



Portugal

Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergies between growth and jobs policies and social inclusion policies

A Study of National Policies

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1. Summary

The Portuguese NRP 2008-2010 presents an increased potential for a feeding out analysis – not matched in terms of feeding in – which is not fully accomplished given the apparent low impact of the Social Inclusion Strategy in the definition of the NRP major challenges. In spite of the increased awareness that the NRP should be concerned with strengthening the social dimension of the Lisbon Strategy, the way to operationalise this concern into a feeding in and feeding out analysis has not yet been achieved.

An important positive achievement of the NRP is the stronger attention given to the importance of the social dimension in the presentation of the plans to address the recommendations and points to watch which are systematically reviewed. The document directly and systematically addresses all the recommendations and points to watch highlighted in the Commission's Assessments of the Portuguese National Reform Programme for Growth and Jobs, providing evidence on how Portugal has responded to those challenges in terms of results already achieved and how these efforts will be continued. In some areas there is a lack of impact assessment which would be vital from a social inclusion perspective.

One of the weaknesses of the NRP is the lack of any assessment regarding the potential impact of the economic and financial turbulence and how this may affect the actual effects of the proposed measures, both overall and taking into specific concern people at risk of poverty and social exclusion.

The feeding out perspective is the one where it is possible to identify a stronger coherence and an increased awareness. Measures related to employment provide evidence of positive improvements to be introduced regarding greater job security, better opportunities for work and family life reconciliation. The contribution of SMEs for promoting better social cohesion or the issue of adequate income from work are less achieved in the NRP proposed measures and therefore an increased effort should be put in these areas. Less accomplished is also the analysis of the impact of fiscal policies on social inclusion challenges or of the territorial challenges to be addressed, which continue to be almost absent from the NRP analysis.

The feeding in perspective is clearly the more fragile component of the NRP analysis. The presentation of the proposed measures regarding education, training and qualification reveals an explicit concern to show how the development of these initiatives can contribute in a positive way to the objectives of growth and jobs. This is the only area where the feeding out perspective has been achieved. Measures on gender equality, anti-discrimination or child and family poverty completely fail to consider the feeding in contribution.

This imbalance seems to illustrate the different degrees of mutual interaction between the NRSPSI and the NRP, both in terms of actual interaction and in terms of potential availability to welcome mutual inputs.

The assessment of the governance arrangements in the NRP is not fully addressed in the report given the lack of available information provided and the impossibility to complement that information in due time.

2. Overall assessment of implementation of the 2005-2008 NRP

The chapter on the main reforms since the last Implementation Report begins by recalling the “four big national priorities”. Similarly to what was reported on last year’s assessment report on the IRNRP1 we continue to register the persistence of a narrow perspective on what was initially defined as the fourth objective – i.e. “To reinforce employment and social cohesion” – and which is now identified as a concern “To promote the creation of jobs, to attract and retain the biggest possible number of people in their jobs and to increase the employment rate”. Once again, this reconversion of the fourth objective is, in our opinion, weakening the social dimension of the NRP proposed impact.

On the other hand, there is a clear – and continuing – concern with the achievements regarding the reduction of the risks associated to public finances and budgetary control. In fact, the report presents the goods results achieved in this area, namely the ending of the EC procedure for excessive deficit, before the deadline.

Most of the chapter deals with the achievements in the area of public finances, the reform of the Public Administration, the progress made in the science, technology and innovation domains, namely regarding the introduction or generalisation of automatic and simplified procedures.

At a macro level, the social security driver continues to represent an important dimension in terms of ensuring the sustainability of the public social security system, which is a fundamental pillar for strengthening social inclusion and social cohesion. In this assessment on the achievements made in this specific domain the NRP could have made an effort to assess the actual impact of the changes introduced by the application of the new formula to calculate reform pensions, particularly the impact of these changes on lower pensions. In fact, the Government has just announced (October 2008) the need to introduce changes – from the beginning of 2009 - in order to address the negative impact on those workers who made low contributions during their active life or who had an irregular working trajectory, in terms of social security contributions. The need to evaluate this impact had been object of several recommendations, namely by the Economic and Social Council.

