1. Macroeconomic Context / Troika Programme

**Background**

The global economic crisis has severely affected the Portuguese economy.

Following impressive fiscal consolidation achieved between 2005 and 2007, the global financial crisis prompted stimulus measures of some 1¼ percent of GDP over 2008–09, broadly in line with other euro area countries. Combined with the impact of the recession, the fiscal deficit increased to around 8 percent of GDP in 2009, with debt close to 80 percent of GDP. The fiscal stance is not expected to adjust substantially in 2010 but the government aims to achieve a deficit target of 3 percent of GDP by 2013. This will require structural consolidation of around 1 percent of GDP a year on average.

The banking system weathered the global financial crisis relatively well, reflecting pre-existing strengths, such as limited exposure to toxic assets, the absence of a property bubble, retail-based business models, and a sound supervisory/regulatory framework. However, some vulnerabilities increased as investment portfolios suffered, credit quality declined, funding large wholesale borrowing requirements became more difficult, and the already high concentration of loans to large exposures rose. The authorities have taken decisive steps to address these vulnerabilities, including raising the coverage limit for deposit insurance, instituting facilities to recapitalize banks and guarantee their borrowing, and recommending that all banks bring their Tier 1 capital ratios to 8 percent.¹

### Portugal: Selected Economic Indicators, 2004–10

#### Real economy (change in percent)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>1.5</td>
<td>0.9</td>
<td>1.4</td>
<td>1.9</td>
<td>0.0</td>
<td>-2.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Domestic demand</td>
<td>2.7</td>
<td>1.6</td>
<td>0.7</td>
<td>1.7</td>
<td>1.3</td>
<td>-2.9</td>
<td>0.3</td>
</tr>
<tr>
<td>CPI (year average, harmonized index)</td>
<td>2.5</td>
<td>2.1</td>
<td>3.0</td>
<td>2.4</td>
<td>2.7</td>
<td>-0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Unemployment rate (percent)</td>
<td>6.7</td>
<td>7.6</td>
<td>7.7</td>
<td>8.0</td>
<td>7.6</td>
<td>9.6</td>
<td>11.0</td>
</tr>
<tr>
<td>Gross national saving (percent of GDP)</td>
<td>15.5</td>
<td>13.1</td>
<td>12.2</td>
<td>12.8</td>
<td>10.2</td>
<td>8.9</td>
<td>8.5</td>
</tr>
<tr>
<td>Gross domestic investment (percent of GDP)</td>
<td>23.1</td>
<td>22.6</td>
<td>22.2</td>
<td>22.2</td>
<td>22.3</td>
<td>18.8</td>
<td>18.7</td>
</tr>
</tbody>
</table>

#### Public Finance (percent of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>General government balance</th>
<th>General government balance</th>
<th>Primary balance</th>
<th>Primary balance</th>
<th>Public debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>-3.4</td>
<td>-6.1</td>
<td>-3.9</td>
<td>-2.6</td>
<td>-8.0</td>
</tr>
<tr>
<td>2005</td>
<td>-6.1</td>
<td>-3.9</td>
<td>-2.7</td>
<td>-3.4</td>
<td>-8.1</td>
</tr>
<tr>
<td>2006</td>
<td>-3.5</td>
<td>-1.2</td>
<td>0.1</td>
<td>-0.5</td>
<td>-5.0</td>
</tr>
<tr>
<td>2007</td>
<td>-2.8</td>
<td>-3.5</td>
<td>-1.2</td>
<td>0.1</td>
<td>-0.5</td>
</tr>
<tr>
<td>2008</td>
<td>-2.8</td>
<td>-3.5</td>
<td>-1.2</td>
<td>0.1</td>
<td>-0.5</td>
</tr>
<tr>
<td>2009</td>
<td>-2.8</td>
<td>-3.5</td>
<td>-1.2</td>
<td>0.1</td>
<td>-0.5</td>
</tr>
<tr>
<td>2010</td>
<td>-2.8</td>
<td>-3.5</td>
<td>-1.2</td>
<td>0.1</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

#### Money and credit (end-of-period, percent change)

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit to the nonfinancial private sector</th>
<th>National contribution to euro area M3</th>
<th>Public debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>6.1</td>
<td>9.9</td>
<td>58.3</td>
</tr>
<tr>
<td>2005</td>
<td>7.7</td>
<td>9.9</td>
<td>63.6</td>
</tr>
<tr>
<td>2006</td>
<td>8.7</td>
<td>9.9</td>
<td>64.7</td>
</tr>
<tr>
<td>2007</td>
<td>9.9</td>
<td>9.9</td>
<td>63.6</td>
</tr>
<tr>
<td>2008</td>
<td>9.1</td>
<td>9.9</td>
<td>66.3</td>
</tr>
<tr>
<td>2009</td>
<td>7.1</td>
<td>9.9</td>
<td>75.8</td>
</tr>
<tr>
<td>2010</td>
<td>...</td>
<td>...</td>
<td>83.3</td>
</tr>
</tbody>
</table>

#### Interest rates (end-period)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposit rate, up to two years</th>
<th>10-year government bond yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2.0</td>
<td>3.6</td>
</tr>
<tr>
<td>2005</td>
<td>2.1</td>
<td>3.5</td>
</tr>
<tr>
<td>2006</td>
<td>2.7</td>
<td>4.0</td>
</tr>
<tr>
<td>2007</td>
<td>3.6</td>
<td>4.5</td>
</tr>
<tr>
<td>2008</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>2009</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>2010</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

#### Balance of payment (percent of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade balance</th>
<th>Current account (including capital transfers)</th>
<th>Net official reserves (billions of U.S. dollars, end of period)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>-10.3</td>
<td>-6.1</td>
<td>10.7</td>
</tr>
<tr>
<td>2005</td>
<td>-11.0</td>
<td>-8.3</td>
<td>10.9</td>
</tr>
<tr>
<td>2006</td>
<td>-10.8</td>
<td>-9.2</td>
<td>10.4</td>
</tr>
<tr>
<td>2007</td>
<td>-12.8</td>
<td>-8.1</td>
<td>9.4</td>
</tr>
<tr>
<td>2008</td>
<td>-12.8</td>
<td>-10.5</td>
<td>10.8</td>
</tr>
<tr>
<td>2009</td>
<td>-10.2</td>
<td>-8.6</td>
<td>12.6</td>
</tr>
<tr>
<td>2010</td>
<td>-10.1</td>
<td>-8.9</td>
<td>...</td>
</tr>
</tbody>
</table>

#### Exchange rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Exchange rate regime -- euro-area member</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Present rate (December 7, 2009) U.S.$1.48 per euro</td>
</tr>
<tr>
<td>2005</td>
<td>Nominal effective rate (2000=100)</td>
</tr>
<tr>
<td>2006</td>
<td>Real effective rate (2000=100)</td>
</tr>
<tr>
<td>2007</td>
<td>100.1</td>
</tr>
<tr>
<td>2008</td>
<td>100.0</td>
</tr>
<tr>
<td>2009</td>
<td>100.7</td>
</tr>
<tr>
<td>2010</td>
<td>102.4</td>
</tr>
</tbody>
</table>

Sources: Bank of Portugal; Ministry of Finance; and IMF staff estimates and projections.

1/ Figures for 2009 and 2010 are projections.
2/ Excludes one-off measures.
3/ Includes securitized loans and corrected for loan write-offs and reclassifications.
4/ Excludes currency in circulation held by nonbank private sector.
Facing a major economic and financial crisis, Portugal was the third European country to ask for external help for being at risk of bankruptcy. It happened after years of free access to credit.

On the 3th of May 2011, Portugal and the Troika (the International Monetary Fund (IMF), the European Union (EU) and the European Central Bank (ECB) had presented a first version of the Memorandum of Understanding (MOU) that would allowed Portugal to receive a EUR 78bn financial rescue package.

The main objectives of the Portuguese troika programme are to reduce costs and raise income, acting on the following points:

**Fiscal policy**

**Objectives:** Reduce the Government deficit below EUR 10,068 million (equivalent to 5.9% of GDP based on current projections) in 2011, EUR 7,645 million (4.5% of GDP) in 2012 and EUR 5,224 million (3.0% of GDP) in 2013 by means high-quality permanent measures and minimising the impact of consolidation on vulnerable groups; bring the government debt-to-GDP ratio on a downward path as of 2013; maintain fiscal consolidation over the medium term up to a balanced budgetary position, specifically by containing expenditure growth; support competitiveness by means of a budget-neutral adjustment of the tax system.²

Portuguese companies are going to pay less single social tax. To offset the effects on public finances due to the reduction of the single social tax revenue, the memorandum provides for several measures, such as an increase on VAT rates, new permanent expenditure cuts and a raise in other taxes, provided they have no adverse effects on competitiveness.

The document promises measures to mitigate "the social impact of rising consumption taxes" to ensure that changes in social security contributions will be compensated by relocating resources in order to not jeopardize the sustainability of the pension system and finally, measures to ensure that tax changes taxes translate into lower prices.

The memorandum also states that the increase in VAT, personal income tax (IRS) and corporate income tax (IRC) already in place is to continue until 2013, but there will be a revision of the list of goods and services subject to the reduced and intermediate VAT tax rates. Madeira and the Azores will be required to increase the tax burden from 2012 in order to mitigate the gap with the mainland.

The Property Tax (IMI) will be increased to compensate a reduction of Property Transfer Tax (IMT) despite the increase of specific taxes on vehicles (ISV) and tobacco. Finance services have an ongoing reassessment of more than 5 millions properties, which will cause increased rates of property tax (IMI) to be paid by Portuguese families.

