11. Portugal: Structural reforms interrupted by austerity

Helena Rato

1. INTRODUCTION

Employment in Portugal’s public administration registered huge growth in the second half of the 1970s, mainly due to decolonization, as the public administration was used to integrating people coming from the former Portuguese colonies, and democratization, which involved the improvement of the welfare state as well as local government. From 1984 onwards civil service employment continued to increase, largely driven by the obligations arising from EEC membership and subsequent implementation of EU policies.

In the 1990s, restructuring the public administration became part of the government’s policy agenda, aimed at increasing efficiency and improving the quality of public services in line with New Public Management theories. The improvement of human capital was thus one of the main drivers of public administration reform early in the new millennium. But when Portugal was put under an EU excessive deficit procedure in 2005, the focus of its policy agenda had to be changed in order to reduce the structural deficit. Initially, the Portuguese government tried to conciliate restrictive budgetary measures with economic development within public administration structural reform programmes. In the context of the financial and sovereign debt crises, however, this attempt was not successful and thus there was a drift towards increasingly restrictive adjustment programmes.

All the variables that shape employment conditions in the Portuguese public administration are determined by laws that define public employees’ status and so their rights and duties. Therefore, policy measures specifically addressed to public administration within the framework of Portugal’s structural adjustment policy must be supported by laws. Accordingly, changes in public employees’ status must be analysed in order to understand how structural adjustment policy has affected public employment.
The scope of Portuguese public administration is very large and is composed of three categories: direct state administration, indirect state administration and autonomous administration.

Direct state administration is composed of all public bodies directly dependent on the government. They are integrated into the organic structure of ministries. Public education, excluding universities, the National Health Service (NHS), excluding public hospitals, public security forces and the armed forces are included in the direct state administration.

The indirect state administration is composed of public entities that have legal responsibility as well as administrative and financial autonomy. However, the heads of these entities are appointed by line ministers and have to take direction from ministers. Public institutes, public agencies, public universities, regulatory entities, public hospitals, including those managed by private entities, as well as public enterprises belong in this category.

Autonomous administration also has legal responsibility and administrative and financial autonomy, and is entitled to define its own objectives and public policies. The autonomous regions (Azores and Madeira islands), local administration (municipalities and parishes) and non-profit public associations, such as professional bodies, also belong in this category.

Until 2005 there was no reliable statistical information on employment in Portuguese public administration. Since then there has been significant progress in this regard, although shortcomings remain, including the lack of statistics related to gender equality. In any case, the lack of information is wider for autonomous administration and it is discontinuous. That is why this chapter centres on central public administration, which accounts for 80 per cent of total public employment and represents 13.4 per cent of all employees. Central public administration comprises direct and indirect state administration. The latter accounts for 36.5 per cent of employment in central public administration. 1

Central public administration employees are much more highly qualified than others. Regarding educational level, 55 per cent of public employees have academic degrees, as against only 17 per cent in the private sector. On the other hand, 64 per cent of private employees have an elementary educational level as against 23 per cent in central public administration. Such a difference is explained both by the high share of education and health care in public employment, together representing 66 per cent, and by higher feminization rates with regard to employees with a high educational level. In 2010, the percentage of women with academic degrees was 62 and 22 per cent in the public and private sectors, respectively, as against 40 and 13 per cent for men.
Section 2 provides a broad description of structural adjustment as a nationwide policy and its evolution since it was decided to pursue both structural reforms and growth on the basis of austerity. Sections 3 and 4 focus on specific measures concerning the public administration and their effects on employment in both quantitative and qualitative terms. Section 5 presents case studies on health care and education, whose feminization rates are particularly high and which have been especially affected by the deterioration of public employment. Finally, Section 6 presents conclusions.

2. STRUCTURAL ADJUSTMENT POLICIES IN PUBLIC ADMINISTRATION

2.1 Overall Characterization of Portuguese Structural Adjustment Policies

Structural adjustment policies aimed at reducing the structural deficit in public finance commenced in 2005 when the 2005–09 Stability and Growth Programme (SGP) was launched, following Portugal’s application to the EU to be placed under an excessive deficit procedure.

Since then we can distinguish two different periods with regard to policy strategy. During the first, from 2005 to 2009, policies to reduce the structural deficit were part of a more comprehensive policy also oriented towards economic growth and technological development. However, due to the 2008 international financial crisis, the goal of reducing the structural deficit was not achieved and structural adjustment programmes have been redirected within the framework of a decision-making process that can best be described as ‘playing it by ear’. Since 2010, adjustment policies have been focused on reducing the structural deficit. The situation was worsened more recently by the sovereign debt crisis that put Portugal at the mercy of rating agencies and speculators, pushing the country into adopting radical austerity policies.

2.1.1 First stability and growth programmes (2005–2009)

The first SGPs were characterized by a strong focus on developing information and communication technologies (ICTs), as well as strong investment in human capital improvement with the purpose of increasing productivity and national competitiveness.

This policy perspective was also applied to structural reform of public administration, inspired by New Public Management principles in order to increase efficiency by reducing bureaucracy and emulating systems in the private sector.
The development policy was intended to boost technological innovation, as well as growth and employment, particularly through the promotion of R&D and the creation of specific programmes geared to career upgrading.

Moreover, with regard to budgetary consolidation, direct and indirect taxes were increased in order to reduce the budget deficit. However, as the results of these measures were poor the 2005–09 SGP was supplemented by new measures, including the restructuring of the public education, health-care and justice services.

The effects of the US subprime crisis and the sustained rise in the price of oil spoiled the positive effects of the first SGP and some planned policy reforms were not implemented, such as the creation of shared public administration services aimed at centralizing procurement and logistics or the abolition of public bodies under the banner of resizing public administration. However, application of the ‘one-for-two’ rule when replacing public employees, mainly due to retirement, contributed to reducing public employment.

Table 11.1 presents the policy measures of the 2005 to 2009 Stability and Growth Programmes (SGPs) as well as their chronological sequence, both for development and budgetary consolidation.

2.1.2 Stability and growth programmes in 2010

The downturn in the economy in 2009 led to a new generation of SGPs in the course of 2010. These programmes are ‘new generation’ because they focus almost exclusively on austerity measures, unlike previous programmes which sought to balance stability and growth, even though GDP growth was –2.7 per cent in 2009 and unemployment rose to 9.5 per cent.

Given the severity of the announced austerity measures in the context of economic recession, trade unions, political parties, mass media and social non-governmental organizations (NGOs) became aware of the threat posed by the SGPs to Portugal’s social cohesion. The policy shift and increasing popular opposition to it, as well as the deterioration of the sovereign debt crisis explain the ineffectiveness of policy measures and thus the almost continuous review of the SGPs. Indeed, in the course of 2010 there were four sequential programmes. The last one was approved in December 2010 by the parliament as the 2011 budgetary law. Nevertheless, pursuant to the Troika Memorandum, a new SGP was presented to parliament in March 2011. When it was not approved the government resigned, triggering a general election.

The 2010 SGP focused on increasing taxes and cutting tax deductions and fiscal benefits on the government revenue side. Table 11.2 summarizes the measures applied. Measures specifically concerning public administration are presented in Section 3.
### Evolution of Stability and Growth Programmes, Portugal, 2005–2011

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved plan for restructuring public administration</td>
<td>Convergence of social protection in public administration with private sector regulations</td>
<td>Restructuring of school network by closing schools in rural areas and integrating primary schools in vertical clusters</td>
<td>Implementation of new public employment regime</td>
</tr>
<tr>
<td>Plan against fraud and tax evasion</td>
<td>Beginning of reform of public health-care subsystems</td>
<td>Closure of small hospitals and concentration of emergency departments in large urban centres</td>
<td>Reform of retirement pension system – by introducing a weighting coefficient related to life expectation increase</td>
</tr>
<tr>
<td>Studies to change public employment regime</td>
<td>Continuation of the action lines set out in June 2005</td>
<td>Privatization of public hospital management</td>
<td>Increase of NHS fees</td>
</tr>
<tr>
<td>‘One-for-two’ replacement rate of public employees</td>
<td>Public support for training in R&amp;D and ICT</td>
<td>Reduction of drug costs</td>
<td>Improvement of e-administration</td>
</tr>
<tr>
<td>Higher taxes on petroleum products and tobacco</td>
<td>Investment in human capital in public administration</td>
<td>Elimination of police and gendarmerie stations when acting in the same area</td>
<td></td>
</tr>
<tr>
<td>Annual incomes above €60,000 taxed at 42%</td>
<td>Implementation of the ‘new opportunities’ programme to improve employability of young people</td>
<td>Abolition of public bodies</td>
<td></td>
</tr>
<tr>
<td>Approved national plan for growth and employment</td>
<td>Distribution of computers in school network</td>
<td>Continuation of action lines set out in June 2005</td>
<td></td>
</tr>
<tr>
<td>Launch of the technology plan focused on information and knowledge development</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Stability and Growth Programmes, from June 2005 to January 2009; Programme for Restructuring Central Public Administration, PRACE, 2005.
### Table 11.2 Overview of major austerity measures and their impact, 2010
SGP, Portugal