This is an example of a specific situation where the need to strengthen the impact assessment of measures has clear relevance from a social inclusion perspective.

The section on qualification, employment and social cohesion directly addresses relevant issues for a potential analysis in terms of feeding in and feeding out.

Such is the case of the results regarding the implementation of the New Opportunities Initiative, the enlargement of the scope of the school social action measures, of the increased access of children to pre-schooling, of the reduction in the levels of school drop-out and school failure, of the reinforcement of Initiatives directly addressing unemployed adults and young people, the performance of the AGIIRE initiative addressing negative impacts of entrepreneurial transition and restructuring and the initiatives addressing non-declared labour or abusive temporary labour.

In all these areas, the NRP presents concrete results of progress which in some areas allow us to assess the impact of the measures undertaken (e.g. education indicators regarding school drop-

1 Baptista, Isabel (2007) *Portugal - Trends, Recent Developments, “Feeding in” and “Feeding out” - A Study of National Policies*. Lisbon: CESIS/EC.

out and school failure) and in others (e.g. intervention programmes for the unemployed) give us an indication of the physical execution (nr. of contacts, nr. of people involved) of the programme/initiative, but not on the actual impact of the measure on the beneficiaries.

A good example of an increased effort to assess the impact of programmes also relevant from a social inclusion perspective is the external evaluation made on users of the National Network of Continued Integrated Care. In this specific case, the NRP reports on some interesting evaluation results arising from this external evaluation made on the programme which give us some insight on the positive impact of this specific service on the population targeted by this initiative (people who after hospitalisation continue to require a continuity of in-patient treatment in non-hospital units).

A final overall comment on the NRP chapter devoted to the assessment of the main reforms over the past twelve months regards the link with the social protection and social inclusion process. The National Strategy for Social Protection and Social Inclusion (and explicitly the NAPincl) is referred to in the NRP in a rather descriptive and inconsequent way. In fact, there seems to be a concern to refer the existence of NSRSPSI and the NAP, describing its role in the implementation of “inclusive policies”, describing the priorities defined by the NAPincl but no mention is made to the synergies or interactions created between them, even in areas where there are obvious links between the documents.

Once again, the overall impression is that the importance of the NSRSPSI contents are marginal regarding the “major challenges identified” in the NRP even though it directly addresses and reports on many measures and initiatives directly addressing social inclusion challenges and which are present in the NAPincl. In fact, the NRP provides more information on actual results assessment regarding measures included in the NAPincl than the NAP itself.

Increased potential of feeding out (not on feeding in) is present in the NRP but it is not addressed or explored as such, namely because the link with the Social Inclusion Strategy is not actually taken on board.

3. Assessment of the 2008-2010 Portuguese NRP

3.1. Overall assessment

Part 1 of the Portuguese NRP directly and systematically addresses all the recommendations and points to watch highlighted in the Commission's Assessments of the Portuguese National Reform Programme for Growth and Jobs, providing evidence on how Portugal has responded to those challenges in terms of results already achieved and how these efforts will be continued.

Overall, there is a stronger attention to the importance of the social dimension in the presentation of the plans to address the recommendations and points to watch. This increased awareness is visible in the concern to explicitly take into consideration the challenges directly related to addressing the “fight against the factors that threaten social cohesion”; it is more implicitly present in some specific areas, namely those related to the improvement of the level of qualifications, and employment.

The section which is specifically devoted to answering the Commission's recommendation regarding the need to "continue fighting the factors threatening social cohesion" presents, in our opinion, several weaknesses. First, it enumerates the plans that according to the NRP enhance the reinforcement of social cohesion, but it does not explain how this is achieved. The mere existence of nine different Plans does not, by itself, create the condition to "reducing poverty and social exclusion". In fact, the contents of the Plans themselves – particularly in some cases – would have allowed for a more consistent argumentation. A second point is the assumption that all the initiatives developed to improve access to the development of businesses, particularly for the SME, contribute to consolidate social cohesion policies. It may, or may not be true, and it is important to understand how the promotion of this "favourable environment" is taking into consideration the challenges of social cohesion and social inclusion particularly at a time when increased risks of poverty and social exclusion have to be seriously considered.