The 'troika' will also introduce an overall limit on taxpayers’ deductions of expenses on health, education and provision of household, depending on the level of income. The benefits and incentives will be frozen and is still expected that some of them disappear, and in the case of enterprises will be eliminated various exemptions, including a limit to the deduction of losses.

Regarding fraud and tax evasion, the MOU includes "concrete actions to combat tax fraud and evasion", but does not specify.

According to the latest report from the Statistics Office of the European Union in the first three months of 2012 Portugal’s public debt reached 111.7 percent of GDP, which is a requirement of 189 979 million to its creditors.

In the same period last year, Portugal had less 26,623 million Euros, with a public debt of 94.5 percent. At the end of 2011 the national debt had already exceeded the value of its GDP, reaching 184,291 million, representing 107.8 percent of GDP.

Government debt is projected to peak at around 118½ percent of GDP in 2013 and decline thereafter. The debt ratio in 2013 is estimated to be higher than in the third review mainly due to an accounting revision affecting the end 2011 debt position, the downward revision in nominal GDP, and the government’s strategy to support local governments by means of a credit line amounting to EUR 1billion to settle arrears and short-term debt. The declining debt profile starting in 2014 seems to be robust against weaker growth prospects.³

The Portuguese government debt is the third highest in the EU, only exceeded by Greece, which has values above 130 percent of GDP, and Italy, with values greater than 120 percent of GDP.

Economic activity is expected to fall by 3 percent in 2012, implying an upward revision compared with the previous review. The labour market situation is expected to worsen further in 2012, and unemployment reach 15½ percent of the labour force. In the second quarter of 2013, the unemployment rate was 16.4%, which corresponds to a total of 886.0 thousand unemployed. Increased 7.1% over the same quarter of 2012.

The rapid rise in unemployment is starting to weigh on the social security budget. The supplementary budget for 2012 had foreseen some increase in social transfers on account of adverse labour market developments. While so far the path of social transfers, notably pensions, unemployment benefits and employment support, has been in line with the supplementary budget’s implicit target, the situation is likely to worsen in the latter part of the year. When compared with the previous year, social security revenues in January-April decelerated, while spending on unemployment benefits caused a surge in expenditure, with about 42 percent of the budget allocation being executed in the first four months of the year, compared with 33½percent last year.

Following the Troika’s fifth review mission to Portugal the government announced that the Troika agreed to ease up the fiscal deficit targets for the current and next year, resulting in an extension of the timeline for reduction of the country’s budget deficit and to achieve the fiscal consolidation. The deficit targets were revised upward to 5% in 2012 (against 4.5% agreed with the Troika) to 4.5% in 2013.

For 2013, the new deficit target was fixed at 4.5%. Only in 2014, Portugal will be able to reach a deficit below 3% of GDP. New austerity measures were announced to meet the targets of the Troika. These measures penalize workers in public and private sectors and also pensioners by increasing taxes and reducing wages, and reduce the tax burden on businesses. The Government announced an increase in contributions to Social Security for workers in public

³ The Economic Adjustment Programme for Portugal, Fourth review – Spring 2012
and private sectors, from 11% to 18%. In contrast, companies are also paying 18%, compared to the current 23.75%. The civil servants will lose the equivalent of two grants, such as pensioners and private sector employees will no longer have a monthly salary.

On September 11th of 2012, the Minister of Finance Victor Gaspar announced new measures and forecasts for 2013:
- Green Receipts’ workers will pay 30.7% for social security;
- Pensioners will have an additional cut of 3.5% to 10% on their income;
- New workers Income tax bracket (IRS) for 2013 are expected to increase taxation on who is in the intermediate current levels;
- The access to Social Insertion Income (previously named Guaranteed Minimum Income) and unemployment benefits will be more conditioning;
- Rise in property taxes, dividends, capital gains and luxury goods.

The new state budget for 2013 had a notable impact on the income tax - a reduction of positions (eight went to 5) was associated with an increase in average rates of IRS, which may have contributed to reduce the progressivity of tax.

The highest rate (which was 46.5% and now 48%) is applied from € 80,000 of taxable income. About this income bracket also covers an additional fee of 2.5% of sympathy (over 80,000 € to 250,000 € Euros) or 5% (over € 250,000).

From € 40,000 of taxable income rate is 45% and the rate applicable to the lowest income increased 0.5% to 14.5%. It will also apply a surcharge 3.5%, payable monthly.

Regarding pensions, besides the suspension of holiday pay and Christmas, pensions above 1,500 euros in 2013 will suffer a cut progressively from 3.5% to 10%, similar to what happens to the wage bill public.

At the level of taxes on estates, and in parallel to the process of asset valuation that is ongoing and increasing IMI, that which is to greatly increase the amount payable for many taxpayers, the properties of high value (greater than or equal one million euros) will be subject to a new tax in place of stamp duty.

With respect to taxes on capital, to taxes on dividends and capital gains fellows go to a tax rate of 26.5% (the previous rate was 25%) and in interest on deposits, increased taxation 1.5 percentage points.

As part of the continuing strategy of correcting the fiscal imbalance, the report of OE2013 includes a set of measures aimed at reducing public expenditure. However, the consolidation effort, as presented in the Report of OE2013, focuses mainly on the side of revenue, highlighting legislative changes in fiscal headquarters. In particular, watch in 2013-will be a very substantial worsening of the tax burden primarily directed to families and to a lesser extent, businesses. The effects of increasing the tax burden over the last few years has decreased the households' disposable income and their income expectations standing reflected in the evolution of private consumption and the demand outlook for the companies. Uncertainty about the future tax environment also contributes to the postponement of consumption decisions and investment. These effects, as well as potential distortions in the economy resulting from an excessive increase in the tax burden should not be overlooked and constitute an additional risk to the success of the adjustment process of the Portuguese economy.4

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**Financial sector regulation and supervision**

**Objectives:** Preserve financial sector stability; maintain liquidity and support a balanced and orderly deleveraging in the banking sector; strengthen banking regulation and supervision; bring to closure the Banco Português de Negócios case and streamline state-owned Caixa Geral de Depósitos; strengthen the bank resolution framework and reinforce the Deposit Guarantee Fund; reinforce the corporate and household insolvency frameworks.  

Fulfilled:
- Implementation of the law for recapitalization with public funds.
- Sale of BPN. The bank was sold for 40 million euros to the Luso-Angolan BIC, on 30 March.

Ongoing:
- The process of recapitalization of banks.

**Fiscal-structural measures**

**Objectives:** Improve the efficiency of the public administration by eliminating redundancies, simplifying procedures and reorganising services; regulate the creation and functioning of all public entities (e.g. enterprises, foundations, associations); streamline the budgetary process through the newly approved legal framework, including by adapting accordingly the local and regional financial legal frameworks; strengthen risk management, accountability, reporting and monitoring.

Fulfilled:
- Adopt an amending budget.
- Operationalizing the Council of Public Finance.
- Prepare quarterly reports on compliance with the financial assistance plan to the Autonomous Region of Madeira.
- Create new rules to evaluate the Public-Private Partnerships (PPP).
- Sale of State’s position in the EDP and REN.

Partially / generally fulfilled:
- To publish the report on fiscal risks. The detailed report will be published with the State Budget for 2013.
- Create legislation to regulate the establishment and operation of the Sector State-owned Enterprises (SOEs). The legislation is being prepared and will shortly be submitted to Parliament. It has been sent to Parliament a proposal for companies in the ESS at the local level and Brussels defends that these rules should be extended to the Autonomous Regions.
- Posted Evaluation report Foundations for the purpose of assessment of the respective cost / benefit and financial viability, and making decisions about maintenance or extinction, reduction or termination of financial support, as well as on the maintenance or cessation of public utility status.

On-going:
- The law on the administrative reorganisation of local entities entered into force, allowing for the reduction in the number of parishes by at least 25 percent. Draft laws on the governance of local SOEs and the reduction in the number of management positions and administrative units will help contain fiscal risks and improve public finance management at local level. The adjustment programme of Madeira shows an overall good compliance, despite some delays.

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5 PORTUGAL:MEMORANDUM OF UNDERSTANDING ON SPECIFIC ECONOMIC POLICY CONDITIONALITY, 3 May 2011
6 Idem
The 2012 budget contains ambitious structural consolidation measures, the bulk of which are on the expenditure side. Budgetary execution for the first four months of the year is on track; however, budgetary risks are tilted to the downside as higher unemployment and the growth composition is becoming more unfavourable for fiscal consolidation than projected.

**Labour market and education**

**Objectives:** Revise the unemployment insurance system to reduce the risk of long-term unemployment while strengthening social safety nets; reform employment protection legislation to tackle labour market segmentation, foster job creation, and ease the transition of workers across occupations, firms, and sectors; ease working time arrangements to contain employment fluctuations over the cycle, better accommodate differences in work patterns across sectors and firms, and enhance firms’ competitiveness; promote labour cost developments consistent with job creation and enhanced competitiveness; ensure good practices and appropriate resources to Active Labour Market Policies to improve the employability of the young and disadvantaged categories and ease labour market mismatches.

Address early school leaving and improve the quality of secondary education and vocational education and training, with a view to raise the quality of human capital and facilitate labour market matching.

Reforms in labour and social security legislation will be implemented after consultation of social partners, taking into account possible constitutional implications, and in respect of EU Directives and Core Labour Standards.

**Fulfilled:**
- Commitment to not increase the National Minimum Wage for the period of the program of financial assistance to Portugal.
- Create an action plan to improve the quality of secondary education based on measures such as increased autonomy contracts with schools.
- Provide an action plan to align educational offerings with the needs of the labour market and create professional schools of reference, improving vocational guidance.
- In April 2012 came into force new rules concerning the unemployment insurance system. Among the changes is a reduction in the maximum amount of the benefit, which goes down from 1258 to 1048 Euros. In addition, after six months, the allowance has a cut of 10%. The maximum duration of the unemployment benefit also suffered changes. From April, the duration of this benefit varies from a minimum of five months up to a maximum of 26 months for older workers and long contribution careers. This is a very significant cut (the previous period was a minimum of nine months to a maximum of 38 months).

