

TROIKA WATCH

TROIKA UNDER SCRUTINY

 PORTUGAL



Troika Watch

Troika under scrutiny

May 2013

In response to the global financial crisis and the ensuing Euro-zone crisis, a task force comprising the European Commission (EC), European Central Bank (ECB), and International Monetary Fund (IMF) was established. This tripartite task force is called the Troika. It has engaged policy discussions with the national authorities in Greece, Ireland, Portugal and Cyprus.

The Troika intervenes in crisis countries to restore growth, employment, and competitiveness; strengthen the financial system; and safeguard fiscal sustainability. In effect, the Troika makes recommendations that governments in crisis situations cannot refuse.

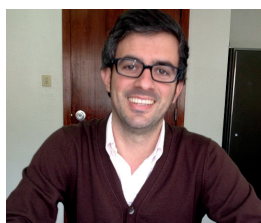
As the financial, economic, political, and social crises in Europe continue unabated, UNI Europa is launching Troika Watch, an online austerity policy watchdog. Through Troika Watch, UNI Europa aims to offer an assessment of the austerity policies and their ill-effects, and to reveal workers' individual, real-life stories in the sectors covered by UNI Global.

Troika Watch's goal is to provide updates on the effects of the crisis on workers in the countries operating under austerity programmes. Furthermore, UNI Europa affiliates will report on the problems faced by other countries that may not embark on a process of fiscal consolidation and imposed austerity, such as Spain, Malta, and Italy.

Troika Watch comes at a time when Europe is grappling with an unprecedented economic crisis with dramatic consequences for its industrial relations. It focuses on the crisis' impact on workers and industrial relations systems. The trade union movement is largely affected by the crisis. Troika Watch is able to evaluate the austerity measures and monitor attacks on social and workers' rights as they develop in conjunction with the continuing Europe-wide protests against the endorsed neo-liberal and austerity policy agenda. **Yet austerity does not work –austerity must be ended now!**

This document provides an update of the situation in Portugal and brings to light the actual consequences of the crisis and of the imposed austerity measures on Portuguese service workers.

Colleagues tell their story as Portugal is embroiled in over a year of crisis



Alvaro Lopez
Accounting Technician
Banking sector and Banking Workers

Alvaro Lopez, from the Banking sector, explains the nature of the crisis. “Portugal is in a deep crisis, economic crisis but mainly a crisis of values. The political class no longer supports the population, as it should, and seems to be just looking for their personal wellbeing, favouring themselves and their “friends”. This little Portugal is drifting and nobody seems to be able to put some order in the house. Cases like BPN and BPP can only dishonour our nation, politicians, regulators, actually EVERYONE! The people no longer believe in anything, or anyone. Then there’s the TROIKA! We thought that they would solve our problems or help us in giving the country a new direction. Actually they are ultimately just cutting back on what they certainly must not’t: on education and health. As they came to “help” us, they shouldn’t make as much money in interest rates. Money we haven’t the ability to pay. Portugal needs to cut back on the political class, who is spending HUGE amounts of money with political parties, deputies, parliament, and the very high salaries of public companies’ managers! Maybe this was only a beginning. We have only seen an increase in public revenue and fewer cuts on its expenses. ALL have to pay and fix the hole in which they plunged Portugal. Of course, the people and the lower classes are that most sacrificed! Yes, they are suffering from an extremely difficult situation at the moment. Some are even experiencing starvation. With the national budget for 2013 we have one of the highest tax-burden in Europe. At the end, unemployment is above 17%. As emigration rises, it is perhaps the only solution for young people. Solutions for the future? It would be great to have some, but it appears that there will be even more taxes in the coming months: the only solution this government can design for Portuguese people. I do not think this is the best nor right way...”



Isabel Rocha
Technical Administrator
Banking sector and Banking Workers

Isabel Rocha, from the Banking sector, expresses her discontent with the adopted austerity policy: “In recent years we have witnessed the implementation of wrong policies. The state spent more than it should. Money introduced in the economy was not properly guided nor supervised. Banks misguided people and entrepreneurs and seduced them into borrowing at “cheap” credit rates etc. All these mistakes led our country into bankruptcy. They trapped us within the grasp of Troika ‘hands’. With financial aid come unbearable sacrifices and the imposed implementation of a package of austerity measures, structural reforms, and privatisations. Unless short-term austerity measures are balanced with medium-term solidary and cooperative policies, we won’t be able to return to economic growth and Portugal will not be able to pay its debt in the long-term.”



