

Portugal

Trends, Recent Developments, Active Inclusion and Minimum Resources

First Semester Report 2006

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para a Intervenção Social



On behalf of
European Commission
DG Employment, Social Affairs and Equal Opportunities

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Introductory notes

The present semester report is structured around two main chapters, according to the objectives defined in general guidance document provided by the co-ordinators.

Chapter 1 is divided into three parts: first, a general overview of the political and economic context, special emphasis being given to the political changes occurred since last general elections in February 2005, which ended a particularly unstable political period in Portugal. Available updated economic and social indicators are briefly presented. And second, a presentation of the main relevant policies during the last 12 months, all of them already arising from the work of the new Government in office, contextualised with updated available information and critical appreciation from different sources. Finally, very recent information regarding the NAP preparation and consultation process which has (again) been affected by institutional changes arising from the political change one year ago.

Chapter 2 is focused on Active inclusion policies in Portugal and it is structured around the Minimum Income Scheme (Guaranteed Minimum Income and later on the Social Insertion Income), its relevance within social policies in Portugal, its underlying philosophy, its evolution, main stakeholders and implementation practices and major changes and challenges. The importance of presenting the GMI (and its successor) derives from the fact that in our opinion it represents the best example of the new policy-mix in Portugal and the first global approach towards a new dynamics to social policy namely by trying to overcome the deeply rooted tradition of promoting mere discretionary social assistance in the country.

A list of the main relevant approved and/or implemented policy measures and respective links to further available information on those measures is provided in Annex.

To finalise we would make some brief comments on the need to produce a “self-supporting” report as the baseline of the new generation of experts’ reports. Such a task was often made quite difficult given the extremely comprehensive list of issues included in the contents demanded and the need to simultaneously explain novelties which in most cases are only understandable duly contextualised. On the other hand most of these context elements had been presented before and therefore seemed to us like a repetition. Given the size of the report it was often difficult to decide on how extensive should that context description be given the need – and obvious interest – in presenting new information.

Chapter 1 - Key trends, recent policy and legislative developments

1.1 General overview of the political and economic context

After two years of political instability, marked by two successive Governments (2002-2004 and 2004-2005), new elections took place in February 2005 and in March 2005, a new Constitutional Government led by the Socialist Party came into power (2005-2009).

According to the Prime-Minister, data on the National Accounts for 2004 show that “*The Portuguese economy went out of recession and then in again, “the indicators on trust remain unfavourable” and “unemployment has kept its long rising trajectory”.*

According to the Bank of Portugal in 2005 there was “a reduced growth of activity, a stagnation of employment levels and a rise in unemployment figures. At the same time there was an increase in the structural deficit of public accounts. In 2005 there was a worsening of the actual divergence regarding the Euro zone which reveals the difficulty that the Portuguese economy has shown in its attempts to adjust to the rules of the monetary union and to the deepening of globalisation” (Boletim de Primavera, Banco de Portugal, 2006)

During 2005 the Gross Domestic Product (GDP) only grew 0.3%, which means less 0.8 p.p.compared to 2004. This decrease is mainly due to the fall in exports and to the speeding down of investment, which has been explained by the “uncertainty regarding the demand growth expectations, in a context of high indebtedment of families and of increased competition in international markets”. (Boletim de Primavera, Banco de Portugal, 2006)

It must be stressed that these markets have lower production costs and are increasingly challenging the Portuguese traditional sectors of exports, namely the textile and footwear industry characterised by low technological investment.

Table 1 - MAIN ECONOMIC INDICATORS
Variation rates, in percentage (except where indicated otherwise)

	2004	2005
Gross Domestic Product	1.1	0.3
Private Consumption	2.3	1.8
Public Consumption	1.6	1.9
Gross Fixed Capital Formation	0.0	-2.6
Exports	5.3	0.9
Imports	7.0	1.8
Employment	0.1	0.0
Unemployment rate (% of the total of population)	6.7	7.6
Budgetary Balance (% of GDP)	-3.2	-6.0
Excluding temporary measures (% of GDP)	-5.3	-6.0
Capacity (+) / Necessity(-) of financing of the economy (% of NGI)	-5.7	-8.1

Sources: National Statistical Institute and Bank of Portugal

Both private and public consumption have increased more than the GDP, which according to the Bank of Portugal, may be explained by the “reduced levels of income taxes, the reduction of margins made by the banks and to the enlargement of the delays for loans mortgages which have continued to contain the increase of the instalments associated with debts and to sustain the expansion of credit to individuals”.