**Partially / generally fulfilled:**
- It was carried out a study, but the proposal of the new amounts of severance pay was not submitted yet. The Portuguese government is preparing a proposal that "aligns the value to pay for severance payments to the EU average." The proposal for the creation of the Compensation Fund (to fund a portion of the amount payable in the event of a termination payment) is not known.

**To be fulfilled:**
- Ensure wage restraint using the legislation but not publishing ordinances and decrees extensions.

The Government has already issued 12 decrees extensions of 18 agreements made, since this commitment.
**Goods and services markets**

*Energy markets*

**Objectives:** Complete the liberalisation of the electricity and gas markets; ensure that the reduction of the energy dependence and the promotion of renewable energies are made in a way that limits the additional costs associated with the production of electricity under the ordinary and special (co-generation and renewable) regimes; ensure consistency of the overall energy policy, reviewing existing instruments. Continue promoting competition in energy markets and to further integrate the Iberian market for electricity and gas (MIBEL and MIBGAS).

Some progress has been made in reducing the undue burden on end-users by reducing rents in electricity sector. Investment incentives granted retroactively have been withdrawn and a revision of the support-scheme for co-generation (under special regime) is on-going. The transposition of the Third Energy Package to liberalise the electricity and gas sectors is still progressing.

*Telecommunications and postal services*

**Objectives:** Increase competition in the market by lowering entry barriers; guarantee access to network/infrastructure; strengthen power of the National Regulator Authority.

The requirement of allowing market players to enter the universal service segment through a transparent and non-discriminatory public tender has not been yet met. Significant delays have been accumulated.

*Transport*

**Objectives:** Adopt a strategic plan to: rationalise networks and improve mobility and logistic conditions in Portugal; improve energy efficiency and reduce environmental impact;) reduce transport costs and ensure financial sustainability of the companies; strengthen competition in the railways sector and attract more traffic; integrate ports into the overall logistic and transport system, and make them more competitive.

The privatisation plan, developed through 2013, covers the areas of transport (Airports of Portugal, TAP, and freight branch of CP), energy (GALP, EDP and REN), communications (Correios de Portugal) and insurance (Caixa Seguros), as well as a number of smaller firms. The plan aims 5500 ME revenues by the end of the program, with only a partial divestment envisage for all large companies. The government is committed to go even further, through a rapid and total disinvestment of public sector shares in EDP and REN, and has hope that market conditions will allow the sale of these two companies, as well as TAP, by the end of 2011. The government will identify the time of the second review, two additional large enterprises for privatisation by the end of 2012.

The Government aims to reduce the number of workers in the public transport companies (e.g. Refer, Lisbon Metro and Metro do Porto). Currently, there are various public companies of transport merging. After reduction of two thousand people in the staff working in the public transport during the past year, the goal is to obtain one thousand “friendly” termination contracts this year. The reduction in expenditure of these companies is a priority of the reforms imposed by the troika memorandum. However, a decree issued before the ban of early retirement, the Government is now studying solutions to achieve the exit of workers and get to “friendly” contract terminations.
**Other services sector**

**Objectives:** Eliminate entry barriers in order to increase competition in the services sector; soften existing authorisation requirements that hinder adjustment capacity and labour mobility; reduce administrative burden that imposes unnecessary costs on firms and hamper their ability to react to market conditions.

**On-going:**
- The Government has made proposals to reduce the excessive rents and electricity tariff deficit.

**Partially / generally fulfilled:**
- Cost reduction policy of CMEC (Maintenance Costs of Contractual Equilibrium) is considered "very modest", taking into account the ambitions of this measure to negotiate with the operators.

**Fulfilled:**
- The measures necessary for the revision takes effect from the pay provided for cogeneration of electricity are already in place.
- Reduce barriers to entry for operators in the fixed communications market.
- Liberalization of the postal sector, through the implementation of a Community directive.

**To be fulfilled:**
- To launch a tender for the universal service telecommunications provider.

**Housing Market**

**Objectives:** Improve households’ access to housing; foster labour mobility; improve the quality of housing and make better use of the housing stock; reduce the incentives for households to build up debt.

The biggest changes contained in the memorandum of understanding signed between the troika and the government, are related to the balance of rights and obligations between landlords and tenants. The reform plan will introduce greater flexibility in trading conditions of the leases. But it also limits the possibility of transmitting the contract to first degree relatives such as children and widows, and reduces the prior notice for termination of contracts that tenants have to give landlords when they want to leave. It is also created an extrajudicial eviction procedure for breach of a contract, aiming at reducing the eviction time from 18 to 3 months.

For the lease, there is a further simplification of procedures for temporary relocation of tenants of building subject to rehabilitation works; the owner may request termination of the lease contract for rehabilitations that affect the structure and stability of buildings. In this case there must be a prior notice with a minimum of six months. The state is obliged to create standardise the rules (across the country) determining the level of conservation status of the property and the conditions to proceed with the demolition of buildings in ruin.

IMI (Property Tax) will be updated every three years for private housing and annually for commercial real estate, being mandatory for the government by the end of 2012, make a report and full traceability of all the built heritage of the country. To strengthen the rental market, will be granted a temporarily exemption of IMI for owner occupied dwellings that will be considerably reduced if the houses or properties are vacant.
Fulfilled:
- Parliament approved on 1 June, the reform of urban rental and rehabilitation.

**Framework conditions**

**Judicial system**

**Objectives:** Improve the functioning of the judicial system, which is essential for the proper and fair functioning of the economy, through: (i) ensuring effective and timely enforcement of contracts and competition rules; (ii) increasing efficiency by restructuring the court system, and adopting new court management models; (iii) reducing slowness of the system by eliminating backlog of courts cases and by facilitating out-of-court settlement mechanisms.

Fulfilled:
- Creation of the courts on Competition, Regulation and Supervision (installed in Santarém) and Intellectual Property (Lisbon). Both run from March 21, 2012. Reforms are advancing on schedule: backlog clearance is making progress; a roadmap was presented to adjust court districts; the implementation of new arbitration procedures is being completed.

**2. Income Distribution**

Compared to other EU countries, Portugal has a strongly asymmetric profile in terms of income distribution.

According to INE (National Institute of Statistics) data (Income and Living Conditions), in 2010 (EU-SILC 2011), 20% of the population with the highest income received approximately 5.7 times the income of 20% of the population with the lowest income. This inequality is even greater when we found that 10% of the richest population earns 9.4 times the income of the poorest 10%. If between 2004 and 2009 was seen a gradual decrease in inequality in income distribution in 2010, however, we are confronted with an increase in inequality. In fact, the three indicators that attempt to measure inequality in income distribution point to an increase in inequality.

**Indicators of Income Inequality (EU-SILC 2007 - EU-SILC 2011) (INE)**

<table>
<thead>
<tr>
<th>Reference year data</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini Coefficient</td>
<td>37.8</td>
<td>38.1</td>
<td>37.7</td>
<td>36.8</td>
<td>35.8</td>
<td>35.4</td>
<td>33.7</td>
<td>34.2</td>
</tr>
<tr>
<td>Inequality in income distribution ($80/$20)</td>
<td>7.0</td>
<td>7.0</td>
<td>6.7</td>
<td>6.5</td>
<td>6.1</td>
<td>6.0</td>
<td>5.6</td>
<td>5.7</td>
</tr>
<tr>
<td>Inequality in income distribution ($90/$10)</td>
<td>12.3</td>
<td>12.2</td>
<td>11.9</td>
<td>10.8</td>
<td>10.0</td>
<td>10.3</td>
<td>9.2</td>
<td>9.4</td>
</tr>
</tbody>
</table>

**EU-SILC**

<table>
<thead>
<tr>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 (po)</th>
</tr>
</thead>
</table>

Po – Interim Value;
EU – SILC: Living Conditions Survey

**At risk-of-poverty rate**

Provisional data from the Survey on Income and Living Conditions (EU-SILC), published by INE, relating to income from 2010 shows a slight increase in the population at risk of poverty (0.1 percentage points (pp). In 2010, 18% of the Portuguese population resident was living below the poverty line. However, it should be noted that the rate of at risk of poverty is based on the average income per adult equivalent, thereby allowing that the risk of poverty to be measured
taking into account the earnings of the population of a country, at a given time. So when the average income of a country increases, the poverty threshold also increases. The same happens when the average income decreases.

In Portugal, the risk of poverty threshold had a regular growth between 2003 and 2009. In 2010, however, there was a reduction on the population’s average income, leading to a decrease of approximately 3% of the risk of poverty threshold over the previous year. If the poverty threshold in 2009 was € 5,207 per year, in 2010 decreased to € 5,046 which corresponds to a reduction from 434€ to 421€ per month.

### Risk of Poverty Threshold (2004 - 2010) (INE)

<table>
<thead>
<tr>
<th>Reference year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010 (Po)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of poverty threshold- annual (€)</td>
<td>4149</td>
<td>4317</td>
<td>4386</td>
<td>4544</td>
<td>4886</td>
<td>4969</td>
<td>5207</td>
<td>5046</td>
</tr>
<tr>
<td>EU-SILC</td>
<td>2004</td>
<td>2005</td>
<td>2006</td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
<td>2011 (Po)</td>
</tr>
</tbody>
</table>

Po – Interim Value;
EU – SILC: Living Conditions Survey

The analysis of the risk of poverty according to age groups shows that younger and older populations are those who are most vulnerable, a trend that keeps unchanged since 2003. However, if the rate of young people aged under 17 at risk of poverty remains stable since 2009 (22.4%), the rate of older people decreased by 1 pp, and in 2010 was 20%. Finally, for the adult population (18 to 64 years) the poverty rate increased slightly (0.5 percentage points) compared to 2009, reaching 16.2% in 2010.