On the other hand, the feeding in and feeding out perspective is not really taken on board in the document, although there are several areas where the measures proposed could have been a good ground for this exercise (e.g. employment protection, increased access to social services and equipment). There is still an underlying difficulty to make the link between growth, jobs and social inclusion objectives. In spite of the increased awareness that the NRP should be concerned with strengthening the social dimension of the Lisbon Strategy, the way to operationalise this concern into a feeding in and feeding out analysis has not yet been achieved.

An interesting analysis made by the NRP is the matrix presenting the articulation between the priority domains of the NRP 2008-2010 and the strategic priorities of the Strategic Reference Framework 2007-2013. The relationship between the six priority domains of the NRP are classified as having a "strong", "medium" or "weak" link to the five priorities of the SRF. Social cohesion (one of the five SRF priorities) is the one with the weakest links to the NRP. It only gets one strong score relationship: the one regarding the fifth priority domain "More positive mobility through qualifications, social protection and employment".

The effects of the international crisis and the need to address its impacts from the perspective of increasing risks of poverty and social exclusion are not analysed in the present document. In fact, this issue is only explicit in the document's introduction regarding the impact of the crisis in terms of the revised estimates regarding the GDP growth. Although the next months will probably see the introduction of several measures specifically addressing this new context, it would be expected that the NRP could provide some considerations regarding the possible effects of this evolution in terms of the proposed measures or on the possible impact of the present crisis in terms of poverty and social exclusion.

Finally, it is difficult to assess whether there was an actual strengthening of the links between the NRP and the SPSI process although the document states the articulation between the dimensions and measures inscribed in the NRP and the NSRSPSI. It recalls – for several times – the NAPincl priorities, but it is less clear from the document what links are in fact created between the two strategies and how do they feed into each other, particularly regarding the implementation of the measures proposed. It is true that in areas such as education there is a consistency between the measures included in both plans. However, in others, such as the ones regarding the NAPincl priority 3 "overcoming discriminations by re-enforcing the integration of people with disability, immigrants and ethnic minorities", there seems to have been rather different perspectives on the groups identified as vulnerable by the two documents (e.g. ethnic minorities).

3.2. Employment and feeding out

Before addressing the specific domain of the NRP dealing with Qualification, Social Protection and Employment (priority domain 5), we would like to make some brief comments on the second domain regarding “A favourable environment for businesses, particularly for SMEs”. The NRP proposes several measures regarding the promotion of this favourable environment, namely regarding areas such as the internationalisation capacity of Portuguese SMEs, access to financing, promotion of entrepreneurship, promotion of good practices, market dynamisation. The NRP gives no indication while presenting all these measures to their potential contribution to promoting social inclusion and social cohesion. It is clear that the concern with the potential impact of this set of measures in terms of promoting greater social inclusion is not present in this particular domain. Even in the description of the measures related to the promotion/recognition of good practices in the area of gender equality the NRP makes no considerations on how these may impact on improving better employment conditions for women, better opportunities for job career progress, more equal conditions for both men and women to better conciliate working and personal and family lives.

In Portugal one of the more important problems affecting the entrepreneurial environment is the low level of productivity, which among other things is linked to organisational deficiencies, to working conditions and the low levels of motivational aspects and lack of participation. The strong investment in technological innovation, in financial innovation, in the administrative simplification of procedures is of course crucial for the modernisation of the economic tissue and for the relaunching of competitiveness. However, given the existing and the increasing foreseen risks of increased poverty it would be expected that the NRP would consistently and intentionally address these risks, namely by understanding the crucial role of promoting social innovation as a key driver for addressing those challenges and thus actually promoting a “favourable environment for businesses, particularly SMEs”.

The fifth domain directly addresses the important dimensions of qualifications, employment and social cohesion, which means that this is the domain for a potential stronger feeding out.

