

## Portugal: from structural reforms to austerity

**Structural reforms of Portuguese Public Administration began in the nineties**

### **Main drivers**

- √ Strong public investments in human capital and leadership through training
- √ Implementation of management by objectives and promotion by merit

### **Stability and Growth Programs**

**2005 / 2009** – Budgetary consolidations + development

**Since 2010** – Budgetary consolidations + austerity

## Evidences of social and economic crisis in Portugal

**Unemployment rate** – it was 7.6% in 2005; in March 2012 it reached 15%;

**Inflation rate**- it was 2.2% in 2005; in March 2012 it is 3.6%;

**Impoverishment rate** – in 2008, 20% of Portuguese people; 25%, in 2010;

**Child deprivation rate** - in 2009: 27.4%;

**Child deprivation rate for children living in jobless households (2009):** 73.6%;

**Emigration** - 150,000 Portuguese emigrate in 2011; graduates' emigration rate grew up 27%;

**Bankruptcy ordered by courts** - growth rate of 350.6%, from 2007 to 2011; percentage of individuals in total number of bankruptcies rose from 21.4% to 56.5%, during the same period;

**Public revenues**- for the two first months of 2012, revenue from taxes fell 5.3%; the high decrease was in corporate income tax which fell by 46%;

**Unemployment benefits** -during the same period public expenses grew up 18%;

**GDP growth rate**- forecasts point to -3.5%, in 2012.

## Impacts of adjustment Programs on Portuguese Public Administration

### - Downsizing of public employment



- √ Applying rule “one in two” and freezing recruitment
- √ Pushing public employees to early retirement, most high qualified (table 11.4)
- √ Creating public unemployment mainly in health sector (table 11.5)

### - Cutting of wages and other compensations

Very low paid up to 485 EUR	Low paid from 485 to 1000 EUR	Middle to up from 1000 to 1500 EUR	Upper levels
Freeze of wages (Decrease of real wage of 7.5%)	Freeze of wages and cut on Christmas and holiday bonus (Decrease of real wage by 10.6, as average)	Freeze of wages and cut on Christmas and holiday bonus (Decrease of real wage by 12.6 to 24.6)	Top managers Cut of nominal wage and cuts on Christmas and holiday bonus (Decrease of real wage of 31.6%) Other public employees Real wage cut by 28.6%
Freeze of meal allowance, subsidies for risk and dangerous activities	Freeze of meal allowance, subsidies for risk and dangerous activities	Freeze of meal allowance, subsidies for risk and dangerous activities	Freeze of meal allowance, subsidies for risk and dangerous activities
Lower compensations on overtime and lower pensions entitlements	Lower compensations on overtime and lower pensions entitlements	Lower compensations on overtime and lower pensions entitlements	Lower compensations on overtime and lower pensions entitlements
Cuts on family allowances	Suppressions of family allowances	n.a.	n.a.
		Decrease of per diem and travel allowances from 15 to 20%	Decrease of per diem and travel allowances by 20%

## Paralysis of Public Administration

- √ Restructuring reform of public administration is too slow because poorly planned and opaque
- √ Extinction of 140 public bodies affects about 140,000 employees
- √ Dossiers are bundled and workers are waiting
- √ Promotions and premiums by merit are frozen
- √ Vocational training is stopped
- √ Freeze of admissions and new rules on overtime hamper harmonization of work and family life, especially in sectors providing emergency services or performing nightwork

**Public employees are discouraged and fearful about the future**

## Impacts on Portuguese social cohesion

### Some evidences – Health and Education study cases

#### Health

Deterioration in access to health care

- √ Closure of health facilities mainly in the hinterland
- √ Increase of health fees and end of free transport for non-urgent patients
- √ Reduction of attendance hours to patient care

#### Education

Deterioration of teaching and learning conditions

- √ Workload of teachers
- √ Suppression and merger of some study areas
- √ Lack of specialized professional in the arts, sport and support for students with special needs
- √ Increasing deprivation of children and students