The INE statistics (2010) indicate that 27.9% of single parent families and 34.5% of large families were below the poverty line.

### Risk of Poverty Rate according to households (EU-SILC2004 - EU-SILC2011) (INE)

<table>
<thead>
<tr>
<th>Reference year income</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010 (Po)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total without dependent children</td>
<td>20.0%</td>
<td>18.5%</td>
<td>18.9%</td>
<td>18.7%</td>
<td>16.1%</td>
<td>15.4%</td>
<td>16.3%</td>
<td>15.8%</td>
</tr>
<tr>
<td>1 Adult without children</td>
<td>35.2%</td>
<td>37.1%</td>
<td>34.9%</td>
<td>33.0%</td>
<td>31.0%</td>
<td>28.0%</td>
<td>30.1%</td>
<td>27.5%</td>
</tr>
<tr>
<td>1 male adult without children</td>
<td>26.3%</td>
<td>26.4%</td>
<td>26.2%</td>
<td>23.6%</td>
<td>25.5%</td>
<td>26.4%</td>
<td>28.2%</td>
<td>26.4%</td>
</tr>
<tr>
<td>1 female adult without children</td>
<td>38.2%</td>
<td>36.1%</td>
<td>33.1%</td>
<td>30.1%</td>
<td>32.4%</td>
<td>28%</td>
<td>27.5%</td>
<td>26.4%</td>
</tr>
<tr>
<td>1 adult with less than 65 years old, without children</td>
<td>25.7%</td>
<td>28.0%</td>
<td>26.3%</td>
<td>27.3%</td>
<td>25.0%</td>
<td>20.1%</td>
<td>22.2%</td>
<td>23.2%</td>
</tr>
<tr>
<td>1 adult aged 65 or more, without children</td>
<td>41.0%</td>
<td>42.2%</td>
<td>39.8%</td>
<td>36.6%</td>
<td>34.5%</td>
<td>32.7%</td>
<td>34.9%</td>
<td>30.1%</td>
</tr>
<tr>
<td>2 Adults both with less than 65, without children</td>
<td>16.2%</td>
<td>15.2%</td>
<td>18.3%</td>
<td>17.6%</td>
<td>16.5%</td>
<td>16.4%</td>
<td>16.6%</td>
<td>16.2%</td>
</tr>
<tr>
<td>2 Adults, at least one aged 65 or more, without children</td>
<td>30.0%</td>
<td>28.1%</td>
<td>25.8%</td>
<td>26.4%</td>
<td>21.7%</td>
<td>18.7%</td>
<td>20.3%</td>
<td>19.5%</td>
</tr>
<tr>
<td>Other households, without children</td>
<td>11.5%</td>
<td>8.7%</td>
<td>9.5%</td>
<td>9.3%</td>
<td>7.4%</td>
<td>8.7%</td>
<td>9.1%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Total, with dependent children</td>
<td>20.6%</td>
<td>20.0%</td>
<td>18.1%</td>
<td>17.7%</td>
<td>20.4%</td>
<td>19.9%</td>
<td>19.1%</td>
<td>20.1%</td>
</tr>
<tr>
<td>1 Adult, with at least one child</td>
<td>34.8%</td>
<td>31.5%</td>
<td>41.2%</td>
<td>33.6%</td>
<td>38.9%</td>
<td>37.0%</td>
<td>37.0%</td>
<td>27.9%</td>
</tr>
<tr>
<td>2 Adults with one child</td>
<td>12.8%</td>
<td>14.7%</td>
<td>12.1%</td>
<td>12.2%</td>
<td>16.7%</td>
<td>13.4%</td>
<td>12.6%</td>
<td>15.6%</td>
</tr>
<tr>
<td>2 Adults with 2 children</td>
<td>24.0%</td>
<td>23.9%</td>
<td>18.6%</td>
<td>17.0%</td>
<td>20.6%</td>
<td>19.4%</td>
<td>17.1%</td>
<td>19.8%</td>
</tr>
<tr>
<td>2 Adults with 3 or more children</td>
<td>41.0%</td>
<td>42.0%</td>
<td>37.8%</td>
<td>43.3%</td>
<td>31.9%</td>
<td>36.1%</td>
<td>33.2%</td>
<td>34.5%</td>
</tr>
<tr>
<td>Other households, with children</td>
<td>17.5%</td>
<td>14.9%</td>
<td>15.8%</td>
<td>16.3%</td>
<td>18.0%</td>
<td>20.1%</td>
<td>20.7%</td>
<td>19.5%</td>
</tr>
<tr>
<td>EU-SILC</td>
<td>2004</td>
<td>2005</td>
<td>2006</td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
<td>2011 (Po)</td>
</tr>
</tbody>
</table>

Po – Interim Value;
EU – SILC: Living Conditions Survey

Note1: In the context of this survey until 2006 were considered "dependent children" individuals under 16 years, as well as individuals between 16 and 24 years economically dependent. From the EU-SILC 2007 are considered "dependent children" all individuals under 18 years, as well as individuals between 18 and 24 years economically dependent.
At risk of poverty and social exclusion

The nominal poverty line decreased 1% in 2011, according to the 2012 EU-SILC (EU Statistics on Income and Living Conditions), with an at-risk-of-poverty rate of 17.9%, a value close to the estimates for the two previous years. The shortage of income experienced by people at-risk-of-poverty when compared to the median net monetary income (relative at-risk-of-poverty gap) was 24.7%, an increase of 1.5 p.p., larger to the one observed in 2010.

The impact of social transfers, including sickness and disability benefits, family and children allowances, unemployment and social inclusion benefits in reducing the risk of poverty in 2011 was slightly smaller than the one estimated in the previous year (7.3 p.p. comparing to 7.4 p.p.). The at-risk-of-poverty rate for the unemployed population was 38.3% in 2011, a rise of 2.3 p.p. when compared to the previous year, and the proportion of people less than 60 years of age living in very low work intensity households increased 2.4 p.p. in 2011 (10.6%). On the other hand, the at-risk-of-poverty rate of families with dependent children increased to 20.4%, 2.5 p.p. above the value of such an indicator for the resident population. The gap between richer and poorer went on slightly increasing in 2011 with a Gini coefficient of 34.5% (34.2% in 2010 and 33.7% in 2009).

Population at Risk of Poverty and Social Exclusion (EU-SILC 2008 - 2011) (INE)

<table>
<thead>
<tr>
<th>Reference Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 (Po)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population at risk of poverty and social exclusion</td>
<td>26.0%</td>
<td>24.9%</td>
<td>25.3%</td>
<td>24.4%</td>
</tr>
</tbody>
</table>

Po – Interim Value;
EU – SILC: Living Conditions Survey

Europe 2020 Indicators, Portugal (EU-SILC 2008-2011) INE

<table>
<thead>
<tr>
<th>Year of survey</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 (Po)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of poverty rate after transfers social</td>
<td>18.5</td>
<td>17.9</td>
<td>17.9</td>
<td>18.0</td>
</tr>
<tr>
<td>Severe material deprivation rate</td>
<td>9.7</td>
<td>9.1</td>
<td>9.0</td>
<td>8.3</td>
</tr>
<tr>
<td>Labour intensity greatly reduced per capita</td>
<td>6.3</td>
<td>6.9</td>
<td>8.6</td>
<td>8.2</td>
</tr>
<tr>
<td>Population at risk of poverty or social exclusion</td>
<td>26.0</td>
<td>24.9</td>
<td>25.3</td>
<td>24.4</td>
</tr>
</tbody>
</table>

Material deprivation

In Portugal, in 2011, 20.9% of the population was in a situation of material deprivation, 1.6 percentage points lower than in 2009 (22.5%). In fact, between 2004 and 2011, only in 2006 there was a material deprivation rate less than the one identified in 2011. Regarding severe material deprivation, one of the concepts that integrates the at-risk-of-poverty or social exclusion indicator, there is also a trend of decrease of the population exposed to this phenomenon. In 2011, 8.3% of the population was in a situation of severe deprivation, however, in 2010 this ratio was 9% and in 2004 it was 9.9%. It should be noted that, for the

population in a situation of material deprivation, the average number of items missing - the intensity of material deprivation - is 3.6, a value similar to that registered in 2010.

### Indicators of material deprivation (EU-SILC 2004-2011) (INE)

<table>
<thead>
<tr>
<th>Reference Year data</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 (po)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material deprivation rate</td>
<td>21,7%</td>
<td>21,2%</td>
<td>19,9%</td>
<td>22,4%</td>
<td>23,0%</td>
<td>21,5%</td>
<td>22,5%</td>
<td>20,9%</td>
</tr>
<tr>
<td>Severe material deprivation rate</td>
<td>9,9%</td>
<td>9,3%</td>
<td>9,1%</td>
<td>9,6%</td>
<td>9,7%</td>
<td>9,1%</td>
<td>9,0%</td>
<td>8,3%</td>
</tr>
<tr>
<td>Intensity of material deprivation</td>
<td>3,7</td>
<td>3,7</td>
<td>3,7</td>
<td>3,7</td>
<td>3,6</td>
<td>3,7</td>
<td>3,6</td>
<td>3,6</td>
</tr>
</tbody>
</table>

Po – Interim Value; EU-SILC: Survey on Income and Living Conditions

### 3. Poverty Impact (Services, in work poverty, social protection)

The level of income of the Portuguese households translates the difficulties the country is experiencing, reflected in the negative variation registered between 2008 and 2009, of about 0.4%, and between 2010 and 2011, from about 1%.