This section of the NRP explicitly states the importance given to the continuity of measures that directly address important challenges regarding social inclusion and social cohesion, such as educational and training, job creation, preventing and fighting unemployment, modernising social protection systems and promoting a balance between flexibility and security in the labour market.

The measures directly addressing the later issue included in the NRP are the ones resulting from the signature (June 2008) of the Tripartite Agreement for a New System of the Regulation of Labour Relations, Employment Policies and Social Protection in Portugal.

In this context, we would like to highlight some important initiatives which may enhance greater security in the labour market, particularly those targeting temporary jobs, by limiting the conditions under which fixed term contracts may be introduced, by identifying and punishing the so-called practice of the false “green-receipts” (i.e. permanent positions occupied by “independent workers” thus reducing the company’s legal obligations and ensuring the possibility for immediate dismissal) and the fight against illegal work.

Thus, the NRP directly addresses some important hindrances affecting the operation of the labour market in Portugal which are known to be one of the sources of promoting in-work poverty.

It is vital that the implementation of these measures is effectively monitored since there is evidence that the evolution in the creation of jobs has been based on the increase of fixed short-term contracts and other forms of precarious jobs (involuntary sub-employment), which constitute an increased risk of vulnerability. Recent data released by the National Statistical Institute² shows that comparing the second quarter of 2007 and the second quarter of 2008, the increase of the number of individuals with fixed-term contract increased 9.6% compared to an increase of 0,7% among those who have a permanent contract. On the other hand, the number of individuals involuntarily working below the normal duration of work increased almost 6% in the same period.

The issue of adequate income from work – a crucial issue in the Portuguese context – is only partially addressed by the continuity of what was agreed by the Social Partners regarding the reinforced progressive increase of the Minimum Monthly Guaranteed Remuneration (national minimum salary). This issue is particularly relevant at a time when there are worrying evidences that this reference salary which should be understood as a “reference stop mark” to gain distance from and not as an adequate level of income from work is gaining importance. According to the latest data³ published by the Planning and Strategy Department of the Ministry of Labour and Social Solidarity the percentage of full time employed workers receiving the Minimum Salary started to increase in April 2006, inverting the downwards tendency registered since October 2003. This is a worrying sign that the NRP should be alert to, particularly at a time when the present and forthcoming economic constraints will probably have a strong potential for pushing that percentage up, increasing the risk of poverty for people in the labour market. The recent debate about the Government’s announcement that the compromise assumed under the scope of the Tripartite Agreement signed in 2006 according to which the National Minimum Salary would reach 450 Euros in 2009 is a good example of these foreseen trends. One of the major employers’ confederations has urged the government for an emergency meeting regarding this announcement – foreseen since 2006 – given the recent changes arising from the international crisis and the difficulties faced by companies among which “*this announcement was not welcomed*”.⁴

The continuity of the intervention programmes for the unemployed – young, adult and older workers – is ensured in the measures proposed by the NRP. These measures which clearly address a vulnerable group of people should be given a more focused approach in terms of expected results in order to better assess their effective impact on the actual integration of people in the labour market. These measures include different possible alternatives, such as: vocational training, certification of existing skills programmes, vocational apprenticeships, actual integration in the labour market. Thus, it would be important that the expected results would not only consider the number of people involved in the overall measure, but also the relative weight of those different alternatives in the responses offered to people, since their impact on the individual’s vulnerable situation may be completely different.

The immigrant population is another group which is given a specific attention in the NRP measures regarding job creation, namely through the continuity given to the Intervention

² Available in http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOESpub_boui=27309887&PUBLICACOESmodo=2

³ GEP (2008) Estatísticas em Síntese available in http://www.gep.mtss.gov.pt/estatistica/remuneracoes/igdtsintese_abril%20_2007.pdf

⁴ In *Visão* (2008) Concertação Social: CIP quer reunião urgente para discutir aumento do Salário Mínimo, available in <http://aeiou.visao.pt/Pages/Lusa.aspx?News=200810278940129>

Programme for Unemployed Immigrants. Other actions specifically addressed at the immigrant population are also included such as the active and specific support at local centres (UNIVAS), the recognition of certification, vocational training programmes and awareness raising campaigns. Given the particularly vulnerable situation of immigrant population in terms of the pattern of their integration in the Portuguese labour market it is important to ensure continuity of these measures. It would also be crucial to address the issue of the particular vulnerability of this group of workers to illegal work, given its very negative impact.