<table>
<thead>
<tr>
<th>Policies</th>
<th>Measures</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax increase</td>
<td>Increase of 2.5% on profits over €2,000</td>
<td>Tax evasion and rising prices</td>
</tr>
<tr>
<td></td>
<td>Increase of 2% VAT (as average)</td>
<td>Decrease in net income of highly qualified employees</td>
</tr>
<tr>
<td></td>
<td>Individual incomes exceeding €150,000 per year taxed at 45%</td>
<td></td>
</tr>
<tr>
<td>Tax deduction and fiscal benefits</td>
<td>Cuts in tax deductions for retirement pensions above €22,500 per year</td>
<td>Impoverishment of middle-class families</td>
</tr>
<tr>
<td></td>
<td>End of tax deduction for life insurance and on personnel accidents</td>
<td>Insurance industry has less revenues and so pays less taxes</td>
</tr>
<tr>
<td></td>
<td>Reduction of tax benefits for the replacement of polluting cars</td>
<td>Failure to comply with EU guidelines on pollution</td>
</tr>
<tr>
<td>Reduction of social spending</td>
<td>Freeze of social support index at €419.22</td>
<td>Impoverishment of the poorest</td>
</tr>
<tr>
<td></td>
<td>Cuts in child benefits</td>
<td>Degradation of wages</td>
</tr>
<tr>
<td></td>
<td>Cuts in unemployment benefits for those who reject paid employment</td>
<td>Degradation of pensions</td>
</tr>
<tr>
<td></td>
<td>between 10 and 25% above the allowance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cuts in retirement pensions by applying a new method of calculation</td>
<td>Impoverishment of the elderly</td>
</tr>
<tr>
<td>Autonomous regions development</td>
<td>Cuts in financial transfers from central government to the regions by</td>
<td>Impoverishment of autonomous regions</td>
</tr>
<tr>
<td></td>
<td>€2.5 million</td>
<td>Risk of failure of investment plans and EU programmes</td>
</tr>
<tr>
<td>Development of municipalities</td>
<td>Cuts in financial transfers to municipalities by €100 million</td>
<td>Impoverishment of municipalities</td>
</tr>
<tr>
<td></td>
<td>Imposition of the zero borrowing rule</td>
<td>Risk of failure of investment plans and EU programmes, leading to rising unemployment, especially in the hinterland</td>
</tr>
</tbody>
</table>
2.1.3 Structural adjustment in accordance with the Troika Memorandum

After the June 2011 elections a centre–right coalition took office. This government continued to follow policies determined by the Troika Memorandum (Agreement on austerity measures and structural reforms) since the coalition parties had already signed the commitment in May 2011 during the election campaign.

Accordingly, the 2012 state budget law is focused on austerity measures aimed at reducing the public deficit and subordinating structural reforms to that objective. On the economic growth side the government intends to increase productivity by increasing workloads without additional pay and replacing overtime payments by working-time accounts. This measure will therefore eventually result in merely arithmetical productivity growth.

The Troika Memorandum contains 208 measures and various submeasures covering: budgetary policy, the regulation and supervision of the financial industry, structural fiscal measures, the labour market, energy, transport and communications, the housing market and the judicial system. All measures must be implemented by June 2014.

3. EFFECTS OF POLICY MEASURES TARGETED AT PUBLIC ADMINISTRATION

Austerity measures applied to the public administration concern employment, in both quantitative and qualitative terms. The first generation of
structural adjustment programmes were aimed at changing the public employment regime to emulate the private employment regime and reducing the volume of public employment. However, since 2010, adjustment measures have been aimed at cutting public expenditure not only by reducing employment but above all by cutting wages, overtime and other compensation and social benefits, including pensions. This might damage public administration performance and the working conditions of public employees.

3.1 Downsizing Public Employment: From Structural Reforms to Unemployment

One of the major structural reforms in public administration concerns the public employment regime, which started in 2006 with the introduction of the possibility of dismissing public employees engaged after that date and the setting up of a special mobility scheme. The most important change occurred in 2008 when about 80 per cent of public employees with permanent jobs were transferred to public functions with open-ended contracts. According to the law these public employees continued to be protected from dismissal, but could be put into ‘special mobility’, which involves cuts in basic pay. The apparent contradiction between this and the dismissal regime regarding public employees engaged after 2006 was clarified in 2009, when it was specified that the latter would be subject to the rules of private sector unemployment, even on open-ended contracts. Moreover, since 2008 it has been possible to dismiss a public employee on the grounds of unsuitability for the job.

Downsizing follows structural reform through the abolition and merger of public bodies, although to date downsizing by means of special mobility measures or by dismissal has not been much used. Only 1,211 public employees had been put in special mobility by June 2011, 51 per cent of them women. However, according to statistics provided by the Institute of Employment and Vocational Training (IEFP) public sector unemployment began to increase from 2009 on.

The evolution of unemployment by public sector occupational category from 2009 to 2011 is shown in Table 11.3. It should be noted that for health care and education, unemployment data concern both the public and private sectors. However, considering that in Portugal most health-care and education services are provided by the public sector we can assume that Table 11.3 is representative with regard to the unemployment development of public employees in these sectors, especially as most private education and health-care institutions are funded by the public sector in various ways.
Table 11.3 shows that over the past two years unemployment in public sector occupations has grown at a rate of 21 per cent, much higher than the growth rate of total unemployment, although unemployment in public sector occupations represented only 2 per cent of total unemployment in June 2011 (IEFP). However, if social protection activities\textsuperscript{10} are considered, then public sector unemployment reaches 35,145 in June 2011, in other words, 7 per cent of total unemployment.

Despite the increasing public unemployment, the adjustment measures that have contributed most to reducing total public employment were carried out by freezing recruitment, applying the one-for-two rule and pushing public employees into early retirement. Some of these measures were applied at the same time.

In fact, the freeze on recruitment was imposed long before the SGPs namely since 1984,\textsuperscript{11} but at that time military and police personnel, as well as university lecturers, teachers and other educational employees were not included in the freeze. The one-for-two rule means that for every two employees who leave the public administration only one new one can be recruited. However, as public services complained that they were suffering shortages in highly qualified staff the Council of Ministers passed a resolution\textsuperscript{12} to allow the replacement of outgoing staff in justified cases but subject to the Ministry of Finance and Public Administration’s agreement. In fact, in line with the Troika requirements, the hiring freeze is now being applied to every job category in central public administration.

Retirement among public employees has increased sharply since 2005,
especially at the highest income levels (Table 11.4). The average age of these retirees is below 60. Thus it is highly likely that early retirement is significant. Although no statistical data are available, there are reports that support our hypothesis. For example, the media\textsuperscript{13} recently reported that in 2011 early retirement in public administration increased by 13 per cent. This is due to changes in retirement conditions and pensions, leading to a gradual increase in the retirement age and reducing the monetary value of pensions.

Table 11.4 also shows that the highest growth rates regarding public employees’ retirement occurred at the higher remuneration levels, which correspond to the most highly qualified staff. This was particularly noticeable in the health sector and forced the Ministry of Health to hire foreign doctors,\textsuperscript{14} most of them from Latin America and Spain. With regard to Latin America, intergovernmental agreements allow reductions in doctors’ remuneration; in any case, these doctors are not considered public employees.

Briefly, the one-for-two rule and the increase in early retirement among public employees is the major cause of the downsizing of the public administration, which was particularly high in health care during 2005–11 (Table 11.5). However, the data provided by the Public Employment Observatory probably do not take into account the unemployment of health care and education professionals with short-term contracts, whose situation is explained in the case studies.