The middle income families and their fragility due to the new situations of poverty are also increasingly exposed to social and cultural pressures of consumer and spending habits. The average pattern of the Portuguese household expenditure indicates that a high proportion of expenditure affects the costs of credits, particularly with mortgages. In this context, there has been noticed an increase of the capacity of the families to cope with these commitments, and the over-indebtedness as one of the most common factors of impoverishment and worsening of monetary poverty in recent years.

The package of austerity measures in Portugal in 2010 and 2011 have significantly increased the risk of being exposed to poverty, even though the real impact has not yet been fully measured. The combination of rising unemployment and salaries’ cuts, increased taxes and reduced social and unemployment benefits have resulted in many Portuguese families have less income and are more exposed to poverty.

The processes of indebtedness that arrived at DECO increased 51% between 2010 and 2011, announced the consumer association in its statistical bulletin of December 2011. According to data from DECO and Support Office on debt this entity had more than 5,000 open cases in 2012 (more than 1000 in 2011). Right now families have more than 5 credits. Many households have income from 3 to 5 thousand euros per month. The unemployment and deteriorating working conditions are the cause of 69% of open cases.10

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In the 3rd quarter of 2012 the number of people with loans in default was 690,516.\textsuperscript{11}

The Food Bank\textsuperscript{12} reported that its latest campaign, which occurred between 1 and 2 December 2012, collected 2914 tons of foodstuffs. These will be distributed to the IPSS 2373 will reach 373,000 people.

For Data Enhancement Programme Food in Schools\textsuperscript{13}, are being covered 4,000 students at breakfast and 6,000 students at lunch, with 2,200 cases being reported. The nationally were identified approximately 12,200 children who come to school hungry.

This program is part of a solidarity network for Social Canteens access to daily meals. In 2012 we invested 50 million euros. The Government wants to reach 960 canteens. There are currently 700 cafeterias that serve between 65 to 100 meals/day institution. The Ministry of Education has come to signal more than 12,000 students with food shortages.

According to a study conducted by the CNIS on Social Canteens\textsuperscript{14}, the total IPSS associated with the CNIS Cantina Social (324), in December 2012, provided 19,019 meals daily under the Emergency Food Program.

**Unemployment**

One of the most common and more dramatic problems that the Portuguese society faces today is unemployment, which raised severely in the last year but that was already showing worrying signs from the beginning of the last decade. The overall economic situation in Portugal has deteriorated rapidly in the last two years.

According to Bank of Portugal\textsuperscript{15} in the first half of 2012 the GVA of the Portuguese economy declined 2.3% year on year, compared with growth rates of -0.5 and -2.0% in the first and second semesters 2011, respectively. Meanwhile, the coincident indicator of economic activity Bank of Portugal showed a moderate recovery in the first half of 2012 and that extends in the third quarter, after a very sharp fall in 2011. The dynamics observed in GVA of the Portuguese economy in 2012 reflect the unfavourable evolution of the major sectors in the context of the adjustment program. On the one hand, the first half of 2012, sections of the "Industry" and "Services" recorded annual declines of 2.7% and 1.4%, respectively. Furthermore, the activity in the "Construction" dropped 13.8%, after a fall of 12.2 per cent in 2011. This development follows naturally reducing the volume public investment and the fall in demand for new housing by individuals, a context of reducing expectations about the evolution of future income. The expectation of worsening taxation on the ownership of real estate have contributed to further contraction demand. However, the marked changes observed in the market of new houses follows also the dynamics observed throughout the nineties. Investment in new housing and redevelopment grew 45 per cent in real terms in the period 1993-2000, twitching about 50 per cent in the period 2000-2011.

The performance of exports was not enough to sustain industrial activity due to the fall in the domestic market. Growth rates of turnover in the industry in domestic and foreign markets have a declining trend since 2010, but much less pronounced in the latter case. The recent

\textsuperscript{10} http://www.deco.proteste.pt/familia-vida-privada/orcamento-familiar/dossie/travar-sobre-endividamento/9
\textsuperscript{11} http://www.conheceracrise.com/indicador/63/no-de-pessoas-com-emprestimo-em-incumprimento#tab-0-0
\textsuperscript{12} In http://bancoalimentar.pt
\textsuperscript{13} RTP Data, Program 360: Radiography of Hunger, January 18, 2013.
\textsuperscript{14} Social Canteens - Contribution to the assessment, CNIS; December 2012.
\textsuperscript{15} Economic Bulletin - Autumn 2012
downturn of activity in the sector of "services" is also linked to the fall in private consumption, particularly in the sub-sectors' trade and repair of motor vehicles, hotels and restaurants.

The labour market, like the economic activity, has experienced a significant deterioration in the last decade. This deterioration is reflected in recent years by the sharp drop in the level of employment, that has been extended to cover all segments of the labour market, a structural increase in unemployment and a decrease in the active population. Concomitantly, recorded a high turnover of jobs, with particular focus on fixed-term contracts, but reducing significantly long term employment.

In the context of the trends that have marked the evolution of the labour market, employment recorded a sharp drop in the first half of 2012, translated into a rate of change of -4.2 per cent. The total employment in 2012 is at the level of observed in 1997. This reduction in the level of employment is concentrated in the period subsequent to 2008 and has been characterized at the company level, a strong reduction in the rate of job creation and lesser extent, by an increase in destruction of employment rate.

The unemployment rate estimated for the 3rd quarter of 2012 was 15.8 per cent. This value is up 3.4 percentage points from the same quarter of 2011 and 0.8 percentage points from the previous quarter.  

There were 870.9 thousand unemployed people, which corresponds to an year-on-year increase of 26.3 per cent and to a quarterly increase of 5.3 per cent (more 181.3 thousand and 44.0 thousand people, respectively). For the year-on-year increase, the following results contributed most:

* The increase of 113.5 thousand unemployed men and of 67.8 thousand unemployed women.
* The increase of 55.8 thousand unemployed aged 25 to 34 and of 67.8 thousand unemployed aged 45 and over.
* The increase of 69.7 thousand unemployed having completed an education level corresponding to the first or second stages of basic education and of 68.3 thousand having completed the (upper) secondary or post-secondary non-tertiary level of education. Together, these two levels of education explained 76.1 per cent of the overall increase in unemployment
* The increase of 158.2 thousand unemployed seeking for a new job, which explained 87.3 per cent of the overall increase in unemployment. Within that group, it stands out the increase of 100.9 thousand unemployed who came from the services sector.
* The increase of 127.5 thousand unemployed seeking a job for less 12 months or longer, which explained 70.3 per cent of the overall increase in unemployment.

The unemployed population quarterly increase came mostly from the following groups: men, young (15 to 24 years old), having completed the tertiary level of education, seeking for a new job (mainly from the services sector), and seeking a job for 12 months or longer.

There were 4 656.3 thousand employed people, which corresponds to an year-on-year decrease of 4.1 per cent and to a quarterly decrease of 0.7 per cent (less 197.4 thousand and 31.9 thousand people, respectively).

According to the figures released by the Institute of Employment and Vocational Training (IEFP) in July 2012, there was an increase of 4388 of unemployed couples when compared with the same period of last year. This means an increase of 99.3%. They survive with the social benefits paid by the State.

16 INE, Employment Statistics, 3rd Quarter 2012
Since July 2011, there is an increase in the number of unemployed in which both spouses are unemployed. July has registered the highest number of unemployed couples since October 2010. On the other hand, the rate of long-term unemployment (i.e. the percentage of the labour force unemployed for over a year) reached 8 percent, or more than half of the total rate.

In the second quarter of 2013, the unemployment rate was 16.4%, which corresponds to a total of 886.0 thousand unemployed. Increased 7.1% over the same quarter of 2012 (and decreased 1.3 percentage points compared to the 1st quarter of 2013). In parallel, the employed population was 4 505.6 thousand, which represents a decrease of 3.9% homologous. The active population decreased 2.2% compared to the same quarter of 2012 (covering 123.6 thousand people).

The activity rate of the working age population (and 15 + years) stood at 60.2%. (decreased by 1.0 pp compared to the same quarter of 2012).

INE, following further analysis conducted by Eurostat started the 2nd quarter of 2012 the regular dissemination of a new indicator: Underemployment for part-time workers. The underemployment of part-time workers covered 270.4 thousand people (corresponding to 6.0% of the total employed and 41.5% of the population employed part-time) and increased 3.6% over the second quarter of 2012 (9.4 million people) and 4.8% in compared to the 1st quarter of 2013 (12.5 million).

*In-work Poverty*

**At-risk-of-Poverty Rate according to employment status**

(EU-SILC2004 - EU-SILC2011) (INE)

<table>
<thead>
<tr>
<th>Reference Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010 (Po)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total with employment</td>
<td>12.4%</td>
<td>11.9%</td>
<td>11.2%</td>
<td>9.7%</td>
<td>11.8%</td>
<td>10.3%</td>
<td>9.7%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Total without employment</td>
<td>27.8%</td>
<td>26.6%</td>
<td>26.3%</td>
<td>26.9%</td>
<td>24.8%</td>
<td>24.4%</td>
<td>24.5%</td>
<td>24.3%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>32.0%</td>
<td>28.4%</td>
<td>31.1%</td>
<td>32.2%</td>
<td>34.6%</td>
<td>37.0%</td>
<td>36.4%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Retired</td>
<td>25.8%</td>
<td>25.1%</td>
<td>22.9%</td>
<td>23.1%</td>
<td>20.1%</td>
<td>17.4%</td>
<td>18.5%</td>
<td>17.9%</td>
</tr>
<tr>
<td>Other inactive</td>
<td>29.0%</td>
<td>27.9%</td>
<td>29.0%</td>
<td>30.2%</td>
<td>28.3%</td>
<td>29.9%</td>
<td>28.0%</td>
<td>28.4%</td>
</tr>
</tbody>
</table>

Po – Interim Value;
EU- SILC: Survey on Income and Living Conditions
**Note:** the indicators on employment status was considered the total population aged 18 years and over

The incidence of poverty among employees is the third highest in the EU. The rate of at risk of poverty among employees, in Portugal, is the third largest in the European Union and is still rising.

