

Position on the performance of the IMF in Portugal

Economical growth and the reduction of unemployment are the big challenges faced by Europe today.

In Portugal, the economical and social situation is extremely concerning. Each and every data available shows that the economical recovery will be much slower than expected and everything points that, if there isn't a change of policies, this situation will suffer an aggravation. Unemployment and poverty remain at a dramatic level, never reached in the past, who awakens on the Portuguese people a huge feeling of mistrust and insecurity regarding the future.

The so called "structural reforms" and the reduction of the public deficit as well as the reduction of the unbalanced external accounts are made on behalf of increasing unemployment and on a significant reduction of wages and pensions. The actual numbers prove this reality. Since 2010, unemployment went from 10.8% to 16.3% in 2013. The public debt raised from 94,4% of the GDP to 129.4% in 2013.

This numbers confirm that the Portuguese public debt is nowadays the third highest in the whole European Union and regarding unemployment, the fifth highest rate. Only in the last two years, over 220.000 (two hundred and twenty thousand) people left the country, mostly high qualified workforce, that don't leave the country by choice, but pushed by the need of searching alternative job opportunities, that they can't find in Portugal.

We don't understand the obstinacy and the social insensibility of maintaining this austerity dictatorship that has enormous economical and social costs for the citizens and the country.

The need for a financial assistance program resulted from the difficulties obtaining funds at reasonable interest rates. In May 2011 was signed an agreement, the so called "memorandum" with the Troika (European Commission, European Central Bank and the International Monetary Fund).

UGT always understood that before the situation of the country and speculative pressure of the financial markets it would be indispensable reducing the deficit and lower the imbalances. Unfortunately, political mistakes and errors in the conduction of those policies led different results.

UGT always showed its disagreement with the "memorandum", due to the imposition of a strong austerity, the labour market and social deregulation and by pointing out very concrete measures, which were agreed without any consulting of the social partners.

Contrary to the "memorandum", we always claimed for structural reforms that would enhance competitiveness, centred on the adaptability of qualifications, innovation and the technical capacity of companies.

We always defended that the “memorandum” should be applied with flexibility and adapted to the needs of economical growth and employment.

However, indifferent to the positions assumed by UGT, the adjustment plan was applied centred on the reduction of the income of the Portuguese people, the labour costs (wages, pensions, social support) and the social functions of the state. An inadequate adjustment plan was build, ignoring the economical and social reality of Portugal, focusing the sacrifices mainly on the workers and pensioners, aggravating unemployment, poverty and social exclusion.

In the elaboration of the adjustment plan, a lot of themes were hidden and the approach could be very different. The need of internal financing, especially in the public sector and small companies, which already go through huge difficulties, were not taken into consideration in comparison to the financial sector.

But the biggest missing point in the whole process, since the construction of the financial assistance plan and their successive revisions, was the absence of measures that would promote economical growth and employment. Those measures were contemplated in the Tripartite Agreement for Growth, Competitiveness and Employment, signed between the social partners in January 2012, with a relevant role defining measures more adjusted to the social and economical reality.

UGT never rejected and always respected, the spirit of the agreement signed in 2012. We can't however forget the fact that for the last two years, the Government didn't fulfilled their part, and only centred their policies on matters that penalize the workers over other that UGT always considered much more important.

Stubbornly, the Government continues to postpone the introduction of measures for economical growth and employment towards the end of the adjustment plan, even after the fulfilling of the financial assistance program.

The changes introduced on each revision of the “memorandum” only aggravated austerity.

For UGT it's unsustainable, this continuous bet on a receipt that doesn't work, in austerity policies and on a rhythm of fiscal consolidation that everyone considers excessive. We have to ask ourselves about the results of this policies when we observe the aggravation of the inequality of income distribution, the growth of unemployment and the generalized poverty among Portuguese people.

The people in charge of the institutions of the Troika, namely the IMF, recognized that they have underestimated the impact of the austerity measures on economical growth and the negative impact on a social level in Portugal.

We ask ourselves about the incoherence and the contradiction of those declarations e the procedures of the technical commissions send to Portugal, that insist on a wage constriction, on more flexibility of the labour market and the impoverishment of the Portuguese people.

UGT does not accept Troika, namely the IMF, recognizing the uncertainty of the ideological policies promoted and required by itself, and basically assuming their incompetence, that they

continue claiming that the solution for Portugal lays on even more flexibility of the labour market, more terminations in the Public Sector, more violent cut in wages and an excessive view on exportations, that will contribute for the destruction of the labour market, the welfare state and social peace in our country.

UGT doesn't disputes the importance of exportations, but it's not practicable to transform them in the unique pillar for growth in our economy. It's fundamental to promote the internal market and national production, which needs more investment and more consumption. It's consensual nowadays that even more as the financing of the economy and the access to credit by companies, that one of the major obstacles is the reinforcement and capitation of investment is the insufficient private consumption.

Therefore, a discussion is needed and the establishment of a new policy that doesn't see the wages as the only variable of economical adjustment and competitiveness. The income of the workers and their family has a fundamental role in the recovery of our economy, through an increase of purchase power and private consumption.

So, for UGT it's imperative to discuss the raise of the minimum wage, subject on which there is a consensus among the social partners in Portugal and should be considered by Troika.

We remember that over 70% of the GDP is directly linked to private consumption and without that resuscitation it won't be possible to reinvigorate the economy.

What concerns the labour issues, Portugal has already made some changes in the labour laws to fulfil the objectives fixed by the "memorandum". UGT rejects therefore the insistence of an even more flexible labour market, aiming a stronger deregulation, without any economical, financial or social substantiation, intending touching on issues already been handled by the tripartite agreement and that potentiate the reduction of protection levels in a country that already has one of the highest rates of precariousness in Europe.

Maintaining this path will only contribute to raise a climate of instability and social conflict, what will always have a disastrous effect in social cohesion and an undesirable economic impact.

UGT, as a responsible social partner was always available to concert positions towards maintaining social peace. A hampered task due to the performance of the external institutions who insist applying a unique recipe that doesn't respect the independence of national governments democratically elected, as well as they disrespect the fundamental principles of the European treaties and the autonomy of the social partners and social dialogue.

In 2008, 1.9 million Portuguese private sector workers were covered by collective bargaining agreements. In 2012, that number went down to 300.000.

This proves a total disrespect before collective bargaining, social dialogue and the European Social Model.

Boosting collective bargaining is fundamental for UGT, as well as for workers and companies, that continue to be victims of this unacceptable way of blocking negotiations, without any kind of concern by the Troika due to its inflexibility towards some issues.

It's also fundamental, and in respect of the Portuguese Constitution, to restore political and social dialogue in Portugal, especially in fundamental issues, as the debate about the State reform and the Welfare State.

For UGT, this debate can't be conducted in blind and indiscriminate cuts perspectives that have already asphyxiated the public administration. A serious social and political dialogue has to pursue the improvement of the public administration that guarantees the quality of the provided service, the sustainability of social security and a more effective way using financial resources.

We also have to keep in mind, a better use of the European funds promoting private investments, raising competitiveness and tackling unemployment, especially youth unemployment.

In short, UGT demands an immediate change in the actual policies, aiming the promotion of a better articulation between the different economic, monetary and financial dimensions. Two and a half years of external intervention should be enough time to prove that a urgent change of policies is needed, so that the mistakes applied in Portugal won't be repeated and that they won't occur in other European countries.

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WASHINGTON DC

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