3.2 Cutting Wages and Other Payments

In addition to wages, public employees receive payments related to their overall income. At this point we shall analyse the most common payments: overtime, travel allowances, meal allowances and family allowances. Table 11.6 presents an overview of cuts in wages and other payments, enabling us to draw the following conclusions. Although the cuts affecting lower-paid public employees can be considered tough due to their...
Portugal

Table 11.5 Rates of employment growth in the central public administration, by sector, Portugal, 2005–2011

<table>
<thead>
<tr>
<th>Period</th>
<th>Education (%)</th>
<th>Health (%)</th>
<th>Other sectors (%)</th>
<th>All sectors (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/07</td>
<td>-2.0</td>
<td>-11.2</td>
<td>-9.2</td>
<td>-6.5</td>
</tr>
<tr>
<td>2007/08</td>
<td>1.0</td>
<td>-3.5</td>
<td>-2.6</td>
<td>-1.2</td>
</tr>
<tr>
<td>2008/09</td>
<td>2.1</td>
<td>-2.8</td>
<td>-1.3</td>
<td>0.0</td>
</tr>
<tr>
<td>2009/10</td>
<td>-1.9</td>
<td>-4.2</td>
<td>-1.0</td>
<td>-2.0</td>
</tr>
<tr>
<td>2010/11a</td>
<td>-0.2</td>
<td>-2.2</td>
<td>-1.0</td>
<td>-0.9</td>
</tr>
<tr>
<td>2005/11b</td>
<td>-1.2</td>
<td>-21.9</td>
<td>-14.4</td>
<td>-10.3</td>
</tr>
</tbody>
</table>

Notes:
- 30 June 2011.
- All central public administration, excluding education and health.
- All central public administration.

Source: BOEP – Public Employment Observatory.

low wage level, wage inequality was reduced by 4 per cent because of the falling purchasing power of public employees at the middle and upper-middle levels. It can therefore be concluded that the adjustment reforms are leading to a widespread impoverishment of public employees, which necessarily has depressive effects on the economy.

3.2.1 Wage downsizing in public administration

Portugal’s adjustment policy with regard to public employees’ wages, which began long before the implementation of the SGPs, has been geared towards lowering real wages based on the argument that public wages are higher than private ones. The same argument is used to justify the current structural adjustment policies, although there is no evidence to prove this. Indeed, there are no statistics on average public wages nor is there a comparative study of public wages in relation to private ones by occupational category. Some evidence was collected by the General Directorate of Public Administration when it commissioned a study from Deloitte in 2006, but the study results were never disclosed. In order to assess lost public employee purchasing power in comparison to employees in the private sector it is necessary to look at wage policy in the public administration before 2005. Moreover, the assessment of such policy highlights the negative effects of cutting other payments.

In Portugal, the minimum wage was first established in 1974 (Table 11.7). Since then there have been two minimum wages, one for public administration and the other for the private sector, which is considered the national minimum wage. At present (mid-2012), the minimum
wage is €485 while the minimum wage for public administration is €343.28, both at current prices.

Public employees’ wage rises are determined each year by the budget law; they are not determined by collective bargaining, as in the private sector. The wages of the various grades of public employees have been referenced since 1989 against a scale on which 100 corresponds to the minimum wage in public administration. This means that the evolution

Table 11.6  Overview of wage adjustments and cuts in other payments, Portugal, 2010–2012

<table>
<thead>
<tr>
<th>Very low paid – up to €485</th>
<th>Low paid – €485 to €1,000</th>
<th>Middle level – €1,000 to €1,500</th>
<th>Upper levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage freeze and cut in Christmas bonus (decrease of real wage of 7.5%)</td>
<td>Wage freeze, cut in Christmas and holiday bonuses (decrease of real wage by 10.6%, on average)</td>
<td>Wage freeze, cut in Christmas and holiday bonuses (decrease of real wage by 12.6 to 24.6%)</td>
<td>Top managers – cut in nominal wage, cut in Christmas and holiday bonuses (decrease of real wage of 31.6%)</td>
</tr>
<tr>
<td>Freeze in meal allowance, subsidies for risky and dangerous activities</td>
<td>Freeze in meal allowance, subsidies for risky and dangerous activities</td>
<td>Freeze in meal allowance, subsidies for risky and dangerous activities</td>
<td>Other public employees – real wage cut by 28.6%</td>
</tr>
<tr>
<td>Lower payments for overtime and lower pension entitlements</td>
<td>Lower payments for overtime and lower pension entitlements</td>
<td>Lower payments for overtime and lower pension entitlements</td>
<td>Lower payments for overtime and lower pension entitlements</td>
</tr>
<tr>
<td>Cuts in family allowances</td>
<td>Cuts in family allowances, abolition of allowances for wages above €628</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Decrease of per diem and travel allowances from 15 to 20%</td>
<td>Decrease of per diem and travel allowances by 20%</td>
</tr>
</tbody>
</table>

of wages for all public employees is determined by the minimum wage for public administration.

This system has resulted in the deterioration of public employees’ real wages in relation to the private sector (Table 11.8) due to the continuous degradation of the public administration’s minimum wage. According to

*Table 11.7  Wage gap, Portugal, 1974–2007 (€ at 1990 constant prices)*

<table>
<thead>
<tr>
<th>Year</th>
<th>National minimum wage</th>
<th>Public administration minimum wage*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>181.47</td>
<td>181.92</td>
</tr>
<tr>
<td>1989</td>
<td>173.71</td>
<td>195.18</td>
</tr>
<tr>
<td>2000</td>
<td>198.22</td>
<td>181.39</td>
</tr>
<tr>
<td>2005</td>
<td>198.82</td>
<td>168.29</td>
</tr>
<tr>
<td>2006</td>
<td>199.57</td>
<td>166.49</td>
</tr>
<tr>
<td>2007</td>
<td>202.99</td>
<td>164.58</td>
</tr>
</tbody>
</table>

*Note:  * General employment regime for public administration.


*Table 11.8  Growth rate of wages in the public administration and in the private sector compared to the CPI, Portugal, 2000–2009*

<table>
<thead>
<tr>
<th>Year</th>
<th>Public administration wages</th>
<th>Private sector wages</th>
<th>CPI (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal (%)</td>
<td>Real (%)</td>
<td>Nominal (%)</td>
</tr>
<tr>
<td>2000</td>
<td>2.5</td>
<td>–0.4</td>
<td>5.1</td>
</tr>
<tr>
<td>2001</td>
<td>3.7</td>
<td>–0.7</td>
<td>3.7</td>
</tr>
<tr>
<td>2002</td>
<td>2.8</td>
<td>–0.8</td>
<td>2.7</td>
</tr>
<tr>
<td>2003a</td>
<td>1.5</td>
<td>–1.8</td>
<td>3.1</td>
</tr>
<tr>
<td>2004b</td>
<td>2.0</td>
<td>–0.4</td>
<td>3.0</td>
</tr>
<tr>
<td>2005</td>
<td>2.2</td>
<td>–0.1</td>
<td>4.5</td>
</tr>
<tr>
<td>2006</td>
<td>1.5</td>
<td>–1.6</td>
<td>3.1</td>
</tr>
<tr>
<td>2007</td>
<td>1.5</td>
<td>–1.0</td>
<td>3.9</td>
</tr>
<tr>
<td>2008</td>
<td>2.1</td>
<td>–0.5</td>
<td>3.3</td>
</tr>
<tr>
<td>2009</td>
<td>2.9</td>
<td>+3.7</td>
<td>3.3</td>
</tr>
<tr>
<td>2000–09</td>
<td>22.7</td>
<td>–3.6</td>
<td>35.7</td>
</tr>
</tbody>
</table>

*Notes:*

a. Wages above €1,008.7 saw no increase.
b. Wages above €1,024.09 saw no increase.

Public sector shock

Table 11.7, from 1989 to 2007, the minimum wage in public administration lost 15.7 per cent of its purchasing power, while national minimum wage gained 16.9 per cent in purchasing power. Thus the loss of purchasing power of the minimum wage in public administration with regard to the national minimum wage was 30 per cent. Concerning public administration maximum wages the loss of purchasing power was 7.5 per cent and thus the public administration wage gap increased by 8.2 per cent.

On average, during 2000–09, public administration wages lost 3.6 per cent of their purchasing power, but compared to the average private sector wage the loss was 13 per cent (Table 11.8). Moreover, senior officials and upper wage categories lost more than 3.6 per cent because their wages were frozen in 2003 and 2004. More precisely, senior officials and upper categories experienced a cumulative loss of purchasing power of 5.1 and 7.1 per cent, respectively.

