

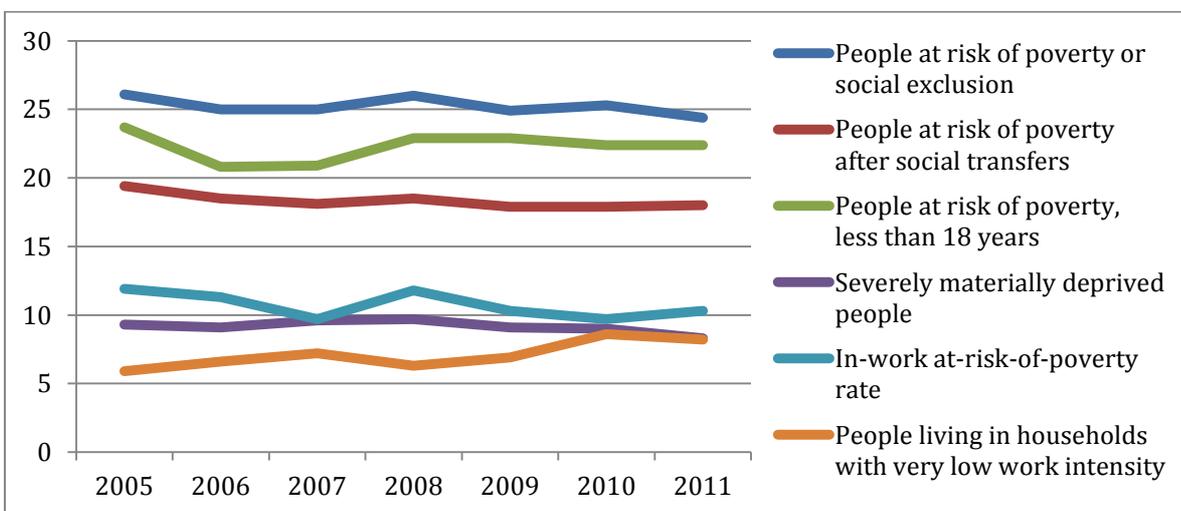
1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in Portugal based on Eurostat:

- With the exception of one indicator, **all poverty indicators increased slightly but remained at the same level above EU average** during the observed period (2008-2011).
- The rate of **people living in households with very low work intensity rose** from 6.3% in 2008 to 10.2% in 2012.
- The rate of **severe material deprivation dropped by 1.1 p.p.** between 2008 and 2012, while started increasing again in 2012.

Poverty trends in Portugal (% of population):



In addition to the above data, the following observations can be made:

- In 2010, there was a reduction of 3% in the poverty threshold compared to 2009 (annual threshold 2009: 5,207 euro; annual threshold 2010: 5,046 euro). In July 2013, the National Statistical Institute (INE) calculated the at-risk-of-poverty anchored in time. It estimated that the **at-risk-of-poverty rate, instead of decreasing to 17.9% (current Eurostat data), increased to 21.3 %**.¹
- Also, the data seems to be in **counter cycle with the unemployment rates**, as it shows a decrease in the poverty indicators. In June 2012, the unemployment rate was 15.8% and in June 2013, it was 17.6%.
- In 2010, the **Caritas Portugal network provided support to 25,000 families, already an increase of 30% compared to 2009**. In 2011, support was provided to 27,000 and in 2012, to 56,000 families.

1.2. Recent policy developments

Since last year the following policy developments have been registered:

The **Social Emergency Program** continues. It includes measures like social restaurants or the increase of vacancies in child and elderly care services, as well as several measures to support the social sector (access to financial instruments for the social sector etc.). Through this programme, **13,000 vacancies**

¹ Instituto Nacional de Estatística, 2013, *Rendimento e Condições de Vida* URL:

http://www.ine.pt/ngt_server/attachfileu.jsp?look_parentBoui=162066480&att_display=n&att_download=y, p. 7

in child services were created. The Caritas Portugal network reports that their **costs remain too high and the cuts in income push many families to take their children out of these services.**

The government also introduced one of the **highest (or the highest) tax increases** in the history of democratic Portugal, **reducing families' annual income by an average of 790 euro**².

