

# Government proposes 'social contract' to social partners

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In June 2003, the Portuguese government submitted a draft 'Social contract for competitiveness and employment' to the social partners, aimed at achieving convergence with average EU levels of productivity and purchasing power, combating tax fraud and evasion, and increasing competitiveness. The government wants employers and trade unions to agree to pay moderation and biannual wage bargaining, along with investment in innovation and training and a review of company taxation.

On 17 June 2003, the coalition government of the centre-right Social Democrat Party (Partido Social Democrata, PPD/PSD) and the right-wing People's Party (Partido Popular, CDS/PP) presented a draft 'Social contract for competitiveness and employment' (Contrato Social para a Competitividade e Emprego) at a meeting of the Standing Committee for Social Concertation (Comissão Permanente de Concertação Social, CPCS), the tripartite body with a consultative role on economic, social and labour relations matters. The aim is that the social partners will sign up to this 'social contract'. The basic assumptions of the document are acceptance of pay moderation, investment in innovation and vocational training and a review of the company taxation regime, excluding VAT. The government's objective is to establish a medium-term pay agreement based on the sharing of productivity gains, with pay negotiations taking place on a biannual basis, aimed at improving productivity.

The proposed contract lays down three structural objectives for the Portuguese economy: achieving convergence of Portuguese productivity and purchasing power with average European Union levels; combating tax fraud and evasion – with a view to increasing transparency, competitiveness and fairness; and tackling the clandestine economy. As a basis for achieving these objectives, the draft contract stipulates that the social partners will accept pay moderation and commit themselves, together with the government, to investing in innovation and workforce qualification. Pay negotiations and productivity-sharing policies should be aimed at achieving medium-term targets, and to this end the government suggests that the pay bargaining process should take place every two years.

The government undertakes to implement the macro- and microeconomic policies necessary for pursuing the objectives set, and in particular a review of the company tax regime. The regime will in future include a concerted policy that makes companies accountable for sharing operating profits and productivity gains.

The bargaining method for the proposed contract will be based on the establishment of three working groups within the CPCS, each of which will include a government representative. These three groups will examine: vocational training and health and safety at the workplace; the combat against tax fraud and evasion; and investment and innovation.

The Confederation of Portuguese Industry (Confederação da Indústria Portuguesa, CIP) reacted by stating that the proposed agreement would be difficult to implement. Although it states that it considers productivity and competitiveness to be of great importance, the General Confederation of Portuguese Workers (Confederação Geral de Trabalhadores Portugueses, CGTP) criticised the initiative, blaming the government for the fall in productivity. The General Workers' Union (União Geral de Trabalhadores, UGT) expressed the opinion that the proposed contract focused excessively on labour competitiveness.