Later, in 2010, public administration wages were frozen which corresponded to a real wage decrease of 2.5 per cent as the consumer price index (CPI) rose to 2.5 per cent. Moreover, the gross fixed monthly pay of top public managers was cut by 5 per cent. The state budget for 2011 went further regarding public administration wage cuts, imposing a decrease of between 3.5 and 10 per cent of public employees’ wages above €1,500. Table 11.9 shows the scale of the pay cuts. The aim was to achieve a reduction of state expenditure on public employees’ wages of 5 per cent and according to the Directorate for Public Administration, 54 per cent of central public administration employees were affected by the cut.

On 7 September 2011, the parliament approved Law 49/2011 establishing an extraordinary tax of 3.5 per cent on the annual gross income of all individuals earning above the minimum wage (€485). In the case of private employees and pensioners the extraordinary tax was paid in full in December 2011. Briefly, all employees and retirees subject to additional tax of 3.5 per cent lost 7.1 per cent of their real income as in 2011 the CPI rose by 3.6 per cent.

Table 11.9  Scale of state budget pay cut for public employees by remuneration levels, Portugal, 2011

<table>
<thead>
<tr>
<th>Remuneration levels</th>
<th>Pay cut</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to €1,500</td>
<td>Wage freeze</td>
</tr>
<tr>
<td>Above €1,500 and up to €2,000</td>
<td>3.5%</td>
</tr>
<tr>
<td>Above €2,000 and up to €4,200</td>
<td>From 3.8% to 9.98%</td>
</tr>
<tr>
<td>Above €4,200</td>
<td>10%</td>
</tr>
</tbody>
</table>

Table 11.10 shows the loss of purchasing power suffered by public employees in 2010–11 by monthly income groups, taking into account (Table 11.9), the extraordinary tax of 3.5 per cent and consumer prices. Recently, the 2012 Portuguese budget law laid down further cuts in public employees’ wages as follows: suspension of thirteenth- and fourteenth-month payments, which correspond to holiday and Christmas bonuses, of all public employees whose monthly wage is above €1,100; for public employees with monthly wages between €600 and €1,100 the suspension of these bonuses is partial, increasing progressively to a maximum of a 50 per cent pay cut according to a specific mathematical formula. In short, the best-qualified public employees will have a nominal wage cut of 14 per cent, but the real wage cut will be above 16 per cent.

3.2.2 Reduction of overtime pay and compensatory rest

The 2012 budget law also introduced cuts in paid overtime for public employees. For the first hour of overtime additional pay remains 25 per cent, but for the subsequent hours this payment falls from 50 to 37.5 per cent. Moreover, there is no longer a distinction between day and night overtime, as under the previous law. As a consequence, the additional payment for the first hour of overtime at night falls from 60 to 25 per cent and the additional payment for subsequent night hours falls from 90 to 37.5 per cent. Regarding overtime on holidays or weekly rest days the additional pay falls from 100 to 50 per cent.

These changes are particularly damaging for health-care workers and security employees, especially because they are forced to do overtime due to the labour shortages caused by recruitment freezes in these sectors. For instance, the doctors’ and nurses’ associations are currently demanding the recruitment of new graduates. About 50 per cent of health-care workers are affected by the new rules on overtime, leading to a loss of monthly income. Doctors’ unions are also very concerned about cuts in compensatory rest due to emergency work and they have brought an injunction before the Administrative Court. After the threat of an overtime ban by doctors’ unions in February 2012, the Ministry of Health appeared to

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Purchasing Power Loss</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to €485</td>
<td>7.1%</td>
<td>Author’s calculation based on laws mentioned above and INE data.</td>
</tr>
<tr>
<td>From €485 to €1,500</td>
<td>10.6%</td>
<td></td>
</tr>
<tr>
<td>Above €1,500</td>
<td>From 13.6 to 20.6%</td>
<td></td>
</tr>
<tr>
<td>Top managers</td>
<td>25.6%</td>
<td></td>
</tr>
</tbody>
</table>
back off, but the situation remains uncertain. As for the nurses’ union one of the main slogans of the 22 March general strike was ‘unpaid labour is slave labour’.

This is also the understanding of police officers’ unions regarding compulsory work on compensatory rest days. They have therefore complained to the European Court of Human Rights. In the metropolitan area of Lisbon some police officers have rejected the rota assigned to them, arguing that it prevented them from enjoying a family life (a right under European law) since most of them come from regions far away from Lisbon.

3.2.3 Cuts in compensatory supplements
In addition to the basic wage and overtime pay some public employees are eligible for compensatory supplements, including housing allowances, subsidies for risk, unhealthy and dangerous activities, and per diem and travel allowances. Every public employee enjoys a meal allowance.

All these allowances were frozen in August 2005–December 2007, but they were upgraded by an increase similar to the basic wage increase in 2008 and 2009. However, they have now all been frozen again except per diem and travel allowances, which were reduced by 20 per cent for public employees whose basic wage is above €1,336 and by 15 per cent for other public employees.

3.2.4 Cuts in family allowances
Under Portuguese law, family allowances are monthly payments to help families to feed and educate their children (including prenatal allowance). Family allowances are structured in five levels in relation to average family monthly income per capita. The first level corresponds to income under half the Social Support Index (SSI), that is, €209.61, while the fifth is between two-and-a-half SSI and five times SSI, that is, between €1,048 and €2,096. Allowances decrease in accordance with family income and are higher for children under one year old. Prenatal allowances are similar to family allowances for children under one.

In 2008, the first two family income levels (up to €419.22) benefited from an extraordinary increase in allowances of 25 per cent. This increase was justified because of the impact of the crisis on the poorest. The highest family allowance therefore reached €174.72 a month and covered children under one year old and pregnant women whose average monthly family income was less than €209.61.

However, under the austerity measures of the 2010–13 SGP that was approved in September 2010, the extraordinary increase of 25 per cent at the first two levels of family allowance was cancelled and families with an average monthly income above €628 are no longer entitled to it.
Policy measures on family allowances were applied to the overall population resident in Portugal, both nationals and foreigners, and therefore they were not specific to public employees. Moreover, statistics about public employees receiving family allowances are not available. However, by studying the specific case of the Instituto Nacional de Administração (INA) it is possible to assess the percentage of central public administration employees affected by family allowances cuts.

INA\(^{23}\) was a public institute integrated within the structure of the Ministry of Finance and was devoted to developing human capital in the central public administration. INA staff included 118 employees and 11 managers. Most INA employees were integrated into the general career structure of the public administration, although some employees were on ICT and research career paths. Before cuts in family allowances imposed by the 2010 laws, 25 per cent of INA’s employees received family allowances. At present (mid-2012), the figure is 7 per cent, a decrease of 18 percentage points. INA’s employees who continue to receive family allowance are at levels 2 and 3, which correspond to a monthly average family income of less than €628.

### 3.3 Curtailing Social Protection and Creating Inequalities in Public Employment

Adjustment reforms to social protection are aimed at bringing the public administration closer to the general system applied in the private sector. The reforms cover old-age pension entitlements, dismissal conditions and health protection. The adjustment process was initiated in 2006\(^{24}\) by applying the general private system to newly recruited public employees and convergence rules to public employees recruited before 2006. Consequently, public employees were split into two groups with regard to social protection.

For employees engaged in public administration after 2006 the general conditions are 65 years old and 40 years of contributions, while for public employees engaged before 2006 the criteria are 60 years old and 36 years of contributions. However, the application of convergence rules means that the two systems will be subject to the same criteria by 2013.

The calculation of retirement pensions was also changed,\(^{25}\) in accordance with two different methods: one for public employees engaged after 2006 and another for those engaged before 2006. In brief, for the former the private pensions method is applied which is less favourable to retirees than the public administration method and for the latter, pensions are based on the average of two items, (i) years worked before 2006, which corresponds to 90 per cent of the reference wage and (ii) years worked...
after 2006, using the same valuation method as the private sector. More problematic for both groups is the sustainability coefficient linked to the increase in life expectancy, which is aimed at reducing the value of pensions. In 2008, the sustainability coefficient was 0.56 per cent but now (2012) it is 3.92 per cent, which means a cut in pensions in the same proportion. This is a very important issue because it has contributed to the increase in early retirement and, subsequently, to the downsizing of public employment.