The cuts on education, health and social expenditure, tax **raises and increase in the costs of living as well as unemployment have a direct impact in children's lives.** Instability produced by unemployment leads to lack of income but also to **emotional instability.** Many families cannot afford the child services and they take care of their children. This is not an entirely bad situation but it has negative effects when the children do not assimilate new competences and when instability turns, in extreme cases, into negligence and violence.

The overall **austerity measures** were reflected in the 2013 budget and they intended an **expense cut of almost 5 billion euros until 2014**³. The mix of the fiscal collection was the biggest since the democratic period in Portugal. The intention of the government to cut the 13th and 14th wage of civil servants and pensioners was rejected by the constitutional court in April.^{4 5}

Cuts in social transfers included:

- **Minimum income** was reduced from 189.50 euro in 2012 to 178,15 euro in 2013. Also the rules changed to access these benefits, affecting 68,486 people in one year. **The elderly complement** for extremely low pensions was also reduced by 2.25%.
- **Unemployment benefits** rules changed: to receive it, the worker must have worked 12 consecutive months (instead of the 15). Now the maximum amount was reduced from 1,257.66 euro to 1,048.05 euro per month. For unemployed couples with children there was an increase of 10%. After the first 6 months there is a 10% decrease and after that a progressive decrease until cessation. The period was reduced to 18 month for new unemployed. Even if the unemployment situation improved in the second quarter of 2013 it still represents **886,000 persons unemployed and almost 500,000 not receiving any unemployment benefits.**
- **The new rent reform** intends to improve the construction sector but it will have a severe impact on many elderly.⁶
- In Portugal the **National Health System** is of tremendous importance because it is "Universal and free" and should allow free health care for all. In its 2013 report, the Portuguese Health Observatory focused on the impacts of the crisis. The main conclusions are that the introduced access fees are an obstacle for the poorest; people with low income are stopping their treatments as soon as they feel better and there is an increase of psychosocial diseases.⁷

It is important to mention that recently introduced **budgetary cuts have already had an impact on many vulnerable groups.** The main reason of people coming to Caritas has to do with the loss of job and the fact that the job market is simply not creating enough jobs to absorb the ones that are being destroyed. After losing their jobs, the unemployment benefits play an important role for people but at the moment, **out of 886,000 persons unemployed almost 500,000 do not receiving any**

² Público, 2013, Austeridade provoca perda de 792 euros no rendimento de cada português

<http://www.publico.pt/economia/noticia/austeridade-provoca-perda-de-792-euros-no-rendimento-de-cada-portugues-1601628>

³ Expresso, 2013, Governo apresenta corte de 4,7 mil milhões na despesa até 2014

<http://expresso.sapo.pt/governo-apresenta-corte-de-47-mil-milhoes-na-despesa-ate-2014=f813768>

⁴ Reuters, 2013, *Portugal court rejects some government austerity measures.* URL:

<http://www.reuters.com/article/2013/04/05/us-portugal-austerity-court-idUSBRE9340VJ20130405>

⁵ Financial Times, 2013, *Portugal court rules against austerity.* URL: <http://www.ft.com/intl/cms/s/0/3a4aaed2-9e36-11e2-9ccc-00144feabdc0.html#axzz2cjNQnCu0>

⁶ Reuters, 2013, *Analysis: Portugal rent reform aims to save builders from collapse.* URL:

<http://www.reuters.com/article/2012/05/13/us-portugal-housing-reform-idUSBRE84C05M20120513>

⁷ Observatório português dos sistemas de saúde, 2013, *RELATÓRIO PRIMAVERA 2013.* URL:

<http://www.observaport.org/rp2013>

unemployment benefits.⁸ The lack of income does not allow families to cope with basic expenditure. An example of two of **Caritas projects** highlights this fact: the solidarity fund, managed by Caritas and other church institutions, reached 3,957 persons last year. **65% represented housing or basic living expenditure** such as rent, electricity or water. From Caritas's Social Observation Unit, out of the 56,000 people supported last year, **52% were issues related to job loss or income.**

Assessment of Portugal's NRP and policies it refers to:

The Portuguese NRP reports on the following planned measures for 2013: (1) Update of the minimum pension; (2) a social emergency programme with 5 areas of intervention: vulnerable families, elderly with low incomes, people with disabilities, volunteering and social solidarity institutions; (3) child poverty is addressed via support in education, health and social exclusion; (4) the launch of a new legislation regarding social economy; and (5) improving social expenditure.