According to the calculations of DN (newspaper) based on data from Eurostat and INE show that the number of working poor - those living on less than 434 Euros per month - increased
nearly 12% from 2009 to 2010. There are more than 124 000 cases thicken this total number of 1.2 million working poor.

Although social support alleviates the phenomenon of poverty (people active and inactive, as pensioners and children), Portugal is in a bad position when compared with other European countries in terms of workers. In 2010, almost 31% of the workers were considered poor or at risk of being. It is the third worst position in Europe followed by Romania (50%) and Spain (41%). Eurostat has no data prior to 2009.

The latest data is from 2010, but since then the financial and economic context is changing negatively because of the austerity measures (high taxes, restrictions on unemployment benefits and other social support, increase in the unemployment rate) and this number is expected to increase.

**Social Cuts**

One of the aspects relevant in this time of economic crisis is related to the changes in the rules for access to some of the benefits and the amounts assigned to them. This situation has resulted in a reduction in the number of beneficiaries and the amounts received which necessarily has an impact on the economy of families.

In August 2010 came into force new rules on the allocation of non-contributory benefits, contained in the Stability and Growth Programme that restricted access to social supports and aims to save millions of Euros to the state coffers. The household income is now calculated on different basis. This law restricted the access to benefits like Social Insertion Income (RSI) and social unemployment. The social benefits as part of parenting and family allowance prenatal care are also covered by the new law. The rules were also applied to education, by cutting scholarships in higher and secondary education, and health, with restrictions on reimbursement of medicines, in the payment of fees, and support of users of the Social Security Units National Network of Integrated Care (elderly and bedridden), whose families have now to pay higher fees.

Two series of major cuts in child care benefits were implemented, in November 2010 and January 2012. Between December 2011 and January 2012, 67 000 families with children lost access to child benefits. Between 2010 and 2011, the state reduced by 30% its expenses on families’ support for children.

In 2012 the Government undertook another review of benefits. Among these changes is the new framework for the allocation of the Social Insertion Income (RSI) Support for the poorest individuals and families, consisting of the provision of money to meet their basic needs and inclusion program to help them integrate socially and professionally. People who are receiving RSI sign an agreement with the Social Security which undertake to comply with the program insertion. Entitled to RSI people or families in distress severe economic conditions that meet the assignment.

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17 [www.tvi24.iol.pt.../abono-de-familia](http://www.tvi24.iol.pt.../abono-de-familia)
### Social Insertion Income: Beneficiaries

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beneficiaries</strong></td>
<td>369.885</td>
<td>418.363</td>
<td>487.059</td>
<td>527.627</td>
<td>448.670</td>
<td>420.665</td>
</tr>
</tbody>
</table>

### Average amount received by each beneficiary of the Social Insertion Income

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Amount per each beneficiary</strong></td>
<td>82,7</td>
<td>87,6</td>
<td>92,6</td>
<td>87,7</td>
<td>89,4</td>
<td>84,3</td>
</tr>
</tbody>
</table>

Since July 2012, access to RSI is only be assigned after signing an insertion contract, a program that will be specific for all members of the household. Other related obligations are also concerned, for example, health and education of children, but also with the need to actively seek employment or attend vocational training. Missing a call made by the services will result in the termination of the allowance. Another innovation is that the provision of RSI is no longer attachable, "going to be subjected to the rules applicable to the remaining part of the benefits of the Social Security system." Moreover, the insertion contract must be renewed after 12 months, at which time the recipient must submit a new application with the income of the household. Until now, it was updated automatically. The Executive also changed household incomes of RSI which are accounted to access provision. Until now, the provision was forbidden for those who had bank accounts (properties and other assets) over 100 thousand Euros but this ceiling will drop down to 25 000 Euros.

In the fourth quarterly review carried out in May 2012, the government agreed to reduce pension expenditure in gross terms in 2012 by at least EUR 1,140 million by: (i) suspending the 13th and 14th monthly payments for those pensioners with monthly pension benefits of EUR 1100 or more, (ii) suspending on average and in a progressive way the equivalent of one of those monthly benefits for those with monthly pension benefits between EUR 600 and EUR 1100. The pensions of those receiving benefits below EUR 600 will be frozen and the lowest pensions will be marginally increased. In case a pensioner receives more than one pension, the consolidated pension income will be considered for the application of the thresholds defined here. These rules will also apply to subventions or subsidies paid by the government that take the nature of pensions even if designed otherwise.

**Sickness Allowance versus time of disability**

In the case of sick leave, the legislative amendments provide for the reduction of the subsidy from 65% to 55% for cases of temporary disability less than or equal to 30 days. Already beneficiaries with a temporary disability longer than 30 days and less than or equal to 90 days now receive an allowance equivalent to 60% of their salary (was 65%).

Beneficiaries who are sick more than 90 days and less than one year are entitled to an allowance equivalent to 70% of their salary. For temporary disabilities exceeding 365 days, the sickness benefit is 75% of the salary.

The most vulnerable social groups have been hardly beaten by the austerity measures implemented in Portugal. According to a report produced by the European Commissioner for

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Human Rights of the Council of Europe\textsuperscript{19}, following his visit to Portugal held on 7-9 May 2012, the government should increase efforts to mitigate the negative impact of the financial crisis, particularly on children, the elderly and the Roma communities.

Another social group particularly vulnerable to poverty and adversely affected by the fiscal austerity measures is the elderly. Pensions were frozen in 2010-2011, additionally, access to health care has become more difficult as hospital fees, co-payments by patients, the price of medicines and the costs of public transport have risen. In parallel, state subsidies for access to free transportation of sick persons have decreased and stricter means-tests have been applied, as a result of which a number of older persons living in isolated rural areas have been deprived to access health care. Moreover, the prices of gas and electricity increased roughly in 2012; consequently many persons living on low pensions have been unable to adequately heat their houses. The increase in food prices has also had a negative impact on the diet of many older persons.

Many families are withdrawing older persons from residential care centres and taking them home in order to benefit from the additional income of their pensions.

**Social Emergency Programme\textsuperscript{20}**

In order to minimize the social impact of austerity measures the Government introduced in 2011 The Social Emergency Program (SEP) which covers 5 key areas of activity - Families, Seniors, People with Disabilities, Volunteering and Social institutions - and includes social organisations and local authorities for their execution.

The implementation of the SEP includes the following measures:

**A - Families**
- Increase the Unemployment Allowance for couples with children and in cases that both household members are unemployed
- National Program for Microfinance
- Active and supportive work
- Training for inclusion
- Ensuring the delivery of meals to those who can not provide
- Ensure the donation and distribution of food and meals
- Social rental market
- Financial literacy program
- Strengthening schools in troubled neighbourhoods - TEIP
- Higher education scholarships
- Textbooks for youth attending vocational courses
- Social tariffs Transportation
- Gas and Electricity Social Tariffs
- Emergency social line
- Children at risk

**B - Seniors**
- Maintaining the purchasing power of minimum pensions, rural and social
- Bank Medicines
- Bank pharmacist

\textsuperscript{19} Report of the Commissioner for Human Rights of the Council of Europe, Nils Muižnieks, following his visit to Portugal of a 7 May 9, 2012

- Pharmacies with Social Responsibility
- Domiciliary Support - increase and improve response
- Tele alarm and Solidarity Line
- Night Centres - Promote innovative responses
- Signalling social isolation - PSP / GNR
- Improving access of the elderly to health
- Continuing Care

C - Persons with disabilities
- Enhance the employability of people with disabilities
- Maintenance of expatriate teachers in social organisations
- Ramp Program - urban barriers, architectural or communication

D - Volunteering
- Changing the law on Volunteering
- Include volunteer hours in school certificates
- Encouraging Volunteering among Younger People
- Public Administration Social responsibility programs

E - Social institutions
- Simplifying legislation of nurseries
- Simpler Legislation for Nursing/Care Homes
- Review of legislation for licensing Social equipment
- Simplification of the rules of food safety and hygiene in kitchens
- Training of trainers for these new rules
- Increasing reimbursement NSRF 75% to 85% in convergence zones
- Training managers of Social Institutions
- Credit line for non-profit institutions
- Entrepreneurship and social innovation
- Transfer of equipment from state to social institutions
- Bank of ideas – promotion of good practice
- Social Innovation Fund
- Revise Legislation on Social Aid Fund
- Card Outreach
- Law on Social Economy
- SEP evaluation

The SEP was the target of several criticisms from the opposition, but also by representatives of the Catholic Church, who denounced the palliative nature of the program. The program provides semi-annual reviews; however, the results of the measures envisaged in the program were unknown.
4. Services (health, education, public transports)

Health

The economic recession, the huge increase in unemployment, increased tax burden, the inevitable worsening of the price of services such as electricity and transport, the decrease of compensation of government employees and pensioners, the impoverishment of the people, new barriers to access health care (increase of “false” transport user fees), and worsening of working conditions in health services, combined to create hard living conditions and painful suffering in large sections of the Portuguese population.