However, during the second half of 2005, the increase of TVA (from 19 to 21%) the perception of the severity of the budgetary situation and the increase of unemployment, have contributed to the decrease of private consumption.

As far as public accounts are concerned – and contrary to what had been expected given the rise in the tax revenues – there was an aggravation and the current expense grew around 7%. According to the Bank of Portugal this worsening in the public accounts is mainly due to the “*growth of social transfers, particularly pension related expenses*” and to the expenses with personnel brought about by the increase in the number of public officers (whose expenses with salaries correspond to 15% of the GDP) and by the partial defreeze of public administration’s wage tables.

According to the Employment Survey carried out by the National Statistical Institute (INE), the unemployment rate in Portugal reached 8% in the last quarter of 2005 representing an increase of 0.9 p.p. comparing to 2004 (447 300 unemployed people, i.e., more 54 600 people than registered in the same period of 2004) and an increase of 0.3 p.p. comparing to the third quarter of 2005. This quarterly rate is the highest one registered since 1998.

The highest unemployment rates were registered in the regions of Alentejo (9.4%), Lisbon Area and North (9%). The lowest values are observed in the Autonomous Region of Azores (4.4%) and Madeira (5.1%).

The analysis made by the Bank of Portugal on data collected through the Employment Survey highlights that “*the labour market evolution during 2005 was characterised by a stagnation in employment*” and “*the employment performance was consistent with the evolution of the cyclical position of the Portuguese economy, with a productivity increase per worker of 0.4 per cent (1.0 per cent in 2004).*” (Boletim de Primavera, Banco de Portugal, 2006)

The same report also stresses the evolution of employment figures considering the professional situation which was qualitatively similar to the one registered in the previous year: an increase in paid employees (0.8%) which made up for the fall registered in other types of employment (-4%). Also relevant is the increase in temporary contracts, which had fallen in 2004.

The distribution of employment by sector shows the continuing growth of the services (1.4%), resulting from the strong contribution from Public Administration, Education and Health (including private employment in these two sub sectors). The evolution of employment in industry shows a continuing trend for drop already observed in the last years.

Table 2 - EMPLOYMENT, UNEMPLOYMENT AND SALARIES
Variation rates, in percentage

	2000	2001	2002	2003	2004	2005
Global employment	1.7	1.7	0.4	-0.4	0.1	0.0
Unemployment rate (percentage of the active population)	3.9	4.0	5.0	6.3	6.7	7.6
Long term unemployment (percentage of the total unemployment)	43.8	40.0	37.3	37.7	46.2	49.9
Remuneration by worker (total of the economy) ¹ (a)	5.6	4.1	4.5	1.8	2.9	2.8
Remuneration by worker (private sector)	5.1	3.6	4.6	2.0	3.3	2.9
Work unit costs in Portugal – Total of the economy (a)	4.0	3.8	4.1	2.6	1.9	2.4
Work unit costs in the euro area – Total of the economy ² (b)	0.9	2.3	2.2	1.8	0.9	0.9

Sources: National Statistical Institute, Bank of Portugal, European Central Bank

Another important official source of information on Employment is the monthly data collected by the Employment Centres, under the responsibility of the Institute for Employment and Vocational Training (IEFP).

Recent figures show that in the end of March 2006 there were less 4 323 unemployed persons (-0.9%) than in March 2005. This is the first month, since February 2002, that there is a fall in the number of unemployed people enrolled in the Employment Centres. This fall was observed in all the regions except in the North (1.0%) and in the Azores (5.5%).

For the first time since February 2002, the figure for the registered unemployment in the Employment Centres in February 2006 is lower than any of the figures registered in the same month in any of the previous years. According to the IEFP, this fall was observed in all the regions, except in the North and the Azores. (IEFP).

By the end of March 2006 there was a total of 480 164 unemployed people registered in the Employment Centres which corresponds to a reduction of 7 772 unemployed persons comparing to February 2006 (-1.6%) and it represents the “*biggest successive reduction observed in the Month of February since 2000*” (Press release, Ministry for Labour and Social Solidarity, 18/04/06³)

The Ministry also highlights the fact that “*during March the Employment Centres received 9 796 job offers, i.e., more 26.2% than those registered in the previous month and more 5.1% than those*

(a) Gross wages from contributions and taxes on income, adjusted to the effects of temporary measures, excluding the State subsidy for “*Caixa Geral de Depósitos*”.

(b) For the three first quarters of 2006 the figure is an estimate.