Concerning conditions and rights in case of dismissal there are three different groups. Public employees engaged after 2006 can be dismissed because of job mismatch, disciplinary reasons or job extinction, as well as because of the expiry of fixed- or variable-term contracts. In contrast, civil servants under the tenure regime cannot be dismissed, only suspended for disciplinary reasons and public employees engaged before 2006 and with an open-ended labour contract can be put in special mobility if they are considered unproductive or surplus to requirements. This diversity has been established by a number of different laws.

The special mobility regime has three phases. The first phase lasts 60 days and is considered a transitional phase from one job to another. During this phase, public employees continue to receive their basic wage. The second phase lasts for more 10 months and is called the requalification phase because it is assumed that public employees will receive appropriate training. By 2012 during the qualification phase public employees should receive five-sixths of their basic wage, but that has now been reduced to two-thirds. That decrease corresponds to a wage cut of 14 percentage points: that is, from 80 to 66 per cent of the basic wage. The compensation phase is the third and final phase which is not subject to limits until the retirement of the beneficiary, who until 2012 received two-thirds of his or her basic wage. Under the 2012 budget law this has been reduced to one-half, corresponding to a 16 percentage point reduction, from 66 to 50 per cent.

Public employees who can be dismissed are subject to general unemployment rules, which follow the Troika Memorandum approved in 2011 by the government: unemployment benefits last 18 months and amount to 65 per cent of the monthly average wage for the last 12 months with a 10 per cent cut after the six first months. Besides that, unemployment benefits cannot exceed €1,047.5, corresponding to 2.5 times the SSI.

Another difference between public employees in the convergent system and in the general social protection regime concerns health: the first group benefits from its own health system (ADSE), while the other is covered only by the NHS. However, public employees in the convergent system have to pay 1.5 per cent of their basic wages into ADSE and 11 per cent
into their pension fund, while public employees in the general system have
to pay only 11 per cent of their basic wages for social protection.

3.4 Hindering Promotion and Pay-level Progression

Promotion involves moving up from one occupational category to a
higher one in terms of technical or functional responsibilities and therefore
better paid, while pay progression involves moving up to a higher pay level
within the same category.

The system of promotions and pay progression was also changed by the
2008 structural reform of the public employment regime. Under the old
regime progression was granted to civil servants with a good performance
assessment, every three years, while promotion was subject to public appli-
cation for a vacant post. This system was conducive to career progression
but few promotions and so the government decided to freeze progression
in 2005.

Under the new system, general conditions for promotion by public
tender have not changed. However, a new promotion system was created
based on performance assessment, subject to strict criteria and quotas:
only public employees performing well over five years can move up to a
higher pay level. This period falls to three years for employees performing
very well but the assignment of such evaluations cannot exceed a quota of
25 per cent. In both cases the period of progression can be reduced at the
will of the top management, provided there are funds available, but at best
progression never occurs in less than two years.

Moreover, it should be noted that progression to an upper salary grade
corresponds to a monthly increase of €51.5 for public employees, except
for senior categories whose monthly compensation increase can reach
€260.

In order to assess the impact of these changes a study was undertaken on 2008 and 2009 data for four ministries representing about 25 per cent
of public employment in the central public administration. According to
the study only 7.3 and 9 per cent of public employees, respectively, moved
up to a higher wage level in 2008 and 2009. Nevertheless, considering that
such a move is rewarded by a monthly wage increase of at least €51.5
and extrapolating the former percentages to all employees of the central
public administration, the increase in payroll for a period of 14 months
accounted for about 8 per cent of spending on central public administra-

The 2011 budget law prohibited any wage increase on the basis of
either performance assessment or public tender. Consequently, career pro-
gressions were frozen, although it was expected that performance points
would be accumulated, to come into effect once the government’s financial difficulties were resolved. The budget law for 2012 maintained the ban on career progression.

4. QUALITY OF PUBLIC EMPLOYMENT IN PUBLIC ADMINISTRATION

With regard to quality of employment, the major factors to be considered are job security, upward mobility and career development, progression in pay levels by professional merit, social security, working hours that allow for harmonization of work and family life and confidence that labour rights will be respected.

All these factors taken together embody an ‘implicit’ labour contract based on expectations about career development and confidence in the enjoyment of labour rights that were assured at recruitment time. The curtailment of public employees’ rights, which is being gradually and unilaterally undertaken by legislators and policymakers, generates feelings of unfairness, perplexity and fear, disturbing psychological equilibrium.

4.1 End of Job Security

The common conception of job security in public administration is a job for life. That was the situation in Portuguese public administration until 2008, when 76.8 per cent of public employees enjoyed civil servant status with permanent appointments. However, job security has since been seriously damaged by structural reforms in public employment.

First, about 80 per cent of civil servants with permanent appointments were transferred to public functions with an open-ended contract. These public employees can be put in special mobility, which implies wage cuts, as explained in Subsection 3.2.5. Moreover, any public employee engaged before 2006 can be dismissed. The second big change concerns the stability of employment in public bodies. Until 2008 the composition of such personnel was permanent in terms of both numbers and careers. Since then, however, staff have to be updated every year according to needs and budgetary resources. Subsequently, there has been an increase in fixed-term contracts by 195 per cent.

Reforms of the public employment regime also include the establishment of new rules for labour contracts. Of particular importance is the possibility to suspend a labour contract due to the illness of an employee, as well as dismissal on the grounds of job unsuitability for public employees engaged after 2006. Briefly, at present there are three groups of public
employees with regard to job security: those who retain the status of civil servants and so enjoy permanent appointment (15.1 per cent); those who have public function employment contracts covered by the system of special mobility, which at worst leads to a 50 per cent cut in basic pay (64.7 per cent); and those who joined the public administration after January 2006 and can be dismissed.

Figures 11.1 and 11.2 show the effects of the reform on the composition of public employees’ status in labour contract terms.

4.2 Freezing Career Development and Improving Outsourcing of Training

In Portugal’s public administration, career development has two interrelated components, training and promotion to higher categories.

Training for public administration employees is governed by law and considered as both a duty and a right aiming to ‘qualify, dignify, motivate and professionalize the human resources of the public administration by applying a coherent and appropriate policy on careers, salaries and training’. Training for public employees used to be free of charge and supported by the state budget. In 2009, the general government budget paid 67 per cent of total training costs, while public

Source: PORDATA – Database of Portugal Contemporâneo, Fundação Francisco Manuel dos Santos.

Figure 11.1 Central public employment by type of contract, Portugal, 2008
entities’ own revenues covered 14.5 per cent and European funds only 7.8 per cent.

In order to meet public training objectives two central public bodies have been specifically created. One was INA: Instituto Nacional de Administração (National Institute for Administration) designed in 1979 for central public administration, which was developing activities in training but also research, consultancy and international cooperation. These activities were its main source of revenue and customers were mainly other public bodies. However, government budgetary restrictions brought about a serious decrease in attendance at INA training courses, as well as in consultancy projects, which led to INA’s financial asphyxiation. Consequently, as already mentioned, INA was abolished, resulting in a directorate more suited to the management of public employees’ mobility, which is expected to increase sharply due to the policy of downsizing public employment.

Figure 11.3 shows the evolution of INA training volumes since 1998, which was the year when vocational training for the public administration was regulated. Higher growth rates correspond to the years when
important structural reforms were implemented, concerning performance assessment, change of professional and career status of public employees and professionalization of public managers. The austerity years strongly decreased the volume of training provided by INA.

Recently, the finance minister announced the creation of the Alliance for the Promotion of Excellence in Public Administration in partnership with institutes and universities providing business courses. Under the agreement, there will be 650 vacancies for the academic year 2012–13 for public employees, who will enjoy an 80 per cent discount on tuition fees. This measure therefore ends the principle of free public training and there are concerns about its effectiveness when promotions by merit are frozen.

4.3 Less Social Security

This topic has already been well developed in the section on the main policy measures concerning public administration. At this point we shall emphasize the most relevant issues.

Social security for public employees is one area that has experienced particularly profound changes since 2005 due to the policy of convergence.
of specific social protection for public employees with the general social security system. One consequence of this policy is that now there are two groups of public employees: those who are already in the general regime and those who are in the convergent regime.

The first group, which includes all employees joining the public administration after 2006 or with fixed-term contracts, is subject to the unemployment rules of the private sector. Accordingly these public employees are entitled to unemployment benefits only if they have paid social security contributions for at least 360 days in the previous 24 months. This condition is particularly unfair to public employees with temporary or fixed-term contracts, which do not ensure the fulfilment of those rules. In such cases, public unemployed workers can only apply for a kind of unemployment benefit which may be lower than the social minimum of €419.22, while unemployment benefits can reach €1,048.

