

**EUROPEAN SEMESTER 2018**  
**ETUC PROPOSALS FOR COUNTRY SPECIFIC RECOMMENDATIONS**  
**CGTP-IN´ANSWER**

In our answer we take into account the CGTP-IN main priorities, on-going discussions with the Government ETUC taking place at Standing Committee for Social Concertation, the Country Report Portugal 2018, priorities identified in the document “ETUC for growth and Social Progress” and our assessment on the implementation of past Country Specific Recommendations. We present our assessment and main claims in three areas: fiscal policies, labour market and social protection. We stress that in all areas related with the European Semester and the European Pillar of Social Rights (EPSR) the principle of subsidiarity must be respected.

**1. Economic growth and fiscal policies**

Fiscal policy must be supportive of sustainable growth. Portugal’s recovery was strong in 2017: GDP grew at 2,7% (0,6% in the euro area) and employment increased by 3,3% (1,6% in the euro area). But new jobs are bad-quality ones; our productive sector continues to be based on low value added output and cheap/precarious labour; the level of public and private debt decreased but it is still too high; the banking system remains fragile; we maintain low wages, high in-work poverty (11%) and strong social inequalities.

In 2017 the headline deficit was 3% of GDP (2% in 2016) due to the impact on the deficit of the recapitalization of Caixa Geral dos Depósitos (CGD). This impact was imposed by the European Commission (Eurostat) with the formal disagreement of INE (Instituto Nacional de Estatística).

Without this impact, the deficit was reduced to less than 1% (0,92%). This fall had strong economic and social costs: public investment remains at a level historically low; some public services and some public infrastructures are in a process of deterioration; pay freezes on wages since 2010.

Despite the improvement in the economic situation, together with the strong decrease of the headline deficit (without the CGD’s impact), the Commission calls for further fiscal consolidation in the Portugal Country Report 2018, demanding a “permanent budgetary discipline” (page 22) – actually permanent austerity. Three main areas are targetted: healthcare expenditure; pensions (the Commission blames reforms made by the government saying that they may affect sustainability); state owned enterprises. Therefore, we can doubt about the practical meaning of some concerns and assessments stated on social policies (page 38-41).

The exit from Portugal of the Excessive Deficit Procedure in June 2017 didn’t end restrictive fiscal policy, which results from compliance with economic governance rules (including the Stability and Growth Pact, Budget Treaty, Country Specific Recommendations).

The rules of European economic governance are invasive of national sovereignty - in domains where European authorities have no competences, according to the Treaties - and act as a real straightjacket on fiscal policy. They impact on social policies. To meet the demands made, the

Government adopted a strategy of high primary balances, reaching 4.9% of GDP in 2021, with consequences on public investment, employment and expenditure on staff in Public Administration and social expenditure. The Stability Program 2018-2022 is foreseen for 6 April.

Summing up, fiscal policy must be supportive of sustainable growth; the rules of European economic governance are invasive of national sovereignty and represent a real straightjacket on fiscal policy which harms development, wages and social policies.

## **2. Boost work quality, tackle precarious employment, raise wages and promote collective bargaining**

Work quality is our main priority. It encompasses a broad range of work and employment dimensions, including stable work contracts, wages, working time and work-life balance, health and safety at work, training and collective negotiation.

In the Portugal Country Report 2018, the Commission acknowledges that: emigration is a problem, because a high proportion of emigrants are highly skilled; risks related with the increase of minimum wage didn't emerge (but adds "so far"); it is vital to improve skills; active labour policies are more effective.

But the Commission renews concerns on increases made on the minimum wage and, above all, attacks the Employment Protection Legislation. "Rigidities", supposedly remaining in the labour market, and "segmentation" are words obsessively repeated throughout the Report, as we were still leaving in the troika period. "Despite the 2011-13 reforms to the Employment Protection Legislation labour market segmentation remains high". "(...) remaining rigidities in terms of individual dismissals, which remain a barrier to better resource allocation and hiring on open-ended contracts." (page 20)

The proclamation of EPSR didn't changes the messages, the analysis and the underlying recommendations of the Portuguese Country Report 2018.

The CGTP-IN calls for:

Measures to boost work quality and to fight precarious employment, promoting the transition to permanent contracts and disincentive emigration: precariousness remains high and emigration didn't stop. This implies to combat objectives behind the "segmentation" theory because the policy strategy, pursued by the Commission, is to reduce protection for regular workers in a process of levelling down. Work quality is vital because most of employments created during the last years are precarious jobs with low wages and bad working conditions. Reducing the gap between temporary and permanent employees, very high in Portugal, requires combating precariousness limiting temporary employment to jobs whose nature is objectively temporary.

Wages must be updated above the sum of inflation and productivity taking into account the trend of declining labour share. The raise of wages must be articulated with the annual updating of minimum wage and collective bargaining. The re-establishing the right of collective is now discussed with the Portuguese government and employers confederations at the Standing Committee for Social Concertation. For the CGTP-IN this requires, at least, the end of the expiry rule and the restoration of the principle of favourability.

### **3. Shelter social protection systems from downward pressure of economic governance**

Economic governance (especially, Fiscal Compact and Stability and Growth Pact) has strong negative consequences on our social systems, as the Portuguese situation clearly shows. In the Portugal Country Report 2018, the Commission strongly pressures to the broadening of the expenditure review (which already covered sectors as education and healthcare); critics measures adopted by the government in order to reinforce social protection, including an extraordinary update of lower pensions, and attacks the ongoing change of our early retirement reform; calls for the reduction of expenditure of the health system, even the Commission recognizes problems related with under-budgeting (see, specially, pages 21-27).

We need to unite efforts to protect our social protection systems. Economic governance and the approval of European Pillar of Social Rights cannot be an excuse for the non-respect of the principle of subsidiarity.

Every worker has the right to accede social protection, regardless of the type and duration of his/her employment, with the necessary adaptations. This not means the generalization of precarious work or the dilution (or, worse, the end) of the concept of subordinated work, as the European authorities defend. Combating precarious employment is our first goal. We must firmly combat Principle 5 of the EPSR.

The shifting of tax “burden” from labour to other sources of taxation (Commission, Guidelines for the employment policies of the Member States, Guideline 5) is a very dangerous path: social contributions are not taxes, taxes are not a “burden” – instead, are a condition for income redistribution - and this tax shit will lead to the undermining of our contributory systems paving the way to an assistance-based system.

The CGTP-IN calls for:

It is vital the reinforcement of our public social security system, ensuring intergenerational solidarity. We must clearly distinguish between the contributory system, where our aim is to obtain replacement rates close to wages (“adequacy” is too vague), and non-contributory system where the main aim is preventing or alleviating poverty. Ensuring the universality principle (everyone has the right to accede to social security) requires the combining of contributory and no-contributory systems in order to guarantee a life in full dignity.

The strengthening of public pensions system requires, at least: the regular updating of pensions preserving its purchasing power and taking into account the evolution of the general living standards; put an end to the link between pensions and life expectancy.

Ensure unemployment social protection taking into account that, during the 2010-2015 period, conditions of access were tightened, the length of the benefits were curtailed and the value of benefits reduced (in 2017 coverage was just 43% of all unemployed persons).

Fight inequalities trough universal and quality public services.

Lisbon, 2.4.2017