



COUNTRY
REPORT
FOR
PORTUGAL

A photograph of a woman holding a young child, walking on a sidewalk next to a brick building. The entire image is overlaid with a semi-transparent red filter. The woman is looking down at the child, and the child is looking towards the camera. The background shows a brick wall and a metal railing.

EUROPE 2020
SHADOW REPORT 2014

PROPOSALS FOR THE ANNUAL GROWTH SURVEY,
COUNTRY SPECIFIC RECOMMENDATIONS AND NATIONAL POLICIES.
CARITAS RECOMMENDATIONS FOR EUROPE 2020 MID-TERM REVIEW.

01

EU 2020 Strategy: general evaluation

The impact has been very limited or none, particularly related to the targets of poverty and employment. The adjustment programme completely relegated the EU 2020 Strategy and, in many aspects, simply ignored it. This is easily verified by the lack of reference on the Memorandum of Understanding signed for the assistance programme as well as the monitoring documents. Policy developments and implementation towards employment and poverty reduction have had a contrary effect leaving more people in a situation of poverty and a very significant increase in people without a job.

The targets are more relevant than ever but they are unrealistic. The employment target set by the government is 75% and the poverty target of taking 200,000 people out of a situation of poverty are, although insufficient from our perspective, nevertheless relevant because they set an objective. But the way it is measured – specially the poverty target – is not the correct way. The poverty line has been dropping and the numbers are not reflecting this reality.

The most important target is the employment target because this is what is leading many people into a situation of poverty. The poverty target should also be the top priority. The employment target is ambitious but, with the current trend, not achievable. The poverty target is not so very ambitious (with 25.3 % of the population at risk of poverty and social exclusion, 200,000 is a very small number). They should also address other indicators. For the at-risk-of-poverty group, analysis should also be done on the drop – or increase – of the poverty threshold.

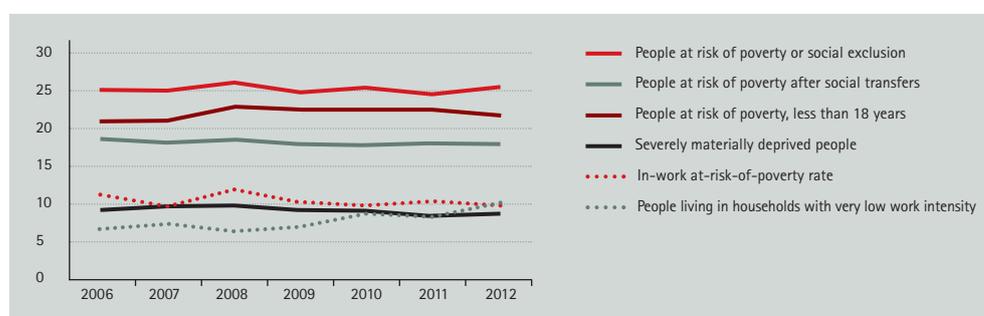
We need to know where we are going but a sustainable balance must be reached between the economic/financial, social and environmental dimensions. The most important areas should be the social/employment and the economical areas. Maybe it is time to start deepening the European integration of the social dimension.

Other policies, like international cooperation, and the environment, should be taken into account in the revision of the EU2020 strategy. What is needed is better policy coherence for one not to undermine the other. For national government, we feel that the process needs to be more demanding. It is not easy to keep track of the monitoring process of the strategy. It is highly segmented between ministries and there is a lack of coordination. The Lisbon Strategy had better reference points (Mr and Mrs Lisbon). the Open Method of Coordination... One thing that, from our perspective, would improve the access to information would be a "national" platform against poverty. Also, the EU2020 is mentioned more often now is because of the EU financial framework. The national representations of the commission should have a communication campaign explaining what the EU2020 Strategy is, and how it works. Transparency and communication tools are needed. We find information more easily through our European network than through the national government. The time gap of statistics should also be revised.

02 Poverty

2.1 Recent trends

Eurostat (% of population)	2009			2010			2011			2012			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	
Portugal													
POVERTY													
People at risk of poverty or social exclusion	-	-	24.9	-	-	25.3	-	-	24.4	-	-	25.3	24.8
People at risk of poverty after social transfers	17.3	18.4	17.9	17.3	18.4	17.9	17.6	18.4	18.0	17.5	18.2	17.9	17.0
People at risk of poverty, less than 18 years of age	-	-	22.4	-	-	22.4	-	-	22.4	-	-	21.7	20.8
Severely materially deprived people	-	-	9.1	-	-	9.0	-	-	8.3	-	-	8.6	9.9
In-work at-risk-of-poverty rate	11	9.6	10.3	10	9.3	9.7	10.6	9.9	10.3	11.1	8.5	9.8	9.2
People living in households with very low work intensity	-	-	7	-	-	8.6	-	-	8.3	-	-	10.1	10.3