In the field of reconciliation of work and family life the NRP explicitly refers to the changes introduced by the Social Security reform, namely regarding the replacement of the former maternity, paternity and adoption leave by a parental leave and the enlargement of these benefits to independent workers.

One specific measure is foreseen for supporting the entrance into the labour market of older workers, through the granting of social security reductions or exemptions.

3.3. Economic growth, financial sustainability and feeding out

The NRP restates the importance of the impact of the consolidation of public finances and its sustainability on the long term in order to ensure the sustainability of public policies. This concern is obviously crucial for ensuring a continued and sustainable access to social protection, health and education opportunities among others. Therefore, this continued effort and the recognition that this “fiscal consolidation” aims at ensuring public policies is a very positive orientation of the NRP.

Less accomplished is an analysis of the impact of fiscal policies on social inclusion which is in fact not present in the NRP document. This is particularly worrying looking at the Portuguese context of recent years where the levels of salaries and pensions have grown very little (or nothing) and the fiscal burden has been increasing. Such concerns which have been voiced by different social partners have been addressed recently in the presentation of the State Budget for 2009, by the Minister for Finances, ensuring that the retention rate of the Individual Income Tax will only raise in the same proportion as the salaries’ increase rate for 2009.

The territorial and regional perspective is weakly addressed by the NRP, confirming the difficulty of National Plans to address this issue, in spite of the existence of some specific initiatives: the dissemination of digital inclusion access points and experimental science centres (Rede de Centros Ciência Viva) and the Partnerships for Urban Regeneration. This said, it is not possible to locate in the NRP any systematic effort to address the impact of territorial differences from a social inclusion perspective.

The same inexistence applies to the social impact of the liberalisation of services, namely the liberalisation of the electricity market. In fact, the NRP extensively addresses the issue of the Energy Market., particularly the achievements in the liberalisation of the electricity market and it even proposes an efficiency prize to consumers who manage to reduce their consumption.

The wider dissemination of internet facilities in school equipments is a positive measure to which the NRP gives continuity in this period. The launching of Programmes e.escola and e.escolinha are two initiatives which facilitate access to internet, giving particular attention to children and young people from low income families. The continuity of the 3rd Generation Choices Programme

– a good example of an initiative targeting vulnerable groups – also ensures access to internet among children and young people experiencing poverty and social exclusion.

The issues of over-indebtedness and access to housing are particularly ignored in this NRP.

As far as over-indebtedness is concerned there is a complete void of attention and nothing is in fact said about this issue. It is important to remind at this stage that according to the Bank of Portugal there has been a constant increase in the level of indebtedness of Portuguese households since 2000. This indebtedness has increased at higher rates than that of the households' available income (by the end of 2006 the total debt of Portuguese families represented 124 per cent of their available income compared to 86% in 2000). The NAPincl identifies families indebtedness as an important risk factor regarding social inclusion challenges. Taking into account the new risks arising from the present and forthcoming international situation it is awkward that the NRP does not address this issue.

In the area of housing the only information provided regards the assessment of the measures for the previous period. Housing is totally absent from the 2008-2010 NRP measures, namely from the fifth domain directly addressing social cohesion. It is difficult to understand how one of the basic social rights – access to housing – is completely absent from the NRP concerns and prospects. The impact of present crisis in the housing domain – namely the ability of families to fulfil their housing duties – has even led the Government to propose new measures for 2009 regarding the introduction of mechanisms to temporarily ease the growing burden of housing expenses on families' incomes.

3.4. Feeding in

The Education, Training and Qualification area of the NRP is the only area where there is a clear consideration of the extent to which policies and measures to be developed are seen as contributing in a positive way to the growth and jobs objectives.