The period during which unemployed workers are entitled to receive unemployment or social security benefits depends on age and years of contribution.

Social protection of public employees under the convergence regime was described in Subsection 3.3. Accordingly, it is important to emphasize the situation of public employees pushed into the regime of special mobility who can be moved to jobs far from home or receive only 50 per cent of their basic pay after 12 months in mobility.

The health protection system has also been changed. Public employees engaged after 2006 are covered by the Portuguese NHS but they no longer enjoy the public employees’ health system (ADSE) which offers more benefits than the NHS, particularly in terms of reimbursement of health expenses as well as freedom of choice with regard to medical care. However, monthly contributions to the system have increased by 0.5 per cent, while the scope and reimbursement of health expenses have been reduced.

4.4 Hampering Harmonization of Work and Family Life

Working hours constitute a major driver of the harmonization of work and family life. The situation of public administration with regard to working hours continues to be ‘privileged’ compared to the private sector, where workload can reach 60 hours per week, although not exceeding an average limit of 50 hours for a continuous period of two months. In contrast, working hours in the public administration continue to be regulated by specific legislation that maintains a workload of 35 hours per week and 7 hours a day and does not allow work to begin before 8am and to end after 8pm. Moreover, this legislation only allows two hours of overtime per day and a total of 100 hours per year.
Nevertheless, in certain areas of the Portuguese public administration there is a trend towards increasing workload without compensation as a result of the freeze in recruitment and dismissal of employees under fixed-term contracts or service contracts. This applies to teachers, health-care personnel and public security forces.

In the case of teachers the problem stems from the fact that there was a reduction of working time for lesson preparation and administrative tasks in order to increase the number of teaching hours.

For health-care personnel, the issue is the limits imposed on compensatory rest due to overtime. Moreover, some doctors and nurses may not be able to take compensatory rest due to staff shortages. This situation is particularly acute during summer holidays.

With regard to the security forces, changes in working hours prevent them from having consecutive days of compensatory rest, which is particularly harmful to personnel who are on duty away from their families.

5. CASE STUDIES ON HEALTH CARE AND EDUCATION

5.1 Case Study 1: Adjustments in the National Health Service – Wide Range of Adverse Effects

Today, health is a major concern among the population who are worried about the future of the NHS. The NHS was set up after the revolution of 25 April 1974 along the lines of the English NHS, and has performed very well. Infant mortality fell from 55.5 per thousand births in 1975 to 3.3 in 2011 and subsequently, life expectation rose from 67 to 79 years. Such an impressive performance was due to high investment in maternal and child health, as well as the establishment of health centres all over the country to ensure health-care accessibility to the hinterland population.

Of course, health-care improvement is also due to the extension of sanitation throughout the country, in which democratically elected local governments have played a leading role.

During the same period, however, the fertility rate decreased by 50 per cent and now stands at 1.36 births per woman of childbearing age. There has therefore been a strong increase in the aged population and demographic desertification, especially in rural areas. Nevertheless, health costs per capita and per year are low, below €1,900 according to the OECD, representing 11.3 per cent of GDP, the same percentage as in Switzerland.

Structural reforms in the health system began in 2008 with the purpose of streamlining costs by concentrating resources. Dozens of health facilities
have been closed, including some maternity hospitals. The World Health Organization (WHO) criteria were used to justify the reforms, and accessibility to health care was ensured by free transport. Since 2011 the structural reform has been deepened by continued closure of health facilities, ending free transport for non-urgent patients whose minimum monthly income is above €628.5 and increasing health-care fees. The last two measures have been strongly contested by patient groups, leading the Ministry of Health to consider extending free transport to certain types of patients, such as for cancer and renal impairment, and to enlarge the list of diseases free of health charges.

At the same time, the closure of health facilities has led to the clogging up of emergency units and increased waiting lists by 10 per cent, especially in surgery, cardiology and imaging tests, which represents a setback in relation to 2008 performance levels.

5.1.1 Working conditions
Deteriorating conditions of access to health care can lead to increased violence against health professionals, which saw an average growth of 65 per cent between 2007 and 2010. According to the Ministry of Health, nurses are the main victims of such violence (71 per cent), followed by doctors (20 per cent).

Like other public service employees, health professionals are also subject to a freeze on recruitment and promotions, and have also suffered pay cuts. In turn, a recruitment freeze in the face of rising demand for increasingly concentrated medical care has led to an increase in short-term contracts and widespread overtime, particularly in hospitals. Overtime pay thus makes up a significant proportion of spending on NHS employees (16 per cent in January 2012), leading the government to decide to reduce overtime pay as well as compensatory rest by applying rules laid down in the 2012 budget law.

This matter has given rise to strong protests from doctors and nurses, especially since there is often a delay in overtime payments. In the face of these protests the minister of health has prevaricated, sometimes calling into question cuts in overtime pay, sometimes emphasizing the need for it. Meanwhile, as health services are subject to budget cuts, the payment of overtime has been delayed or reduced. Consequently, some health professionals refuse to work overtime, forcing some health facilities to reduce patient care.

Dialogue between doctors and the Ministry of Health became difficult. At a press conference the Association of Physicians denounced the fact that the Ministry of Health intends to impose the criterion of the lowest price for hiring and asserted that achieving such a purpose would
lead to the destruction of physicians’ careers and collective bargaining, which would impair quality care for patients. At this press conference the Association of Physicians announced its support for the strike announced by doctors’ unions, which took place on 11 and 12 July 2012. On 15 October 2012, a general agreement was signed by the Ministry of Health and doctor’s unions, concerning overtime pay, working time, career progression and recruitment of young doctors.

5.1.2 Unemployment and Emigration of Health Professionals
The NHS overtime issue is mainly due to a lack of health-care professionals. In response the government has stepped up the immigration of doctors and nurses in recent years. Thus, between 2000 and 2002 the number of immigrant nurses rose from 666 to 1,966 and, in 2009, according to the Chairman of the College of Physicians, 11 per cent of registered physicians were immigrants. With regard to nurses, in 2010 the Health Ministry estimated that there was a shortage of 3,500 nurses in 50 hospitals, which is particularly evident in primary and continued health care.

Nevertheless, nurses’ unemployment is spreading. This is essentially female unemployment as 81 per cent of Portuguese nurses are women. At present, nurses’ unemployment rate is 20 per cent, 50 per cent among newly qualified nurses, which led the Chair of the Nurses’ College to request an interview with the President of the Republic. Moreover, according to the Nurses’ College precarious employment is high among nurses who have graduated since 2009, as 23 per cent have fixed-term contracts, 19 per cent work under service contracts and 4 per cent are trainees undergoing internships. This situation is causing great dismay with some 40 per cent of young graduate nurses envisaging leaving the profession.

Another problem is the recent surge in the emigration of Portuguese nurses, mainly to the United Kingdom, France, Norway and Switzerland. Such emigration is increasing by 7.7 per cent a year.

5.2 Case Study 2: Reform in Education Interrupted by Budgetary Restrictions
Education is the main public employer in Portugal, accounting for 43 per cent of central government employees in 2011. More than 80 per cent of these employees – about 176,000 persons – are in primary and secondary education, with feminization rates of 89 and 71 per cent, respectively. Education accounts for 13.1 per cent of public expenditure – that is, about 5 per cent of GDP – in recent years. According to the Bank of Portugal (Alves et al. 2010), however, the return on investment in education is very high, resulting in an increase in wage differentials of 30 per cent for men.
and 35 per cent for women, between 1995 and 2006. Moreover, between 1992 and 2010 the dropout rate fell from 50 per cent to 28.7 per cent (by gender, the dropout rate is now 32.7 per cent for men and 24.6 per cent for women). However, Portuguese dropout rates are still far above the EU27 average of 14 per cent.

From 2005 to 2010, structural adjustment reform of education followed two main lines: closing schools and improving the school network. The main goals set for the closure of schools were improving teaching quality and rationalizing resources and school closures have to meet the following criteria: less than 21 students, a single teacher and high rates of student failure. According to these criteria most schools to be closed were located in rural areas where the population is ageing and so the main problem to be solved was children’s transport, which was left to the municipalities. Rationalization of resources has also led to grouping schools in clusters in which the school head carries out the integrated management of all resources. Measures against dropping include special remedial programmes for students and support for disabled students, as well as the development of extra-curricular activities, mainly in IT, arts and sports. Social assistance for needy students also increased by 56 per cent between 2000 and 2010.52 Furthermore, in 2009, a programme was launched for secondary schools concerning energy efficiency, IT equipment and sports, as well as building enlargement in order to accommodate new students due to the raising of the compulsory school leaving age from 15 to 18 years.