Nuno Rodrigues
Accounting Technician
Banking sector and Banking Workers

Nuno Rodrigues, from the Banking sector, explains the dramatic changes experienced in Portugal over the past year. “What has changed in Portugal? The Portuguese financial breakdown and the arrival of Troika have led to major social changes in our country. What should have changed, did not ... The observed social transformations were due to measures implemented by “foreigners”. These measures were never even questioned by our corrupt and poorly qualified government leaders that don’t even care about the means they use to reach their goals. These goals are only those of a blind submission to a European Union that is completely alienated from the social problems affecting Portuguese people, to a Central Bank and an International Monetary Fund that only care about profit (and the proof is in the extraordinary interest rates that Portuguese can barely afford). This leads us to question: “how can organisations exist only to make profits at the expense of poor people and of an entire country?” One can say that the poor have changed – they moved from the limits of poverty into extreme and miserable poverty; the middle class changed, as it is now even more in debt and at the edge of poverty; I have changed – as a young person I am seeing my friends emigrating and my life goals undesirably adapting to new and unavoidable life circumstances; and my grandparents, who after a life-time of work are seeing their pension benefits being drastically cut; my neighbour changed, when her husband committed suicide because he didn’t have enough money to meet his financial obligations as an entrepreneur... Many things have changed indeed... except for the uneducated and corrupt politicians.”



Tiago Ansenio
Worker in a Packaging company preparing parcels for a Courier company

Tiago Ansenio, from the Graphical sector, exposes the difficult working conditions and contractual problems in Portugal: “Most of the people are on short-term contracts, and the drivers are outsourced. I personally work at night – there are maybe 20 people on the night shift. Some of the temporary workers have a contract of one week. After a week they don’t know if they’re going to get another week, another month. They don’t know if they have a job from one week to the other. We earn a basic wage – the minimum wage of 485 EUR. On top of that, we get a bonus for productivity - this is on a monthly basis. Our bonus can be half of our wage – but if you are sick or on leave you only get the minimum wage (i.e. the basic salary). My friends went to look for a job after university. One of them was 3 or 4 months without a job – so he went to a recruitment company – as he was filling out the forms the lady advised him to not put university – as the employers will think that he is too qualified and they won’t call him for an interview. He studied marketing – and he got a job unrelated to marketing. The boss of the company he is

working at is paying his wages late. He has car payments to make but he doesn't get paid on time. There isn't much hope. We cut out all the little things. We don't go out to like we used to. We stay in at home and drink coffee. In Portugal we say that it is the politicians who are responsible. The Government needs to invest in more jobs. I would ask Madame Lagarde, how can you live on 485 EUR?"



