



# EAPN Crisis Conference

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## Workshop 6: Portugal

Hélder Ferreira

Júlio Paiva

Sérgio Aires

## Objectives

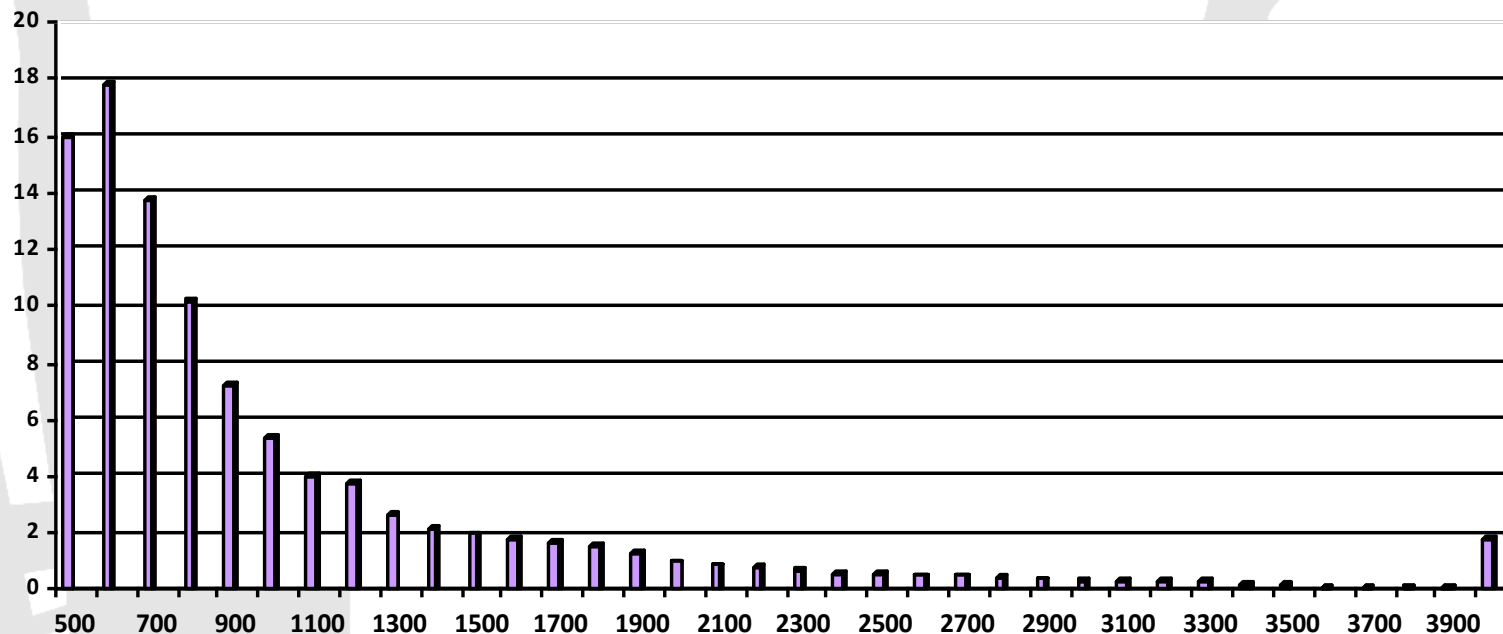
- The consequences/social impact of the crisis on people experiencing poverty and the effectiveness of governments exit strategies/influence of the EU.
- The mobilization of civil society in raising awareness and promoting more adequate/alternative social responses.

## Social inequality in Portugal

- Portugal is the 3rd country of the OECD where social inequalities are bigger;
- The amount earned by 20% of the population with the higher income is about 6 times bigger than the one of the 20% of the population with lowest income;
- This inequality is even greater when we find that 10% of the wealthiest population earns 9,2 times the income of poorest.