In this first phase, cuts in education expenditure were based on the rationalization of resources, as described above. However, since 2011, budget constraints have resulted in a deterioration of employment conditions for education professionals which calls into question the continuation of programmes aimed at reducing the dropout rate. At the same time, the rehabilitation programme for secondary schools was suspended, which has created difficulties for the private companies involved, thus contributing rising unemployment. On the other hand, budget cuts imposed on municipalities has increased their indebtedness. In February 2012, the debts of municipalities to the bus companies that transport schoolchildren was €80 million and they are now threatening to halt this service, which would affect about 400,000 students.

The 2012 budget contained education cuts of 18.4 per cent, reducing public expenditure on education from 5 to 3.8 per cent of GDP. This cut is particularly worrying given that there is increasing demand for state schools because private schools are becoming too expensive. Currently, the most pressing case concerns preschool education where the state covers less than 50 per cent of requirements.
With regard to universities, the most evident impact of budgetary restrictions is a 30 per cent decrease in scholarships and cuts of up to 50 per cent in allocated scholarships, while 16,000 university students – about 4 per cent – have resorted to bank loans, for which the state is guarantor. Moreover, fellowships to doctoral students have decreased by 16 per cent. Another critical situation concerns PhDs who, for lack of labour market opportunities, have survived by means of postdoctoral fellowships. However, the nominal value of the latter has been frozen since 2002 and the non-renewal of fellowships is now feared.

5.2.1 Increased unemployment among teachers
Education professionals have also been affected by freezes on recruitment and promotion, as well as by wage cuts applied to all public administration employees. In addition, however, there is a high degree of job insecurity in education due to the frequency of fixed-term contracts.

In 2010, 25 per cent of preschool, primary and secondary school teachers had fixed-term contracts, while among other education professionals the figure was 12 per cent. Teachers with fixed-term contracts are selected every year by competitive tendering. This system results in a high turnover of teachers, which affects their training and professional improvement, but it has been used to reduce the unemployment rate of young, newly graduated teachers.

However, reforms in education, with the closure of schools, the concentration of management in groups of schools and, more recently, curriculum reforms, which suppressed ICT learning beyond the ninth grade and merged some study areas (such as biology/physics/chemistry and history/geography), as well as increasing class sizes\textsuperscript{53} to 30, created surpluses of teachers, which has increased unemployment among teachers on fixed-term contracts. Since 2009, teachers’ unemployment has grown by 225 per cent, 120 per cent in the past year.\textsuperscript{54} Most of these unemployed teachers are women (71 per cent) and 44 per cent of unemployed teachers live in the north of Portugal.

For the school year in progress (2011–12) 27,000 teachers were appointed on fixed-term contracts, as against 48,000 in 2009–10. At present, teachers not placed immediately become part of a reserve who can be called on at any time. In this case the term of the labour contract is less than one year and some teachers have contracts for only one month, successively renewed on the same terms. This practice is particularly harmful because it prevents teachers from accessing both unemployment benefits and social unemployment, for which the qualification periods are a consecutive 450\textsuperscript{55} and 180 days of paid work, respectively.
5.2.2 Deteriorating working conditions
At the same time, teachers’ workload is higher because there are fewer teachers on fixed-term contracts, teachers’ early retirement is increasing, despite the monetary penalties, and the Ministry of Education has decided that teachers’ working hours should not include lesson preparation or pedagogic or management activities in order to be entirely devoted to direct teaching in class. Teachers are thus complaining that they have to work overtime for free, since overtime work is not officially allowed.

In order to assess the impact of austerity measures on teachers’ daily lives, interviews were conducted in two schools, selected on the basis of the socioeconomic diversity of the area where they are located and their level of education: Miraflores secondary school and Quinta da Medideira school.

5.2.3 Vocational training halted in Miraflores secondary school
Miraflores secondary school is located in the Municipality of Oeiras, close to Lisbon, and ranks second in the Portuguese ranking of household purchasing power. The school is attended by 800 students who come from middle- and upper-class families, but also from some poorer families. School staff consists of 170 professionals, of whom 130 are teachers. The feminization rate among teachers is 78 per cent and for support staff 93 per cent. Most staff (81 per cent) are above 40 years of age. The school works day and evening shifts. Day shifts are for secondary compulsory education, from the seventh to the twelfth grades and evening shifts are dedicated to vocational courses for students of compulsory school age and who are at risk of dropping out, as well as for adults within the New Opportunities Programme. Vocational courses for the former have a strong technological and artistic dimension. Therefore it is the thematic educational diversity provided by Miraflores school that justifies the high pupil–teacher ratio, one for every seven students.

In this school, austerity measures are particularly affecting the vocational education provided in evening shifts due to the decrease of student enrolment, which is attributed to discouragement caused by the difficulty of getting a job. With regard to vocational courses for adults, the government has announced the suspension of the New Opportunities Programme for evaluation. Consequently, the school no longer needs teachers with fixed-term contracts, while the decreased workload of teachers with open-ended contracts causes them to fear that they will be put in special mobility. This situation is made worse by the suppression and merging of some courses following the curriculum reform of regular education. There is therefore an ambiance of anxiety and fear among teachers that inclines them towards social protest. However, many are tired or sceptical regarding trade unions and the oldest among them prefer early retirement.
5.2.4 Excessive workload and unpaid overtime in Quinta da Medideira primary school

Quinta da Medideira school is located in Seixal Municipality on the south bank of the River Tagus and connected to Lisbon by two bridges. Formerly one of the most industrialized areas of Portugal, Seixal is now a depressed region because of deindustrialization and it is 34th in the Portuguese ranking of household purchasing power. Currently, 60 per cent of employment is in services, but from 2008 to 2011 Seixal’s population decreased by 10 per cent as a result of increasing unemployment, especially among young people. Quinta da Medideira is a primary school and kindergarten. In the primary school there are 152 children and in the kindergarten 75. The school is integrated into the structural teaching system, that is, it accepts children with special needs. School staff comprise 10 full-time teachers, seven at the primary school and three in the kindergarten, which corresponds to child/teacher ratios of 22:1 and 25:1, respectively. All these teachers are paid by the Ministry of Education, together with a full-time special educator for children with special needs and a school librarian for two days a week. Regarding support staff there are two speech specialists, two psychologists and two psychomotor specialists working a few hours a week, paid by the municipality, which also pays two permanent assistants. Another three auxiliary workers are paid by the local permanent office.

The effects of the austerity measures on the Medideira school are quite different from those reported by Miraflores school. One major problem at Medideira is the excessive workload of all staff due to the suppression of fixed-term contracts, including highly skilled professionals for children with special needs. This situation has forced teachers to undertake not only teaching, but also extra-curricular activities and management, leading them to work unpaid as the Ministry of Education has suspended overtime pay. Moreover, teachers dealing with children with special needs have also seen resources cut. The staff also suffer from poor working conditions due to poor school facilities, lack of materials and poverty among most of the children. For instance, the playground is not safe; the floor of the courtyard is of beaten earth and turns into mud when it rains; 50 per cent of children receive subsidized meals from the City Council. The City Council also pays school electricity and water costs, provides school supplies and consumables and ensures the transport of children with special needs, cleaning, the management of school equipment and minor repairs. It also ensures meals for all children during teaching breaks or school holidays. Accordingly, teachers are very worried about the funding cuts to municipalities announced by the government.
6. CONCLUSIONS AND PROSPECTS

Portugal risks succumbing to the vicious circle of recession and austerity. Indeed, the austerity policy, which has been progressively more pronounced since 2010, has been justified as necessary for achieving balanced public accounts, external debt reduction, productivity growth, job creation and improved social justice.

