economist points to GDP growth, lower budget deficits, easing inflation, and a 20 percent surge in the PSI 20 stock index. But capitalist recovery rests on intensified exploitation and a growing reserve army of under- and unemployed workers. Nominal wage increases—such as the minimum wage rising to €870—are trumpeted as progress, yet real wages lag far behind the soaring costs of housing, energy, and food in cities such as Lisbon and Porto.

The squeeze on workers is the sharpest since the years of the Troika (the European Commission, European Central Bank, and International Monetary Fund) after the 2008 crash.

Portugal's growth rests on three pillars: tourism, which is vulnerable to shocks; foreign investment by fickle foreign capital, secured through state concessions; and EU Recovery and Resilience Facility (RRF) funds—each acting as a mechanism for extracting surplus value and funnelling it upward.

Tourism, the jewel in the crown, generates foreign exchange and record hotel occupancy. But it relies on precarious, low paid labour. Hospitality wages—around €1,400/month in Lisbon hotels — are nowhere near enough for metropolitan living costs. Workers endure seasonal contracts, irregular hours, unpaid overtime, and intensified workloads. Meanwhile, the boom in short term rentals has transformed neighbourhoods into profit machines for landlords and speculators. Rents

have doubled or tripled in a decade, residents are displaced, and public services strain under tourist pressure.

This reflects a global pattern: modern capitalism depends on casualised service work, platform jobs, and migrant labour to lower wages and undermine collective organisation. Portugal's tourism model reproduces this dynamic: vast corporate and property profits built on worker insecurity.

Foreign direct investment is hailed as proof of “competitiveness.” But competitiveness means suppressed labour costs, deregulation, and generous tax incentives. Governments pitch Portugal as a bargain basement destination for tech firms, call centres, and “digital nomads”. A handful of high paid jobs appear in finance and technology, but the bulk of employment is low paid and precarious. Investors come not for social wellbeing but for a labour market policed by compliant unions and a state willing to offer concessions at almost any social cost.

The EU's RRF—a central pillar of the Covid-19 pandemic NextGenerationEU programme—is presented as a green and social investment plan. Portugal has received roughly €21.9 billion in grants and loans, one of the largest allocations relative to GDP in the EU. The government highlights projects in renewable energy, digitalisation, education, healthcare, and infrastructure.

But the RRF is not a social recovery programme. It is a capitalist reconstruction plan that entrenches the same austerity and labour flexibility logic imposed by the Troika on Portugal, Italy, Ireland, Greece and Spain during the 2010-2014 European sovereign debt crisis.

Funds are released only when governments meet hundreds of milestones set by the European Commission. These conditions prioritise corporate

competitiveness—business digitalisation, industrial decarbonisation, and “labour market modernisation”—rather than redistributive social measures.

In practice, RRF money flows through public-private partnerships and large contractors, enriching construction conglomerates, developers, and technology firms while doing little to reverse precarious employment or the housing crisis.

Legal reforms deepen this trend. The centre right Democratic Alliance (AD) government’s “Trabalho XXI” package expands the “banco de horas” (working-time bank) enabling employers to impose time off in lieu instead of paying overtime. It entrenches temporary contracts and further erodes collective bargaining. These are measures to weaken workers’ capacity to resist exploitation.

The deepening class conflict that has resulted is demonstrated by the AD government’s determination to legislate without consensus and the opposition of the working class expressed in protests, walkouts, and the December 11 general strike, which involved private sector workers for the first time in years and brought the country to a halt. The extent and militancy of the strike shocked the media, political parties and trade union leaders.

The unions are now channelling opposition away from countrywide industrial action into demonstrations, legal challenges, sector-by-sector rolling strikes, lobbying MPs and petitions to the government to change course.

The Socialist Party does not defend workers’ rights, acting as a manager of capitalist discipline. Stalinist and pseudo-left currents which claimed to represent the interests of the working class have been absorbed into the parliamentary framework, supporting budgets that normalise austerity. The result is a political consensus in favour of capital: regardless of who governs, social needs are subordinated to profitability.

Young people face the harshest conditions. Youth unemployment stands at 18 percent. Those who find work are trapped in precarious contracts, internships, platform jobs, and low paid service roles with no prospects for advancement. Many are forced to emigrate, continuing the brain drain that has plagued Portugal since the bailout era. The ruling class celebrates a “dynamic labour market,” but for youth

this dynamism means instability, low pay, and exclusion from meaningful economic and democratic participation.

This social devastation fuels the far-right. Chega exploits anger over housing, corruption, and declining living standards, offering reactionary scapegoats and authoritarian solutions. It is now the second largest party in Congress, and its leader André Ventura won 33 percent in last month’s presidential run off against the Socialist Party’s António José Seguro.

The establishment celebrated Seguro’s victory as a triumph of “democratic stability,” but the election exposed a society in deep crisis. Chega’s rise is the direct product of decades of austerity imposed by Socialist and conservative governments under EU dictates, and their own espousal of nationalist, anti-migrant rhetoric.

Seguro, presented as a figure of moderation, represents the same forces responsible for wage stagnation, soaring rents, collapsing public services, and the explosion of precarious work. His victory does nothing to address the conditions that fuelled Chega’s ascent. It reinforces the institutions of the capitalist state, whose primary function is to guarantee “stability” for business interests.

The Left Bloc and Communist Party bear heavy responsibility. Their years of support for austerity budgets have discredited them among workers and youth, creating the vacuum into which reactionary populism has stepped.

In opposition, workers must build new organisations to defend their independent class interests: rank and file committees, neighbourhood assemblies, and a genuinely socialist and internationalist party, a section of the International Committee of the Fourth International, to reorganise economic life to serve human need rather than private profit.



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