Francelina Goretti Magalhaes Silva dos Santos

Mother of two sons, one working as a textile designer in a shoe-making company

Francelina Goretti Magalhaes Silva dos Santos, mother of two sons, explains the harsh working conditions of one of her sons and the necessary emigration to Brazil of her other son: "My son has left to go find work in Brazil. I have family there to look after him, but I miss him every day. He is looking for work in Brazil. But it is very expensive – the legal papers to stay there cost a lot of money. It's very expensive – he is trying to become legal so he can find a job. My younger son is a textile designer in a shoe making company. They pay under the minimum wage. They don't pay the salary in full – it is paid in parts. Right now they are still paying the vacation payment from last year, which means workers are nearly a year behind in getting their pay. So we have to help him out with basics such as food. Both our children still rely on us. My husband was a teacher. He retired thinking that we could live off his pension. But now the pension payments are being cut. With our children still looking for work, this makes two generations dependent on one pension benefit. How can we live when our pension is slashed like this? We spent our lives working and saving, but now it is very difficult. What sort of country is this? In the past we didn't need our country to help us in supporting our children. Today is harder than before because our children don't have hope or any independence. It's impossible for us. The Government must help support families. Our politicians know where to get financing but they won't do it, they tax working people, instead of taxing the rich. We know we may have to wait two or three years, but we still need to see some light at the end of the tunnel. We need something. Portugal is a small country, but we have plenty of means to support ourselves. Look at our products, wine, the port, meat, honey – there are many things to help the banks finance and support small businesses. Right now the banks have stopped financing companies. Companies have their own difficulties. Interest rates are very high. Our social welfare, which we have fought for, is gradually being lost. Our democracy is lost. In the 1960s we all wanted to improve our lives. So we invested in training. Now we have skilled people, trained, educated young people, with professions, but the country is letting them leave. So we are becoming an old country with no hope for the future. Portuguese people love their own country and they hope not to leave – they want to work here, but there is no work. If the government invested in the industries of the country we could turn this around. Unemployed people can't spend money. Stores and businesses are closing. People don't buy, people don't produce, and people don't sell. I have no faith in politicians. The Troika destroyed the country, destroyed the economy and the life of my people. We live in fear every day of what austerity is coming next. I am a mother – and I tell my sons that I want them to stay and work in Portugal. But I begin seeing that it is not possible for them. There is no hope left in our country for our children. If my son finds work in Brazil – he will bring us to Brazil – a mother wants to be with her children."

Austerity in Portugal, a year of dreadful changes

The Portuguese trade union movement is convinced and strongly believes that austerity does not provide a solution neither for the labour market nor for the economy as a whole. Instead, austerity strongly contributes to the deterioration of both the economy and the labour market.

Following a long period of fully blown out and imposed austerity, the end-results show that enacted structural reforms bring nothing more than increases in poverty, unemployment, inequality, and recessionary economic prospects that wither away any hope of recovery.

The imposed neo-liberal economic governance framework effectively sees social regulation, acquired social and workers' rights, and the fundamental social role of the state as an open threat to its deregulatory agenda. These 'threats' have been put under fire and are openly attacked through various structural measures demanded by the Troika.

As a consequence, social rights in Portugal were severely reduced, the state was forced to relinquish his crucial role in the economy, and a structural labour market de-regulation was brought forward in total contradiction with trade union demands.

The imposed austerity measures brought about job losses, increased living costs, and social unrest. Engaged privatisation (completed or in process) of public services and state-owned companies, fuels the generalised sense of hopelessness and with increased living costs, Portugal witnesses a halt in private consumption patterns. These developments lead, in turn, to the Diaspora of big businesses and investors on one hand, and of highly skilled and/or young workers on the other, forced to leave the country.

The trade union movement had to face significant blows: collective bargaining was seriously put into question with the refraining from sectoral extension protocols that drove away employer federations from the negotiation table. Tripartite social dialogue was also hampered with an important loss of legal effect and applicability of collective agreements.

More importantly, democratic legitimacy and accountability were put into question and even became irrelevant. The Portuguese government is completely subjugated and gives in to Troika demands without even engaging in a public debate. The democratic representativeness system became trifling and borderline irrelevant. Tripartite agreements aimed at diminishing and cushioning the effects or consequences of austerity, bear no significance or relevance when confronted with the Troika's blunt rulings. Trade union actions, civil demonstrations, and exercised political pressure seem to not even affect or cause a dent in the governmental agenda which obsessively and blindly follows the Troikas' recommendations and imposed austerity.

'Treatment' is being prescribed with a total disregard of 'patient' needs. Austerity is being implemented against society-wide disapproval and in spite of contradictory diagnosis as to the root-causes of the experienced crisis.

Unemployment

- The overall unemployment rate currently stands at 17.5% (March 2013) exhibiting a sharp increase and growth in unemployment (Unemployment was 15.1, 12.7, 10.8 and 9.5% in 2012, 2011, 2010 and 2009 respectively).
- Unemployment rate currently translates into approximately 923.000 unemployed persons for an active population of 5.455.000.
- 56.3% of unemployed persons have not been able to find a job for more than 1 year, which means that more than half of Portuguese jobless are now long-term unemployed, limiting even further their labour market reintegration.
- 57% of unemployed people are no longer eligible for unemployment benefits.
- Youth unemployment is nearing 40%. This is double the rate recorded in 2009 (20%).