However, results point to the ineffectiveness of these measures and the subsequent worsening of the problems that were intended to be solved. Moreover, some macro indicators show that the austerity measures are imposing a very high social burden and are increasing impoverishment. The following indicators\(^{58}\) are particularly worth highlighting, either because they are official or because of the insight they provide into how dramatic the social crisis may be:

- **Unemployment rate** 7.6 per cent in 2005, but in March 2012 it stood at 15 per cent; from 2010 to 2012 unemployed people granted unemployment benefit decreased by 5.7 per cent.
- **Youth unemployment rate** 16 per cent in 2005; 36.6 per cent in June 2012.
- **Inflation rate** 2.2 per cent in 2005, but 3.6 per cent in March 2012.
- **Impoverishment rate** 19.4 per cent of the population in 2005; 25 per cent in 2010, but 37 per cent in single parent families.
- **Child deprivation rate (2009)** 27.9 per cent.
- **Child deprivation rate in jobless households (2009)** 73.6 per cent.
- **Emigration** 150,000 Portuguese emigrated in 2011; graduate emigration rate grew by 27 per cent.
- **Bankruptcy ordered by courts** Growth of 350.6 per cent from 2007 to 2011; the percentage of this accounted for by individuals rose from 21.4 to 56.5 per cent during the same period.
- **Public revenues** For the two first months of 2012, tax revenues fell by 5.3 per cent; the major decrease was in corporate tax, which fell by 46 per cent.
- **Unemployment benefits** During the same period public expenditure grew by 18 per cent.
- **GDP growth rate** Forecasts point to –3.5 per cent in 2012.

The worsening poverty is leading to hunger among the population, a situation that has been condemned by NGOs, such as Portuguese Caritas.\(^{59}\) On 16 October 2011 the President of the Food Banks’ Federation against Hunger, Isabel Jonet, said in an interview with TSF radio that there is a new class of poor people who have jobs but whose wages do not allow...
them to cover household expenses. On 18 March 2012, the President of
the Council for Refugees, Teresa Tito de Morais, said in an interview on
RTP (public TV channel) that the Council had no funds to feed refugees in
shelters and so appealed to the Portuguese people for their help.

With regard to employees of public administration and despite reforms
undertaken since 2006 to bring about the convergence of the public
employment regime with the private one, the idea that public employees
have privileged status and so are at least partly responsible for the public
accounts deficit continued to be promulgated. This partly explains the
weak contestation of austerity measures applied specifically to public
employees.

Meanwhile, austerity measures applied to public employees are
strongly affecting them and society as a whole. The downsizing of public
facilities aimed at reducing public expenditure is threatening to acceler-
ate the human desertification of rural areas, which will only increase
inequalities in regional development. This policy in the specific case
of health care is hindering access, aggravated by the recent cuts in free
patient transport.

The downsizing of public employment is being implemented by means
of a number of measures, such as reform of the public employment regime
which introduced the possibility of dismissing public employees or sub-
jecting them to special mobility measures; reform of pension entitlements
which has led to lower pensions; and application of the one-for-two rule
and the freeze of new recruitments. These measures as a whole have
depleted the human capital of public administration, both by the early
retirement of the most experienced staff and by preventing young gradu-
ates from joining the public administration. Consequently, unemployment
and emigration have been increasing sharply among the best-qualified
young people.

The emigration of highly qualified Portuguese is also a consequence
of cuts in public wages, overtime and other compensatory pay, reducing
the purchasing power of public employees to very low levels, without any
expectation of change. Moreover, the sharp drop in purchasing power is
also a factor in worsening the recession, as public employees represent
about 17 per cent of overall employment.

Another important issue to be considered is decision-making and imple-
mentation of public employment reform. Since 2005 the public administra-
tion has undergone huge reforms that have drastically changed the rules
of organizational management. These changes were particularly dramatic
for public employees because they affected their employment and daily
lives. However, perhaps the greatest drama stems from the fact that some
changes have been contradictory. As an example, the introduction of the
career development system, which had been justified by the goal of promoting merit recognition, was followed two years later by a freeze on all promotion. Moreover, policymakers have sought to blacken the name of civil servants by blaming them for public waste in order to justify restrictive measures on public employees’ labour rights. Thus, public employees feel neglected by the government, which is their employer, personally impugned and helpless against losses of quality of life.

There has therefore been a breakdown of the implicit contract between the government as employer and public employees. On the side of public employees that breakdown is leading to severe insecurity, discouragement and even lack of faith in the rule of law and also in the European project.

If current policy continues unabated, the prospects are bleak and may even result in the paralysis of the public administration through the joint effects of lack of resources and the increasing resistance of public employees, even though collective protest has so far been weak, possibly because the trade unions are not united.

We therefore need a shift in policy towards sustainable development involving job creation, especially for qualified young people and safeguarding the ethical values inherent in democracy. Among these values is social solidarity, labour rights and equal opportunities in access to health care, education, culture and mobility.

With regard to the public administration there is a strong need to return to a policy of development and promotion of human capital in order to successfully fight tax fraud and corruption and to effectively supervise the economic agents – the banks – who ultimately caused the crisis. The process of policy decision-making must be transparent and aim at involving the citizens at whom the policies are directed and the public employees who will implement them. These are principles of good governance and are embodied in the United Nations’ Millennium Declaration, to whose implementation all the governments of the world – including Portugal – committed themselves in September 2000.

NOTES

1. DGAEP, information provided by DGAEP (General Department for Public Employment of the Finance Ministry), March 2012, reporting up to June 2011.
2. Social Democratic Party (PSD) and Democratic and Social Centre-Popular Party (CDS-PP).
6. Briefly, there are two groups of public employees, namely those engaged after 2006, who can be dismissed whatever kind of contract they have and those engaged before 2006 who have an open-ended labour contract and can only be put in special mobility.


8. Data provided by DGAEAP.

9. Public unemployment concerns all public sectors while special mobility concerns only central public administration.

10. As the IEFP uses NACE classification it is not possible to distinguish public and private sector employees in these activities. However, many of these activities carried out by the private sector receive public financial support.


12. RCM 38/2006 of 30 March.

13. This information was attributed to the Ministry of Finance by *Jornal Económico*.

14. According to the Chairman of the Physicians’ Association, 11 per cent of those enrolled in it are foreigners (Diário de Notícias, 1 September 2009).


16. Law 64-B/2011.

17. Bonus to be paid = 1,320 – 1.2 × monthly wage.

18. According to the January projections of the Bank of Portugal the growth rate of consumer prices will be 3.2 per cent in 2012.


23. The Institute was closed down by Decree-law 48/2012 under the programme to downsize Portugal’s central public administration.

24. Law 60/2005 of 29 December.

25. In fact, since 1993 there have been successive changes in the calculation of pensions, with the introduction of weighting factors for different periods of years worked; all these amendments have contributed to reducing pensions.

26. This status was retained only for the following public functions: missions of the permanent Armed Forces; state representation abroad; information security; criminal investigation; public security and inspection.


29. Law 64-B/2011 or 2012 budget law.


32. The study was carried out by INA’s research team under the coordination of Cesar Madureira.

33. Agriculture, Rural Development and Fisheries; Public Works, Transport and Communications; Health; Employment and Social Solidarity.

34. Law 55-A/2010 of 31 December.

35. Law 64-B/2011 of 30 December.


40. The other is Fundação CEFA, which is dedicated to training employees in local public administration.

41. The volume of training is the sum for all courses of the value obtained by multiplying the number of trainees by training hours in each course.

42. Decree-law 64/2012 of 15 March.
43. This allowance can be granted after unemployment benefit expires, in other words, 540 days at the most.
44. Tripartite agreement between the Portuguese government, employers and the UGT (União Geral dos Trabalhadores) signed on 17 January 2012.
46. Statements of former Secretary of State for Health and of the Chairman of the College of Physicians.
48. See paragraph (b), Section 2, Part II.
49. Newsletter of the Southern Regional Doctors’ Association, year 13, no. 175, 15 June 2012.
50. Diário de Noticias (1 September 2009).
51. Nurses’ College News (10 April 2012).
52. Between 1990 and 2010 the increase was 398 per cent.
53. In 2009, the average number of pupils per teacher was quite low: 12 for primary and 10 for secondary education.
54. According IEFP (Employment and Training Institute) data.
55. After 1 June 2012, this period will be 360 days (Decree-law 64/2012 of 15 May).
56. Recently (Decree-law 85-A/2012, of 5 April) the government decided to freeze early retirement for persons under the general social security regime which also concerns public employees engaged after 1 January 2006.
57. This programme was an initiative of the previous government (2005–10) aimed at improving adult qualifications in academic and professional terms, including validation and recognition of formal and informal skills.
59. Social network of the Catholic Church.
60. Including central, local and regional public administration.

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