The need to invest in the upgrading of the level of education of the Portuguese population is considered a major challenge for the modernisation of the entrepreneurial capacity, for the improvement of the adjustment to the demands of the labour market and for the good performance of the economy. The same applies to the proposed initiatives regarding the reform of the professional training, the New Opportunities Initiative and the implementation of the National System of Qualifications.

On the other hand, the increased access to new technologies in the school environment (access to internet, technological facilities, the increased investment in reinforcing students skills in Information and Communication Technologies) are also seen as an explicit contribution to promoting growth and jobs objectives. The fact that in this specific area there has been an explicit concern to ensure that children and young people from more low-income families are positively discriminated in order to ensure that they have the same chances to access these important resources is also a significant input to promoting social inclusion.

Less clear is the perspective of the NRP regarding the way in which measures directly addressing gender equality have an impact on growth and jobs. Although there are several measures addressed at the promotion of gender equality, namely the adoption of equality plans in the entrepreneurial sector, there is no assessment or even consideration on how these measures may have a positive impact regarding growth and jobs objectives. Gender equality initiatives are mainly presented as beneficial to families.

Anti-discrimination measures, particularly those addressing immigrant groups or people with disabilities also share the same individualistic/group perspective. The measures specifically addressing the integration of immigrants, namely regarding jobs and training, are exclusively addressed from the perspective of ensuring the immigrants rights, which of course is important, but does not reflect on the importance of enhancing their professional integration, the recognition of their skills and qualifications from the perspective of the benefits these measures have for the overall economy.

The social economy dimension is another “blank hole” in the NRP and therefore it is not possible to assess why this important sector of the economy, particularly taking into account the most vulnerable groups of the population, has not been considered relevant by the NRP.

The specific measures included in the NRP directly addressing the need to tackle child and family poverty are those related to the ones included in the subsection of priority domain 5. These are also present in the NAPincl and they refer to the increase of the National Minimum Salary, the Social Insertion Income, the Social Solidarity Complement, the increased social benefits granted to low income families. Here too, there is little evidence that allows us to say that the NRP has considered the impact of these measures in the promotion of the objectives of growth and jobs.

Overall, and apart from the education sector there seems to be an “invisible wall” that restrains the impact perspective on measures directly addressing social inclusion challenges to the individual or the family level.

On the other hand, the NSRSPSI seems to grant a greater importance to the important synergies, mutual beneficial, between economic growth, employment and social cohesion, recognising for example the important impacts of measures in the domain of gender equality, active ageing, or the enlargement of the social equipment network in terms of economic growth, productivity, job creation. In fact, from the analysis of the two documents there seems to be a greater concern from the NSRSPSI regarding growth and jobs challenges in their interconnection with social inclusion and social protection. The NRP perspective is clearly more self-centred and less opened to the inputs that the social inclusion agenda may give to the growth and jobs agenda. Reinforced mutual strengthening between the two is therefore an important challenge to be addressed in the future.

4. Governance

The information provided in the NRP regarding governance arrangements for the period 2008-2010 does not allow an actual assessment regarding either coordination mechanisms, monitoring and assessment or the involvement of stakeholders.

In fact, the only information available regarding governance arrangements is the indication given in the introduction of the document that the drafting of the document “was supported by a deep work of interaction in the framework of the InterMinisterial Coordination and Implementation Network of the Lisbon Strategy and with the economic and social partners, through an articulated work with the Social and Economic Council and with the National Council for Environment and Sustainable Development”.

The document also refers to an enlarged debate with civil society partners which produced specific contributions for the preparation of the document.

According to some NGO network representatives and to the NGOForum for Social Inclusion there has been a traditional lack of clear articulation between the NRP and the National Report for Social Protection and Social Inclusion and at the same time an awareness that the importance of the Social Inclusion agenda has been weakened by the revised Lisbon Strategy and the relative positioning between the NRP and the NSSPSI is less that of a mutual reinforced interaction but rather a hierarchical relationship.

It was not possible, for the present report, to deepen the information provided and to assess the extent to which these arrangements were effective and adequate given the need to get information directly from different stakeholders which was not compatible with time frame for producing this report.