Portugal’s labour reforms provoke mass opposition

By Paul Mitchell
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Reform of Portugal’s labour laws and the right-wing coalition government’s austerity measures are provoking mass opposition.

On February 11, 300,000 people took part in a demonstration in Lisbon to protest measures framed to meet the dictates of the troika of lenders—the European Union, International Monetary Fund and European Central Bank. On February 2, the capital was shut down by a transport strike.

The rally took place just four days before troika officials began their quarterly review of Portugal’s compliance with the requirements of last year’s €78 billion (US$103 billion) bailout.

The Communist Party-led General Confederation of Portuguese Workers (CGTP) organised the demonstration.

The Socialist Party-aligned General Union of Workers (UGT) did not take part, having agreed in January to the labour reforms. These enable the slashing of holiday entitlement, redundancy pay, overtime rates and unemployment benefits, increase flexible working, make it easier for employers to sack workers and undermine collective bargaining. They comes on top of earlier austerity measures that cut wages and pensions, set about privatising remaining public companies, introduced payment for health care, increased fares in public transport and increased tuition fees.

After signing the agreement, UGT General Secretary João Proença declared that Portugal was not like Greece. “Greece is clearly a failure, its measures were not adjusted to reality and therefore they could not deal with the situation... There is a total absence of political dialogue, weak traditions of dialogue have radicalised the situation in Greece.”

“Fortunately, this is a reality which we do not have in Portugal, our behaviour is totally different. We have no strife for strife’s sake and there is usually a specific negotiation goal in protests.”

Proença claimed that the troika could be pressured to change its course because it “does not want another failure on its hands, like in Greece, because its credibility will be at stake.”

He then declared that he believed industrial action would continue, but only at a low level, adding, “There is no peace clause in the deal and therefore general strikes can always occur, but in the short term I see no general strikes ahead of us, only sectoral protests.”

The CGTP is making militant noises, apparently at variance with the open collusion of the UGT with the government and the troika. “We take this opportunity here to make our own evaluation on behalf of those who suffer daily,” said CGTP General Secretary Arménio Carlos. “The IMF doesn’t call the shots here!”

Communist Party (PCP) General Secretary Jerónimo de Sousa said the demonstration was an “historic event,” the biggest in terms of popular support for over 30 years. He was “confident that it was possible to shift, to stop this aggression pact, this attack on workers’ rights.”

But statements by Proença allege that behind the scenes the CGTP and PCP are participating fully in the betrayal of the working class. He said he was not surprised that the CGTP did not sign up to the labour agreement because it had rarely agreed with reforms in the past. But he then revealed that he had been “encouraged” to sign the agreement by “leaders of the CGTP majority” before they walked out of the talks.

In a subsequent interview he repeated that the “incentives” to sign had come from the CGTP, which reacted by saying it would file a “criminal suit” for slander against the UGT.

Proença also rounded on Socialist Party leaders, including party chief António José Seguro, who criticised the accord, saying they had been "informed closely" of developments during the months-long negotiations. He accused them of agreeing to the bailout demands last year before losing snap elections in June.

The CGTP, the PCP and the petty bourgeois Left Bloc (BE) are offering token opposition in order to divert workers behind appeals to the government to renegotiate the country's debt. The BE calls for the setting up of an audit commission to examine the debt and reject that part which is deemed "illegitimate" and for the creation of a more "social" Europe.

Carlos also called for the renegotiation of the debt in nationalist terms. "Our people already proved ... through our history that the various times we were occupied, we did not surrender," he said. "We always responded by defending our sovereignty... It is Mrs. Merkel, in this case Germany, that is deciding things."

Portugal has done everything that the troika has demanded of it. The government claims it has cut the budget deficit from 9.8 percent of gross domestic product in 2010 to 5.9 percent in 2011 as agreed and is on course for the 4.5 percent target in 2012. However, the shock therapy that is being imposed has failed to increase competitiveness and exports as Prime Minister Pedro Passos Coelho claimed it would do when he was elected in June.

The economy shrank by 1.9 percent last year, ending up in a double-dip recession and estimates suggest that it will shrink more than the official 3 percent forecast in 2012. The ratio of Portugal's debt to GDP is expected to increase from 107 percent at the time of the bailout to 118 percent next year. Credit ratings agencies have downgraded the debt to junk status. Signs are that credit is drying up, largely because domestic banks are being forced to increase lending to state-owned companies refused loans by foreign banks.

The lack of growth makes the reduction of debt practically impossible. "Portugal's debt is just not sustainable," David Bencek, an analyst at the Kiel Institute for the World Economy, told the *New York Times*. "The real economy does not have the structure to grow in the future and thus will not be able to pay back its debt in the long run," he added. Cuts in spending would have to be "far beyond" those so far.

Reports now suggest Portugal will be unable to return to the money markets for loans in September 2013 as expected and may require another bailout.

This week Finance Minister Vítor Gaspar met with his German counterpart Wolfgang Schaüble in Brussels to discuss such a possibility. "If there appears a necessity for an adjustment in the Portuguese program, we would be ready for that," Schaüble was overheard telling Gaspar.

Recent figures show official unemployment has grown to nearly 14 percent. It is more than 30 percent amongst young people, half of whom earn less than €500 a month.