Developments concerning wages and benefits

- All compensations for dismissal have been reduced from 30 days compensation per year worked to 20 days compensation. The number of compensation days is expected to drop even further in the near future.
- New rules were set for dismissals under the 'Dissolution of the Job Post' provision. The strident criteria applied under this procedure were replaced with the employers' definition of 'relevant and non-discriminatory criteria' which effectively render dismissals much more flexible and easier. Dismissal for inadequacy was also deregulated.
- The ceiling that determines the maximum paid amount of unemployment benefits was lowered from 3.0 to 2.5 IAS (social support index).
- The compensation increase for overtime was cut by half of its previous value.
- A total of 4 public holidays were cut, including the Portuguese Restoration of Independence Day and the Portuguese Republic Day. 4 additional days of vacation were also cut.
- Pension benefits were reduced (depending on income bracket) between 3.5% and 40%.
- Social benefits such as the income support allowance, senior citizens pension supplement, and survivor and disease subsidies, were either significantly reduced or their conditionality was largely tightened.
- Unemployment benefit recipients and disease allowances beneficiaries lost their contributory exemption to the single social tax and have now to contribute with 6% and 5% respectively.
- Unemployment benefits are further reduced by 10% after an initial 180 day period.
- The methodology for calculating unemployment benefits has changed, with the new rules effectively lowering the amount received.

- All workers (both public and private workers and pensioners) will lose the 13th month which will be deposited via tax contributions.
- Civil servants saw wage reductions of 3 to 7%, depending on the income bracket.
- An increase of 2 years of the retirement age will be enacted during the course of 2013.

Collective agreements and employment contracts

- Trade Union's right to collective bargaining was seriously put into question.
- The publication of collective bargaining extension protocols suffered severe restraints. The number of covered workers dropped significantly from 1.407.000 workers covered in 2010 to only 327.000 in 2012.
- The adopted provisions seriously hampered the capacity to conduct collective bargaining. Consequently, the number of collective agreements published diminished from 230 in 2010 to 85 in 2012.
- Employers can now determine, in direct negotiation with a worker, or a group of workers, a set number of supplementary work hours that workers will be subjected to (depending on the negotiation they can be rewarded with rest days, etc.). It will be very hard, to see impossible, to inspect this form of imposed flexibility and verify whether there have been any abuses.
- Businesses are no longer required to communicate to and inform the Authority for Working Conditions (ACT), of a vast set of information (e.g. headquarters location, work accident insurance, number of workers on the pay-roll, copy of the worker's schedule maps, etc). This makes the supervision of working conditions and work inspection a much harder task.
- Career progression within public administration was put to a halt.
- The Portuguese government is going forward with a big reduction of the number of civil servants.

Lack of social cohesion and deteriorating social conditions

- Even after social transfers, 18% of the population is still at risk of poverty and/or social exclusion.
- Requests for assistance to social assistance institutions more than doubled in the last 2 years.
- Education suffered drastic budget cuts, despite being the public sector segment employing the majority of civil servants.
- Health user charges have increased significantly.
- Some state inspection capacities have been transferred to the citizens through legislation. For example, consumers are now required by law to demand receipts from businesses or, if they fail to do so, be subjected to heavy fines. This refreshes the notions of a police state, fiscal persecution, and the role of the civil informants, something which brings back painful memories to the Portuguese population.
- Portugal is witnessing a massive emigration or Diaspora: in 2011, emigration has increased by 85% (in relation to the previous year). In both 2011 and 2012 it is estimated that more than 100.000 thousand people left the country annually, with the majority being young people and/or highly skilled workers.
- Portuguese GDP decreased by 4.8% in the last 2 years.
- With the general wide-spread tax increases in all areas, the Portuguese citizens now pay more than double what they used to in taxes.
- The informal economy has sky-rocketed mainly due to high levels of tax.
- It is projected that in the last 2 years about 80.000 businesses have closed, which translates into more than 100 businesses closing a day.
- The perceived notion of austerity led the Portuguese people to refrain from purchasing goods and services. According to the latest data available, households are saving more than 11% of available income in the banks, a phenomenon which has made its footprint on the national economy. The overall rise in prices aggravated the situation.



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