# Social inequality in Portugal

## Distribution of workers by monthly income



In: Farinha Rodrigues, Carlos, *Desigualdades em Portugal*

# Social inequality in Portugal

## At risk of poverty rate

- Before social transfers 42%
- After social transfers relative to pensions 24%
- After social transfers 18%
- Employed 10%

# Background Context - Timeline



**March 2011** - Portuguese Government presents NRP Portugal 2020

**22 March 2011** - Prime Minister resigns after parliament rejection of austerity measures

**7 April 2011** - Formal request for financial assistance made on by the Portuguese authorities

**17 May 2011** – “**PORTUGAL: MEMORANDUM OF UNDERSTANDING ON SPECIFIC ECONOMIC POLICY CONDITIONALITY**” signed between the European Commission and Portugal

**5 June 2011** – Legislative Elections; Coalition Government formed afterwards

**7 June 2011** - EC Country Specific Recommendations for Portugal – “...apply the policies defined in the Memorandum” (Recommendation approved by the Council of the European Union in 12 July 2011)

**01 July 2011** – Government Program Approved

**05 August 2011** – The Minister of Solidarity and Social Security presents the Social Emergency Programm (SEP)

# Consequences/Social Impact of the Crisis



## Economy

- **Decreasing GDP:** the GDP recorded a year-on-year change rate of -0.9% in volume in the 2nd quarter of 2011 (-0.6% in the 1st quarter);
- **Decreasing Consumption:** the retail trade turnover index (seasonally adjusted and at constant prices) registered a year-on-year change rate of -5.5% (-5.6% in June);
- Strong decrease of the private consumption (mainly due to the durable goods component) and investment. (INE, July 2011)
- Banco de Portugal, in the latest Economic Bulletin (Summer 2011), estimates a contraction of GDP of 2% in 2011 and 1,8% in 2012, mainly due to the decrease of private consumption and investment. Inflation will reach 3,4% in 2011 and 2,2% in 2012.

# Consequences/Social Impact of the Crisis



## Labour Market

### Unemployment

- In the 2nd quarter of 2011, the unemployment rate was 12.1% (INE), less 0.3 p.p. than in the previous quarter, in part due to seasonal effects (**EUROSTAT**: 12,2%);
- Preview of growing unemployment until 2013 (13% estimated).

### More flexibility in labour relations:

- decreasing of employee's social protection and rights;
- reduced compensations for contract termination;
- minimum compensation abolished and maximum compensation introduced.



# Consequences/Social Impact of the Crisis



## Decreasing Income:

- Special tax on Christmas Subsidy (almost 50%, for wages above the NMW);
- Income Tax Increased, by reviewing the income brackets and the tax percentages associated:
- Pension Taxes increased (pensions above 1.500 €).

# Consequences/Social Impact of the Crisis



## Rising Costs:

- **Consumer Tax:** Maximum VAT tax: 23%;
- **Goods and services with reduced and intermediary tax will be reviewed:** changes from reduced to intermediary tax and intermediary tax to maximum tax are expected, in some goods and services;
- **Utilities:** VAT increased to the maximum tax in Electricity and Distributed Gas; social tariff will be created for lower income families;
- **Public Transports:** since August 2011, tickets and passes are more expensive, 15% in average and in some cases 20% or more; the Social Tariff was created for people with lower income (problems in accessing the benefit);
- **Access to health :** doctor's appointments and medicines are more expensive.

# Consequences/Social Impact of the Crisis



## Loans, Credit and Debt

- **Housing mortgages cost increasing:** In July 2011, the interest rate and average repayments on housing loans maintain upward trend (INE);
- **House and consumer credit:** increasing difficulty for businesses and families to pay their loans - in June 2011 credit hard to recover from businesses was 5.780 million €; for families, the value was 4.270 million € (Banco de Portugal);
- **Access to Credit:** the total values of loans from banks, to businesses or families, are decreasing;
- **Increasing overindebtedness:** until July 2011, DECO (“Consumer Defense Association”) received 12.906 help requests (an average of 62 per day) and opened 2.488 support processes (2010’s total was 2.837).

# Consequences/Social Impact of the Crisis



## **Inequality**

Liquid monetary income for R/P 20 is 5,6; Gini Coefficient value is 33,7% (EU-SILC - 2009)

## **Poverty**

- According to the EU-SILC-2010 (income data: 2009), the population at risk of poverty maintains the 17,9% value;
- Social transfers reduced the proportion of population at risk of poverty in 8,5 pp;
- The enquiry for Europe 2020 indicators revealed a proportion of 25,3% individuals at risk of poverty or social exclusion.

Caritas Portugal, for example, recognized the incapacity for responding to the rapidly increase of the volume (40%) of help requests, impossible to satisfy with the current resources; this message has been repeatedly stressed in the media throughout the year.

