WORDS BEYOND THE PANDEMIC:
A HUNDRED-SIDED CRISIS

Coord.: **José Reis**
A collective work by CES

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Universidade de Coimbra – Alta e Sofia inscrita na Lista do Património Mundial em 2013

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LAY-OFF

João Ramos de Almeida

To counter the effects of the economy "shutdown" due to the COVID-19 pandemic, the government used a legal mechanism already in existence, the lay-off, which supports companies in difficult situations but is inadequate to tackle the recession, as it cuts income and does not prevent unemployment. Since the first cases of infection were detected in early March 2020, the measures adopted have led to closures in main services, with rapid recessive impact. Conditioned by a limited range of macroeconomic policies and fearing – given the example of the euro crisis ten years before – an escalation of budgetary spending without community protection, the government contained the counter-cyclical measures. Lines of credit were created. The lay-off scheme was adapted, cutting the value of wages by one third and making the State pay a substantial part of the wage costs (granting companies a "saving" of 84 percent), and finally, under pressure from the left, a ban was implemented to adhering companies on dismissals, but only during the implementation of this measure and in cases of collective dismissal or job extinction (with other forms being allowed). On May 15, 109,376 companies had adhered to the lay-off (four-fifths of which in the services sector), with a total of 1,315,187 employees. The costs of this measure – as the Minister of Finance stated in Parliament – fell below the provision made: of the 1.5 million employees predicted, the measure covered 62 percent of the participating companies' employees; and the wages covered remained below the 1,000 euros of average wages that had been predicted. The lay-off may have stopped the "haemorrhage" of unemployment, but the danger was not averted. The measure is unfair, has effects contrary to what is necessary – it is recessive – and, even if it extends beyond the *deconfinement*, will leave companies with the option of dismissal if the recovery is delayed, as seems to be the case for tourism.

Economic policy should aim to maintain incomes and prevent the rise in unemployment by combating recession. The wage cut sent out the wrong signal by embarking on a policy that has already proved disastrous. Public support must therefore ensure total wage income, without cuts and without decapitalising Social Security. In the long run, economic policy measures should *address* the over-exposure of the national economy to the services sector, in particular tourism, which, in the face of an external shock, may shake the foundations of the economy as a whole. Unlike services, the industry and even the construction sector continued to be active during the pandemic, despite the suspicion that they did so without proper sanitary conditions. It will be necessary to start rethinking a recentring of a new national production strategy, either by introducing elements of economic planning, by breathing new life into the industry sector and following import substitution policies – rethinking a new role for public banking, with a drag effect on private banking –, or by redirecting services towards activities less dependent on tourism and strengthening social support.