In the Memorandum of Understanding on Specific Economic Policy Constraints, we can find that measures with a clear impact either on population or on the medical professionals, are recommended by the troika. First, the imposition to reduce the overall budgetary cost of health benefits schemes for government employees (ADSE, ADM and SAD) over the coming years. All with the aim that these systems be self-sustaining in 2016, meaning they no longer receive money from the state after that date. Thus, the Portuguese government and the troika agreed that these subsystems must be the target of a budget cut of 30% in 2012 and an additional reduction of 20% in 2013.

In the Fifth Review carried out in October 2012, it is said “The government will take the following measures to reform the health system:

- The revision of NHS moderating fees (taxas moderadoras) will result in additional revenues of EUR 150 million in 2012 and an additional 50 million in 2013
- In the light of the urgency and size of the savings needed in the health sector to address large arrears and budget limitations, plans to achieve a self-sustainable model for health-benefits schemes for civil servants will be accelerated”.

The Portuguese Observatory on Health Systems (OPSS)\(^\text{21}\) believes that the crisis and the austerity in Portugal blocked up access to health services and highlights the concern with cost containment in the sector, blaming the financial crisis and the measures envisaged in the program of the 'troika', which forced a fiscal restraint, which ultimately have a negative impact on the health of the citizens. It gives as an example the case of patients who are not exempt from paying user fees treatments that leave the first signs of improvement, the time dilation in terms of the decision to perform treatments thus "reduce costs to the detriment of patients," and even a the therapeutic response compared with later diagnostics.

The report from the Spring 2012 shows a decrease in the number of users and the use rates of medical visits in all regional health administrations and "some signs that indicate a reduction in the number of surgeries, the number of medical appointments in hospitals and emergency services in many hospitals.”

The analysis on access to health care also took into account other variables, such as the results of the survey that was applied to users of a group of pharmacies in Lisbon which indicated that about 20% not acquired all of the prescribed drugs, and among these are mostly women, unemployed and the elderly. Another variable (over which we have little data), but it indicates a worrying behaviour has to do with the transportation of persons to health care. The cost of transportation of patients, supported by NHS, the cuts had reached 65% (ARS Alentejo). This is combined with a network of public transport more expensive, especially in isolated rural areas where most of the population is elderly.

\(^{21}\) \url{http://www.observaport.org/rp2012}
In the spring 2012 report called "Health & Crisis - A nation in distress," the OPSS emphasizes that the effects of socio-economic crisis in mental health "are well known" stressing that the main symptoms are the loss of self-esteem, depression, anxiety and risk of suicidal behaviours. According to INE data, in 2010 the figures of suicide (1101) were higher than the deaths caused by car accidents (1015). The report’s authors also stated that "there is evidence on the link between mental disorder, especially in a situation of prolonged economic crisis, and its physical repercussions", influencing the cardiovascular system and the immune system. "There may be an increase on the risk of hypertension, myocardial infarction and stroke, diabetes and infections. This effect is even more evident in the lower social classes”.

As for risk behaviours, the president of the Institute on Drugs and Addiction said in the media that the crisis is causing an increase in "consumption" due to the desperate economic and social situation faced by former drug addicted and a small increase in traffic to make “easy” money.

There are multiple indications that the impoverishment of the Portuguese associated with extension and substantial increase in false "user fees" and increasing difficulty with transport (in addition to the increase of waiting time) make it difficult for many Portuguese to have access to health care.

There are emerging evidences that confirm trends related to the decreased accessibility to medicines, as well as the beginning of an economic crisis in pharmacies that will disturb their functioning, including the capacity to supply and delivery of medicines to the population.

The decrease financial capacity to purchase goods, by a significant part of the population in various sectors, associated with increased health fees, can create a problem of accessibility to essential drugs for the control of chronic diseases (for example hypertension, diabetes, etc.).

The OPSS calls the attention for the lack of a system for monitoring the effects of the crisis on health in Portugal.

**Education**

Budgetary cuts are also affecting education.

In April 2012 the government announced that the number of students per class would increase (from 28 to 30). A cap to family tax exemptions based on education expenses was also introduced. Additionally, the cuts in child benefits have a particularly negative impact on education as many parents have publicly stated that these subsidies were usually used for buying school books or covering meal costs and transport to school. In addition, the tightening of the budgets of local authorities has impacted on education as it results in less funds being available locally to support public schools.

Moreover, the amounts of scholarships for higher education students decreased and the accessing conditions for accessing scholarships were tightened. Therefore, a growing number of students are compelled to give up their studies due to severe economic constraints.

The number of students who dropped out of higher education increased by six per cent this year, according to newspaper accounts made by 'O Público'.


A total of about half of universities contacted, about 3300 students who canceled the registrations from the beginning of the school year. The reduction of scholarships and increased fees are on top of the reasons for the abandonment in Higher Education. In an overall context which has for years been characterised by a high rate of early school leavers and low skills, the budgetary restrictions on education, will have a negative impact on early school drop-out and, in turn, lead to a reappearance of child labour.

The number of unemployed teachers boosted last year. Teachers are in the 2nd position in the table of occupations with the largest growth in the number of unemployed.

On the fourth review of the Memorandum it is preview to “reduce costs in the area of education, with the aim of saving EUR 380 million by rationalising the school network including by creating school clusters; lowering staff needs; centralising procurement; and reducing and rationalising transfers to private schools in association agreements and making a more intensive use of EU funds to finance activities in the area of education”.

**Public Transports**

The entrance of ‘troika’ in Portugal led to a major reform in public transport, highlighted by two price increases during the last year and the restructuring of supply and the fusion of various companies. The memorandum of understanding signed in May last year opened the door to higher prices of tickets for passengers of public transport.

### 5. Labour Market Reforms

There are a number of on-going structural reforms under labour law, which can be divided into three areas of activity. In order to tackle labour market segmentation there were implemented several changes in labour law, including reducing the levels of compensation in case of termination of the employment contract and the abolishment of the social unemployment benefit.

In order to facilitate adjustment to the economic cycle, there are being further developed coping mechanisms of working time, particularly by expanding the system of bank hours, the reduction of accruals for additional work and improvement of the legal framework for reducing or of suspending production business in crisis.

The Government introduced four major measures – elimination of vacation and holidays, cut in overtime and reduction of severance payments for 20 days per year of work – expecting that is may ensure 5% reduction in cost per working hour.

On the Fifth Update review of the Memorandum (October 2012) we can read “The 2012 budget promotes flexibility, adaptability and mobility of human resources across the administration, including by providing training and requalification where appropriate. In addition, the mobility schemes, namely geographic mobility and the regulation on mutual agreement on contract termination, will be reinforced as an instrument to manage human resources across administrations. The human resource instruments (geographic mobility, special mobility and overtime compensation rules) are to be applied to all sectors of Public Administration, including teachers and health professionals”.

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Following the reform of the unemployment benefit system (Decree-law 64/2012 and Decree-law 65/2012 of 15 March) - which introduces a declining profile for unemployment benefits, reduces the maximum monthly amount of benefits, reduces the maximum unemployment benefits duration and increases coverage by reducing the contribution period for eligibility and by extending the system to a clearly-defined category of self-employed – the government will prepare by Q4-2012 an analysis on benefit dependency and long-term unemployment with a view to assessing whether further measures are needed to address possible deficiencies by Q1-2013.

The government will carry out reforms in the employment protection system aimed at tackling labour market segmentation, fostering job creation, and easing adjustment in the labour market.

Following the entry into force of law n. 53/2011 concerning the reform in the severance payments for new hires in line with the MoU (which reduces severance payments to 20 days per year of work for both open-ended and fixed-term contracts, while introducing a cap of 12 months of pay and eliminating the 3 months of pay irrespective of tenure for permanent contracts, and makes compulsory the partial financing of severance payments via a compensation fund) and the entry into force of law n. 23/2012 (which aligns the level of severance payments to current employees), the government will further reduce severance payments and implement the compensation fund to partly finance severance payments. Until the fund is operational, the employers remain responsible for the total of severance payments.

In consultation with social partners, the Government will, submit to Parliament by Q3-2012 draft legislation aiming at:
- aligning the level of severance payments with the EU average of 8–12 days;
- implementing the compensation fund for severance payments allowing the severance pay entitlements financed from the fund to be transferable to different employers by means of the creation of notional individual accounts.

**Dismissal for inadequacy**

Companies will now have more freedom to choose who they dismiss in case of in cases of extinction of the workplace. Until now, a group of people with similar functions, the employer had do meet certain criteria of antiquity (dismiss firstly those who are more recent on the job or who belong to the lower class of the same category). Furthermore, it eliminates the requirement to put the employee in a position compatible with his profession.

The dismissal based on inadequacy it will become possible even if changes were not introduced in the workplace. Thus, it creates space to dismissal for inadequacy when there is a substantial change in the performance of the work that may translate, for example, “continued reduction in productivity or quality.” In cases of positions of “technical complexity” or management, the dismissal may take place by passing the simple failure objectives. The law provides, however, that the dismissal can only occur because of failure to targets after the entry into force of the law. Here also eliminates the requirement to place the employee in a job compatible with his/her profession.

**Cuts in overtime**

The compensatory time off will drop by half, bringing the total to 25% in the first hour of the day, following the 37.5% and 50% on the weekly rest day or holiday. Additionally, the government eliminates the compensatory rest that was associated to it (and which
corresponded to 25% of time worked). This measure is compulsory on individual contracts and collective agreements for two years. Then, the compensation set in these contracts falls by half, unless the said rules have subsequently been amended or revised. This change will reduce the amount of time that future exemptions are indexed to compensate for overtime.