# Government Strategies



## Social Emergency Program (SEP)

### *5 Main Guidelines*

- a) Support for families in poverty, unemployment, over indebtedness, etc, with particular focus on children;
- b) Support for the elderly with lower incomes and high health costs;
- c) Inclusion of people with disabilities;
- d) Recognition, incentives and promotion of volunteer work;
- e) Focus on social economy and the contractualization of responses.

# Government Strategies



**a) Support for families in poverty, unemployment, over indebtedness, etc, with particular focus on children**

## Some examples of measures

- Increase of unemployment benefit for unemployed couples with children
- Active and Solidarity Work – for persons with 45 years and above, LTU
- Incentives for Social Necessary Work – for beneficiaries of SII, for example
- Distribution of meals for the people who can't afford it - increase the response to hunger situations
- Donation and distribution of food and meals - combat waste in the primary sector and the distribution sector

# Government Strategies

**a) Support for families in poverty, unemployment, over indebtedness, etc, with particular focus on children (cont.)**

## Some examples of measures

- Social Renting Market – placing houses in the renting market below market prices
- Financial Literacy Program
- Free Manuals for young people in training
- Social tariff in Transports
- Social Tariff in Electricity and Distributed Gas

# Government Strategies

## **b) Support for the elderly with lower incomes and high health costs**

### **Some examples of measures**

- Sustaining minimum, rural and social pension acquisitive capacity
- Medicine Banks and Pharmaceutical Bank – fighting the waste of medicine that never entered the market; gathering and distribution of medicines
- Social Responsibility of Chemist's – plafonds for the most vulnerable
- Home Support – increase and broaden the response
- Continuous Care



# Government Strategies



## c) Inclusion of people with disabilities

### Some examples of measures

- Professional Inclusion programs
- Employability of the disabled people / Incentives for the creation of self-employment
- Ramp Program
- Caretaker Rest

# Government Strategies



## d) Recognition, incentives and promotion of volunteer work

### Some examples of measures

- Change the Volunteer Law
- Inclusion of volunteer time in school certificates
- Incentives to Young Volunteering

# Government Strategies



## e) Focus on social economy and the contractualization of responses

### Some examples of measures

- Simplify the legislation for Day Nurseries and Elderly Care Homes
- Simplify the rules for food safety and hygiene applied to the kitchens of NGO's (CHAC or 4Cs Methodology, instead of HACCP)
- Increase the QREN funding rate from 75% to 85% in the convergence regions
- Training the Leaderships of NGO's
- Credit line for social economy organizations

# Government Strategies

**e) Focus on social economy and the contractualization of responses (cont.)**

## Some examples of measures

- Entrepreneurship and Social Innovation
- Idea Bank
- Social Innovation Fund
- Review of the Social Relief Fund' legislation, so it can act as a Social Emergency Fund
- Basic Law for the Social Economy

# Mobilization of Civil Society



- Taking in consideration the momentum and the context, we're living a moment of perplexity where the citizens are still trying to understand what's going on, what is really happening and what will happen;
- Some of the organizations are claiming – **very softly** – for a special care to those most vulnerable but, in general, the main concern is with the so called “new poor”;
- The demands of urgent help from unexpected groups / persons are placing an enormous pressure on the NGO's, which almost became incapable of acting in the side of prevention.

# Mobilization of Civil Society



## What EAPN Portugal intends to do:

- Continue to lead initiatives and projects to support a constructive approach about poverty (fighting the basic welfare views and avoiding a civilizational back road on the understanding of the social phenomena);
- Continue to defend quality of services and the qualification of service providers (mainly NGO's in Portugal);
- Try to promote the existence of a national Platform of NGO's;
- Support a new “vision of the world” where social and solidary economy can play a different and innovative role;
- Build up a participation process leading to a national anti-poverty program.

# Thank you for your attention



Rua de Costa Cabral, 2368 | 4200-218 Porto  
Tel: +351 225 420 800 Fax: +351 225 403 250  
E-mail: [julio.paiva@eapn.pt](mailto:julio.paiva@eapn.pt)

Aveiro Beja Braga Bragança Castelo Branco Coimbra Évora Faro Guarda  
Leiria Lisboa Portalegre Porto Santarém Setúbal Viana do Castelo Vila Real  
Viseu

[www.eapn.pt](http://www.eapn.pt)