³ Available at http://www.mtss.gov.pt/acessibilidade/tpl_intro_destaque.asp?520

observed in March 2005. This is the 12th consecutive month where we have seen an increase in Job offers in mainland Portugal, a situation which reveals a stronger dynamics in the economic activity.” Job placements had an increase of 21.1% comparing to February and an increase of 2.6% comparing to March 2005.

This announced decrease of unemployment and of a “stronger dynamics in the economic activity” should be carefully read – it was subjected to strong criticisms as we will see in the next chapters – since there was a methodological change in the calculation of the unemployment figures. In fact, in June 2005 cross-references with social security data had a direct impact on the unemployment figures by eliminating a considerable amount of statistical unemployed people. This was particularly felt in March 2006 when the cross-reference process reached 90%.

On the other hand, the only educational group which, in March 2006, records an increase in the number of people unemployed, comparing to the same month in 2005, is the one composed by people who have completed a university degree (*licenciados*)

In March 2006 the Local Centre recorded 42 459 unemployed people with a degree, which corresponds to 8% of the total enrolled and to an increase of 14% compared to March 2005. The IEFP highlights the “increase of 70.3% of unemployment among intermediate level professionals in education and that of 30.1% of intermediate level professionals in health and life sciences”. (Visão, April 2006)

Women accounted for almost seven in every ten unemployed women holding a degree (67.8%) and the number of women in this educational level enrolled in the unemployment centres raised 18% between March 2005 and March 2006, whereas among men in the same group the rise was 6.8%.

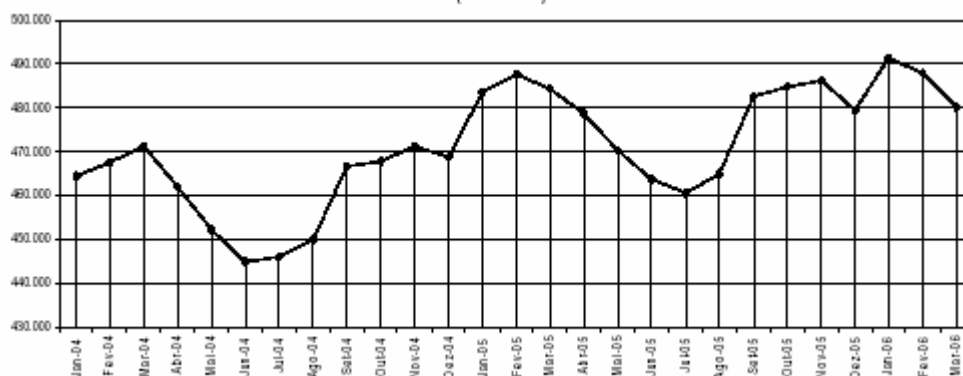
Young people also remain a particularly vulnerable group regarding unemployment. In March 2006 the number of unemployed people aged less than 25 years old, represented 13.8% of the total unemployed people. Although there is a trend for decrease (between March 2005 and March 2006 there was a 7.6% decrease) the figures remain very high, revealing the difficulties faced by young people in acceding the labour market.

According to IEFP data, the rate of long term unemployment has dropped 2.9 p.p. comparing March 2005 and March 2006, falling from 42% of the total registered unemployed people to 40.9%. However, recent data released by INE (19/05/06) show that the long term unemployment registered a growth of 12.6% between the first quarter of 2006 and the first quarter of 2005. (INE: 2206) To sum up, the lower percentage of LTU on the total registered unemployment is mainly due to the higher overall increase in shorter term unemployed people.

This recent release of the latest unemployment statistics by the IEFP would raise a vivid public debate around the “real” meaning of the trends revealed. Political opposition parties and trade unions have made critical observations on the data and on the conclusions drawn by governmental bodies.

The first aspect relates to the drop in unemployment rates relating to March. According to one of the major trade union federations (UGT) there is an “historical trend for the reduction of unemployment between March and August, given the rise of some seasonal activities, such as agriculture, tourism and building”. The figure below shows how this trend has been recurrent since January 2004:

**Table 3 – UNEMPLOYMENT EVOLUTION
January 2004 to March 2006**



Source: UGT - http://www.ugt.pt/comunicado2_17_04_2006.pdf

On the other hand, UGT also counterpoints that the global fall in the number of people who have been counted as unemployed in the Local Employment Centres is probably connected to the “intensity of active employment and vocational training policies as well as to the way the IEFP services are working namely regarding the management, monitoring and control of unemployment, without it being possible to evaluate the impact of those changes, namely how many professional probation situations turn into actual employment”. (UGT, Press release 17/04/06)

According to the opposition parties, the main reason for this drop is linked to the change in the calculation of unemployment figures, as referred to before. However, responding to these criticisms the President of the IEFP states that all those people that were statistically unemployed and who were withdrawn from the data base – following the cross-reference process with Social Security – were in fact already employed.