The **reduction in social expenses has had a dramatic effect, particularly on minimum income beneficiaries.** Further the **increase in health and treatment costs** while the unemployment rate continues to rise. The increase of minimum pensions can be noted as positive as they were extremely low (254 euro) and in this time allow several family members to survive. Furthermore, people requesting support from social services within the civil society continues to increase tremendously.

However, it remains to be said that the new measures are mainly emergency and cost cutting oriented. As mentioned above, for the elderly the **minimum pension was increased but the costs of living increased even more**, while the solidarity complement became more restrictive to access. Further restrictive access was also introduced for in the minimum income.

The **social rental market (housing) started** but there are no official numbers of its execution and it **contrasts with the new rental law that facilitates evictions** and an increase of rents.

The **new social economy law does not include the "figure" of social enterprise.** This could have constituted an opportunity to promote innovative job creation (mainly green and white jobs) as an alternative to public or private funding.

Assessment of Portugal's Country Specific Recommendations (CSRs) adopted in 2013:

To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Portugal.

1.3. Recommendations

- **Add social inclusion targets for the poverty field in the financial assistance programme** and give them the same level of importance as economic and financial targets. An assistance programme from the EU should also pay attention to its social impact. As it has specific financial and economic targets, it should also have social targets that should not be neglected.
- The country's financial assistance programme also needs to be more specific in its recommendations beyond a mere "continuation of the programme's implementation".
- To implement a national "Platform Against Poverty" similarly to what is promoted by the European Commission.

⁸ Seguraca Social, 2013. URL: <http://www4.seg-social.pt/estatisticas>

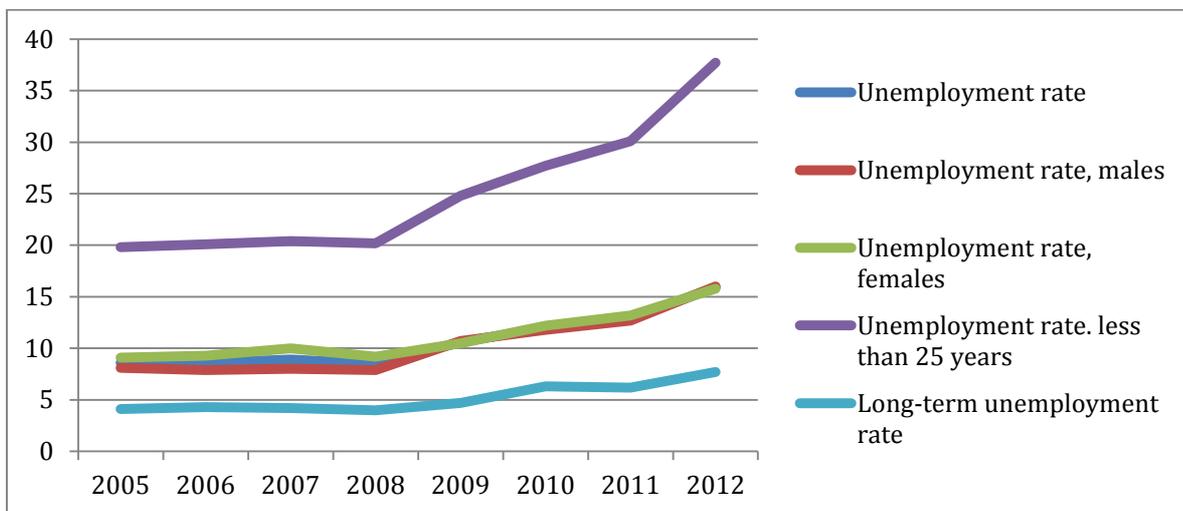
2. EMPLOYMENT

2.1. Recent trends

Developments of the employment situation in Portugal:

- **Unemployment rose** from 8.5% in 2008 to 15.9% in 2012, **long-term unemployment rose** from 4% in 2008 to 7.7% in 2012. **Both rates more than doubled among men** but also increased sharply among women.
- **Youth unemployment increased by a worrying 17.5 p.p.** to 37.7% in 2012.
- Despite a considerable drop of 6.6 p.p. in employment, the rate (66.5% in 2012) remained only slightly below EU average (68.5% in 2012). A closer look at **male (69.9%) and female (63.1%) employment** shows that in 2012 these rates were **slightly above EU average (68.5% m, 62.4% f)**.

Employment trends in Portugal (% of population):



In addition to the above figures, the following observations can be made:

- The National Statistical Institute reported that on the first quarter of 2013, there was a **decrease in the average monthly income**, which dropped from 813 euro in 2011 to 806 euro in 2013. **Job creation happened mainly for groups with monthly salaries inferior to 310 euro.** Furthermore, the **minimum income was reduced** from 189.50 euro in 2012 to **178.15 euro in 2013**. Also, the rules changed to access these benefits, taking 68,486 beneficiaries out of the system in one year.⁹
- The changes in the labour law introduce **more flexibility and allow easier dismissing**. This has an **impact mainly on the oldest workers**. These types of workers are the ones who have most difficulties in returning to the labour market. From 2011 to 2012, the long-term unemployment rate increased from 6.2 to 7.7%, an increase with a higher rhythm than the unemployment rate.
- Young people represent 42.1% of the unemployment rate (first quarter of 2013), an increase 5.9% regarding the first quarter of 2012. The emigration flow out of Portugal within the last years reflects this lack of opportunities, as many of the new “**emigrants**” are **young and highly qualified**. The numbers differ tremendously: the **OECD states that 44.000 left the country in the last year**¹⁰ but the government reports more than 100.000¹¹.

⁹ Seguraca Social, 2013. URL: <http://www4.seg-social.pt/estatisticas>

¹⁰ OECD, 2013, *International Migration Outlook 2013*. Portugal. URL: <http://www.oecd.org/els/mig/PORTUGAL.pdf>

¹¹ Publico.pt, 2013, *200 mil portuguesas saíram do país nos dois últimos anos*. URL:

<http://www.publico.pt/sociedade/noticia/200-mil-portugueses-sairam-do-pais-nos-dois-ultimos-anos-1582063>

2.2. Recent policy developments

Since last year the following policy developments have been registered:

The new measures remain without evaluation. The unemployment numbers had a reduction in the first and second quarter of 2013, but this positive impact still needs to be confirmed by the following quarters data because it probably reflects the seasonal character of job creation (summer jobs).

Some measures to promote job creation such as program “**Estimulo 2013**” and “**impulse jovem**” **remain without the expected impact.**

Assessment of Portugal's NRP and policies it refers to:

In order to reach the employment growth target, the concrete measures reported in the NRP, and within the financial assistance agreement, are the following: (1) The Structural Transformation Agenda, which resulted partly from an agreement between the social partners that brought changes to the labour market – in salary formation, unemployment benefits, rules for social protection mechanisms – in an attempt to make it more flexible and to try to bring more unemployed to the labour market while allowing companies to adapt to the economic cycle; (2) changes in the training and education systems; (3) “**estímulo 2013**”, a programme that provides financial support to companies that sign permanent contracts with registered unemployed; (4) a review of the labour law; and (5) a programme to adjust HR supply and demand within the public sector; (6) “**Impluso jovem**”, a plan to fight youth unemployment which includes internships, support for employment and entrepreneurship and support in investment.

Assessment of Portugal's Country Specific Recommendations (CSRs) adopted in 2013:

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2.3. Recommendations

- **Add social inclusion targets for the employment field in the financial assistance programme** and maintain them at the same level as economic and financial targets. An assistance programme from the EU should also pay attention to its social impact. As it has specific financial and economic targets, it should also have social targets that should not be neglected.
- The country's financial assistance programme also needs to be more specific in its recommendations beyond a mere “continuation of the programme's implementation”.