Developments of poverty and social exclusion indicators in Portugal (2009-2012) based on Eurostat:

- ➔ All poverty indicators have remained at similar levels between the observed period, fluctuating no more than 1 p.p. above or below, with the exception of the rate of people living in households with very low work intensity, which registered the highest absolute and relative increase, reaching a rate of 10.1% in 2012 compared to 7% in 2009.
- ➔ It is worth noting that although child poverty decreased slightly by 0.7 p.p., children remain at a higher risk of poverty than the total population (people at risk of poverty and exclusion: 25.3% in 2012).
- ➔ In the case of the in-work-poverty rate, which also registered a minor decrease of 0.5 p.p. between 2011 and 2012, it is worth mentioning that it affects a considerably larger share of men (11.1) than women (8.5%).

Additional national data shows the severity of the problems reflected by the above Eurostat data:

20% of the people that go to the Caritas centres do so because of insufficient income (e.g. minimum income, no employment benefits, workers with insufficient income to cope with basic expenditure, etc). Also, the poverty threshold has been dropping. The national statistical institute did a projection anchored in time for the at-risk-of-poverty indicator and concluded that if the threshold remained the same as in 2009 the number would not be 17.9 but 24.7 in this indicator alone¹. The same goes for child poverty² – the support we provide is telling us that parents are no longer able to deal with education expenses and health expenses. Although the global figure shows a minor decrease, it was the group that was most affected by the increase of the at-risk-of-poverty and social exclusion rate (an increase of 2.6 p.p. compared to 2011 – from 21.8% to 24.4%). Families with minors are also at a higher risk of poverty (in 2009 they represented 19.1%, and in 2012, 22.2%).

We maintain that the same kind of people are looking for our services: people with not enough income to meet basic expenditure needs; people without a job or on a low salary; people that have seen their social benefits being cut; the unemployed without unemployment benefits and not able to apply to other social benefits because they are not eligible but have no source of income. A worrying trend is the university students that are asking us for support in paying for their fees.

One other trend is the number of people having left the country. It is estimated that between 150,000 to 200,00 persons left Portugal between 2011 and 2014 in order to look for a job. Youth represented 50% of the permanent emigrants in 2012, an increase of 14.5 p.p. compared to 2011³ and 39% of temporary emigrants in 2012, an increase of 6.3 p.p. compared to 2012. 31.7% of the unemployed population is between 15 and 29 years of age. Youth (aged 15 to 29) represent only 15.5% of the employed population. Youth have, on average, a 23.2% lower salary than the other groups (€622,00 for youth compared to €810,00 for other workers). The situation is even more relevant to young women. One further aspect is the reduction in social benefits.

2.2

Recent policy developments

Of the social protection system from 2013 to 2014, 158,000 saw their social support being cut or reduced:

Regarding unemployment benefits, 61,000 people stopped receiving unemployment benefits. In a country where 14% of the active population (or 728 thousand persons) are registered unemployed, only 45% of them (323,065) receive unemployment benefits. The active population decreased by 0,9% (less 47 thousand people) and the employment rate increased slightly.

There have been 45,000 fewer minimum income beneficiaries since July 2013. In July 2014 the number of beneficiaries was 217,410. In July 2013 it was 262,759. There have been 52,000 fewer elderly complement beneficiaries since July 2013. In July 2014 the number of beneficiaries was 172,570. In July 2013 it was 225,189. These are the 3 main social benefits for the most deprived and the impact is significant. We need to add to these the substantial cuts in health (200 million euros less) and education (370 million euros less) foreseen for the 2014 national budget.

¹ http://www.ine.pt/ngt_server/attachfileu.jsp?look_parentBoui=215413109&att_display=n&att_download=y

² http://www.ine.pt/ngt_server/attachfileu.jsp?look_parentBoui=221815773&att_display=n&att_download=y

³ http://www.ine.pt/ngt_server/attachfileu.jsp?look_parentBoui=219698639&att_display=n&att_download=y

Assessment of Portugal Country Specific Recommendations (CSRs) adopted in 2014:

There are no CSR on tackling poverty. Recommendation 1 is contradictory as it recommends higher control (cuts or no increase) in health sector expenses. Recommendation 2 suggests an increase to the minimum wage only if it is "consistent with the objectives of promoting employment and competitiveness" but economic indicators are not consistent (a reduction on exports, for example). Recommendation 3 asks for further measures to tackle labour market segmentation that mean less protection within collective bargaining. More activation measures are required (at the end of the recommendation) but there is no significant number of jobs being created and the salaries offered are substantially lower (in many cases the minimum salary) thus significantly reducing job protection.

One positive aspect is recommendation 3 that asks for an increase of the threshold for eligibility for the minimum income scheme. But it is contradictory with the expenditure controls for this measure.