“Bank of hours” per individual negotiation
The “bank of hours” allows a company to save on overtime, making the worker to increase the effective period of daily work at heights of peaks, which can be compensated with free time, more vacation or a cash payment (value which may be less than the overtime compensation). Currently this mechanism can only be introduced by negotiation between the unions and employers in the sector, but with the entry into force of the amendments to the Labour Code will be negotiated directly between the worker and the company. In these cases, the “bank of hours” will have a maximum of 150 hours per year and allows, at heights of peaks, to increase the working time by two hours daily (up to ten). The proposal must be made in writing by the employer but if the employee does not respond within 14 days is considered accepted.

Compensation in dismissal suffers cuts but retains the rights acquired
Until last year, the redundancies due to the extinction of work positions or unsuitability of the worker, among others, were entitled to compensation the equivalent to 30 days of the base salary and seniority for each year worked, with a minimum limit of three months without any ceiling. Since the termination of the fixed-term contract entitling to two to three days of salary per month worked. The Government is to reduce the compensation in three stages.

In a first amendment to the Labour Code, already in place, the Government determined that all the people who signed a contract after 1 November 2011, are now only entitled to a lower compensation: 20 days base salary and seniority payments per year worked (against the previous 30 days), with no minimum and the maximum of 12 months (116 400 Euros or wages).

6. Social and civil dialogue

In the Portuguese case, the social dialogue had constitutional embodiment through the creation of the Economic and Social Council, which is a constitutional body for consultation and social dialogue. Its main goals are to promote the participation of economic and social agents in decision-making procedures of the organs of sovereignty, within the scope of socioeconomic issues. It is the space for dialogue between the Government, Social Partners and remaining representatives of an organised civil society par excellence. The outcome of the social dialogue is translated into social agreements, which has no legal validity, but whose orientations governments undertake to turn into laws. The Social Dialogue is an overall positive element in deepening the social participation and appears in order to promote tripartite social dialogue with a view to eventually reconcile conflicting interests and positions. Presently, in addition to contemplate the prices and incomes policy or issues specific to the area of labour relations, the social agreement also covers the area of macroeconomic policy.

In January 2012, the Government, the employers’ confederations and UGT, signed an agreement designated as a “Commitment to Growth, Competitiveness and Employment.” This agreement is undoubtedly a setback in the conditions of workers in relation to the clear weakening of social security, a clear decline and violent rights that employees have in working conditions.
In what concerns the dialogue between the Government and nongovernmental organisations and charities (known as IPSS), in July 2012, the President of the National Confederation of Solidarity Institutions (CNIS) in a letter to the Presidents of Social Solidarity Institutions confirmed that “exists a healthy environment for dialogue between the Government and the three organizations representing the Social Sector (CNIS, the Union and the Union of Mutual Mercies) giving body to what, in January, on the occasion of the signing of the Cooperation Protocol of 2011 / 12, was designated as "joint coalition". He also mentioned that the Working Group established under Order no. ¹ 13510/2011 (with a mandate to examine legislation that fits the social responses) is working very well and the National Commission for Monitoring and Evaluation of Protocols and Agreements of Cooperation has met effectively. He also refers that “Fortnightly, with agenda and therefore holders of the Ministry of Solidarity and Social Security (frequently Minister and Secretary of State always) have joined together with leaders of the three organizations’ Sector”.

However, budgetary austerity has had an important impact on the work of nongovernmental organisations and charities which provide a large number of services to vulnerable social groups such as children, the elderly, Roma, migrants and disabled people. Public subsidies have sharply decreased and payments are often delayed, which leads to important budgetary problems.

Additionally, many of these organisations face an unprecedented increase in requests for support and assistance, which has led some of them to interrupt projects and has put the existence of others at risk.

Under the program of financial recovery of Private Institutions of Social Solidarity (IPSS), developed by the Ministry of Solidarity and Social Security (MSSS) in collaboration with representatives of the two institutions, was established a line of credit to promote their financial sustainability. This credit line, in the amount of 50 million Euros, includes a subsidized rate, and a term of seven years, which fits an initial period of two years from lack of capital. In addition, the Credit Institution (Savings Montepio) participating in this project will provide the IPSS in market conditions, a credit amount up to 100 million Euros, with easy access via the protocol signed with the MSSS. To this subsidized credit line, can apply the IPSS with difficulties in meeting commitments with work, completed or in progress, conducted preferably under investment programs, including the PAIRS Program (I, II and III), measure POPH or another public program for the construction, expansion or rehabilitation of infrastructure to support social responses.

The authorities are also called upon to establish systematic co-operation and dialogue with civil society organisations as the poverty alleviation policy and practice of the state is largely dependent on their action.
7. Campaigns

At the fifth assessment mission of the bailout of Portugal by the representatives of the 'troika' (August 2012), the European Trade Union Confederation (ETUC) sounded the alarm regarding the continuation of the austerity measures and their negative effects on the life and future of the Portuguese workers and citizens. According to the ESC- which integrates the Portuguese unions CGTP and UGT - the measures imposed by the 'troika' since 2011 in exchange of a loan of 78 billion Euros in three years 'are not only ineffective and counterproductive. The two unions warned that there is no more room for sacrifices and show that the evidence of the budget overruns and the unemployment figures, the memorandum is a government program and not the Troika.

The two unions have called a general strike in November 2011 which was considered "one of the largest general strikes that took place in Portugal", transport, schools, universities, hospitals, services and many factories stopped. During 2012 there were several strikes in the civil aviation sector, but also in the transport sector, particularly on trains. In July 2012, doctors also completed a two-day strike in defence of the National Health Service.

Outside the political parties, the fight against a system that is unfair is a common thread to many social movements, such as the March 12 Movement which was born of a demonstration organised by a group of friends through facebook and that became known as "Geração à Rasca" (Generation in Difficulty). Several social movements have emerged that challenge the austerity measures and do not accept the inevitability of the rescue called Troika. Movements that join people who in one way or another are unhappy with the current system of political and economic governance. March 12 Movement, Platform 15 October, Occupy Lisbon Initiative for a Citizen Audit of Public Debt are some of the social movements born during the last year.

Photo: Jornal Negócios online
**Democracy and social resistance**

Various social movements and demonstrations in protest against the austerity measures of the government were organized in several cities of the country during the last two years.

The Protests 'Rasca Generation' (March 2011) and 'Damn the Troika!' (September 2012) represent two important initiatives in terms of mobilization and participation of Portuguese citizens. The event of 12 March also marks the beginning of major changes in the organizational structure of the modes of mobilization and contestation of Portuguese society. One of the changes has been resulted on the emergence of protests organized under the initiative of civil society activists and independent of trade unions and political parties.

During 2012 tens of thousands of people came out to the streets to demonstrate their anger, convened by civil society and organized mainly through social networks. The demonstration of 15 September was one of the manifestations with more participation from the April Revolution of 1974, which brought democracy to the country. Demonstrations have been convened in 25 Portuguese cities following an online and broadly non-party political campaign. An internet site with a name that loosely translates as “Damn the troika! We want our lives!”, first set up by Lisboners, ended up replicating online with demonstrations convened for 15 September evening in central squares up and down the country. The original signatories of the protest site declare the objective to be “the beginning of a popular peaceful rebellion” and an opportunity for everybody to say “enough!”

Similar demonstrations have also been called outside Portuguese consulates and embassies in Fortaleza (Brazil), Berlin, Barcelona, Paris and London...

2012 was a year marked by two historical General Strikes, on 22 March and 15 November, and several national events, including the February 11 and 15 and 29
September. Fights against Troika, against the new Labour Code and against the State Budget 2013. But also various sectorial struggles (transport, shipbuilding, military, teachers and educators, doctors and nurses, entrepreneurs of restoration etc) in defence of collective agreements, in defence of public services, against privatization, against the attacks on Local Government, against the right policy and blind cuts.

In recent months citizens have organized themselves and formed increasingly social movements against the government, against Troika, demonstrating their disappointment about who represents them.

The discussion around the “Social State” is on the agenda. The IMF and World Bank are already providing technical assistance to the Government to make cuts in social transfers that could reach 4 billion euros in 2014. The future of the welfare state now calls the attention of political parties, media and universities. So far, the discussion is confined to two poles. A pole, called for the reduction of social spending as part of the solution to the imbalance of public accounts. On the other hand, contends that the volume of expenditure, not only must remain as probably increase to offset the increase in unemployment and poverty risk.

On 5 October 2012, the Democratic Congress of Alternatives gathered more than 1700 people in the Aula Magna of the University of Lisbon in search of alternatives to austerity by growth, employment, social justice and decency policy. It was the culmination of a process involving more than 4000 subscribers and thematic debates in the preparatory Porto (Europe, Crisis and Alternatives), Lisbon (The Challenges of Termination of Memorandum), Coimbra (A Sustainable Economy that dignifies the work) and Braga (A Fair and Inclusive Society more).

Approved a final declaration, which highlight the defence of the complaint of the Memorandum, the requirement of debt renegotiation and the overthrow of the Government.

The Organizing Committee of the Congress of Democratic Alternatives, with the support of 176 researchers and activists, is organizing the Conference OVERCOME THE CRISIS WITH THE STATE AND SOCIAL WITH DEMOCRACY, to be held on May 11 in Lisbon. In convening to the Conference we can read: “The State and Social Democracy is not a burden or a “fat” but a muscle essential for social cohesion, and the development of our democracy. An economy that creates wealth and a fair society lack solid patterns of health and wellness, high skills, the conditions to maintain the dignity of the people when they do not work or can not work. (...) Portugal’s future as a developed country is only truly sustainable welfare state with a more robust and qualified, with appreciation of the work and fighting unemployment. You need to overcome the crisis, yes. Beat her with the State and Social Democracy.”

EAPN Portugal has been engaged in different fora and participating in different debates on Portuguese television about this issue.
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