2.3

Recommendations

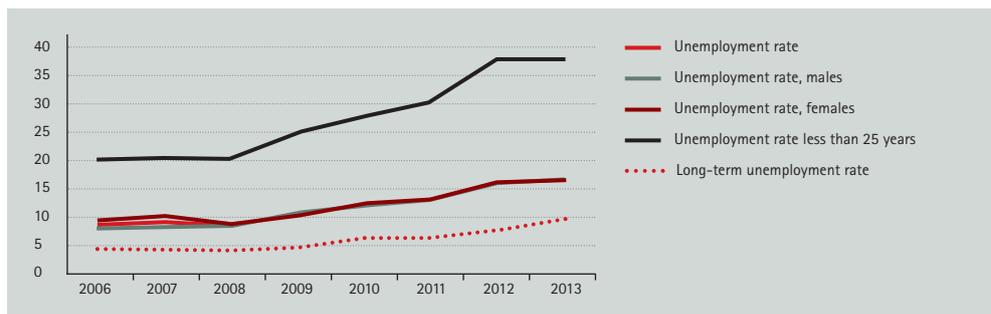
Given the above assessments, Caritas recommends the following policy measures be introduced in order to address the challenges related to poverty and social exclusion:

- Introduce a national strategy to fight poverty and social exclusion that includes independent poverty observations; a lifelong learning programme; and cross cutting measures in employment (reduction of precariousness, an inclusive labour market, adequate income policies, etc), health (attention to those at higher risk, better communication between health and social services, support to families with dependents, etc), housing (increase low cost housing, municipal housing quotas, increase the quality of social housing, etc), social protection (social service teams with better training, more networking, investment in prevention, calculation of an adequate threshold for social benefits, etc) and justice (more proximity to people). The Strategy also needs a governing model that promotes coordination, transparency and participation.
- Reduce the "time gap" of the statistics related to poverty and social exclusion, similar to the employment statistics (every three months or at least every semester) or the economic statistics.
- Create national platforms against poverty, similar to the European, to better monitor progress, to share information and to allow more participation.
- Discuss the possibility of social European integration, at least in some aspects.
- Review the taxation framework that is literally suffocating families.

03 Employment

3.1 Recent trends

Eurostat (% of population)	2009			2010			2011			2012			2013			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	
Portugal																
EMPLOYMENT																
Employment rate	76.5	66.1	71.2	75.4	65.6	70.5	73.4	64.8	69.1	69.9	63.1	66.5	68.8	62.4	65.6	68.3
Unemployment rate	10.7	10.5	10.6	11.8	12.2	12	12.7	13.2	12.9	16	15.8	15.9	16.4	16.6	16.5	10.8
Unemployment rate, under 25 years of age	-	-	24.8	-	-	27.7	-	-	30.1	-	-	37.7	-	-	37.7	23.4
Long-term unemployment rate	4.4	5	4.7	6.1	6.5	6.3	6.1	6.4	6.2	7.8	7.7	7.7	9.4	9.1	9.3	5.1



Development of employment indicators in Portugal (2009-2013) based on Eurostat:

- ➔ The highest absolute increase occurred in the unemployment rate for people under 25 years of age, which increased by 12.9 p.p. between the observed period, registering a rate of 37.7% in 2013, well above the EU average of 23.4%.
- ➔ The unemployment rate increased considerably, reaching a rate of 16.5% in 2013, compared to 10.6% in 2009, well above the EU average of 10.8%.
- ➔ Long-term unemployment almost doubled from 4.7% in 2009 to 9.3% in 2013.

Additional national data shows the severity of the problems reflected by the above Eurostat data:

- ➔ The 2 main reasons for people coming to Caritas are related to insufficient income and work related problems. Together they represent 35% of our users.

- ➔ Also, as stated above, the numbers of emigrants are not reflected in the statistics. According to the National Statistical Institute, in the last quarter of 2013, the labour force decreased by 2.2% compared to the same quarter of 2012.
- ➔ The aggregate reduction in wages is the result of the creation of jobs that are lower paid than the ones lost plus the reduction in real wages owing to new, flexible work arrangements. Recent policy developments

Assessment of Country Specific Recommendations (CSRs) adopted in 2014:

See the chapter on Poverty.

3.3

Recommendations

Given the above assessments, Caritas recommends the following policy measures be introduced in order to address the challenges related to the employment situation:

- ➔ Increase the period of unemployment benefits
- ➔ Discuss a "European Marshall Plan" that takes into account industrialization that is not harmful to the environment.
- ➔ Create a platform to help small and medium enterprises to foster their internationalization process.
- ➔ Facilitate lending to small and medium enterprises.
- ➔ Facilitate the role of social enterprises.

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