The data released on the 19th May by the Employment Survey data (collected by INE), regarding the first quarter of 2006, confirms the growing trend of unemployment figures already registered in the last quarter of 2005.

Another important issue raised by Eugénio Rosa relates to the fact that it is impossible to talk about sustainable unemployment decrease in a context of very low economic growth. According to the Green Book on Labour Relations, published by the Ministry of Work and Social Solidarity, the empirical evolution of the last 20 years shows that the unemployment rate only starts decreasing in a sustainable way when the economic growth rate overcomes 2.5%, which is far above the present situation. (Eugénio Rosa, 20/05/06)⁴

On the other hand, even the data released by INE, according to some opposition party analysts, does not truly reflect the serious unemployment situation. According to Eugénio Rosa, the INE data shows that “official unemployment reached 447 300, but the corrected unemployment, including actual

⁴ Available at http://resistir.info/portugal/taxa_desemprego_1trim06.html

unemployed people who are not counted in the official unemployment figures, reached 579 400 people. In 2005, the official unemployment rate was 8%, but the corrected unemployment rate was already 10.4%". (Eugénio Rosa, 28/02/06)⁵

The same economist explains that the actual unemployment rate is calculated ignoring all those unemployed people "who although without a job and willing to work, did not actively do anything regarding their situation in the month of the survey. They are the so-called «available inactive». Out of the official figure are also all those who are not working, who may even have looked for a job in the month of the survey, but who have performed an occasional task («biscate»), even if it was only one hour long. This group is the so-called «visible under-employment»". (Eugénio Rosa 28/02/06)⁶

The tables below prepared by the above mentioned economist show the evolution of unemployment figures (official and corrected unemployment) and of the visible under-employment between 2001 and 2005.

Table 4 - OFFICIAL UNEMPLOYMENT AND CORRECTED UNEMPLOYMENT IN THE PERIOD 2001-2005

	4º quarter 2001	4º quarter 2004	4º quarter 2005	Variation 2001-2005
1 - Active persons - 1000	5.223,0	5.523,6	5.581,1	
2 - Oficial unemployment - 1000	216,1	389,7	447,3	231,2
3 - Aailable inactive - 1000	82,1	72,4	72,5	
4 - Vsible under-employment - 1000	39,3	63,2	59,6	
5 - Corrected unemployment – 1000 = (2+3+4)	337,5	525,3	579,4	241,9
6 – Oficial unemployment rate = (2:1)	4,1%	7,1%	8,0%	3,9%
7 – Corected unemployment rate = (5:1)	6,5%	9,5%	10,4%	3,9%

Sources: National Statistical Institute, employment statistics: 4º quarter 2001 and 3ºquarter 2003

The high levels of visible under-employment are just one of the features of job precarity which has been one of the most important structural problems in the Portuguese labour market, with important consequences regarding its impact on poverty.

A study currently being undertaken by CESIS⁷ shows that, in 2000 (based on ECHP data from the 2000 wave), paid employment accounts for 22% of the total individuals below the poverty line, which corresponds to the second largest group among the poor (the first is the retired population representing 23.5%).

⁵ Available at http://resistir.info/portugal/desemprego_real_700mil.html

⁶ Idem

⁷ CESIS (2006) Poverty and Social Exclusion in Portugal– Preliminary Report (internal document)

At the same time, even when persistent poverty – understood here as those who were persistently poor across the 6 years of the panel, i.e. from 1995 to 2000 – is taken into account paid employment is the third more represented category (15.8% of the total persistent poor), after the retired (37.7%) and the self-employed (22.9%). The self-employed, the retired and houseworkers/carers are the three most vulnerable groups to persistent poverty.

These data confirm, once again, that in spite of the particular vulnerability of specific subgroups of the population, poverty in Portugal – and its persistence – is clearly linked to structural problems of economic and social nature.

1.2. Priorities and developing policies in relation to social protection and social inclusion.

In March 2005, Mr. José Sócrates presented the three major priorities for his government's action: *“Overcoming the structural factors conditioning the country's development”, “to recover economic growth and fight unemployment” and “to strongly reduce social inequalities and poverty levels”,* adding that investing in education, science and qualification will be the *“strategic priorities”, since “the best economic policy is education policy”.* Besides that, he promised to concentrate his action in *“the introduction of innovation and technological progress into the dynamics of our firms and our Public Administration”.*

According to the Social and Economic Council's (CES) report commenting on the Government's Major Planning Options (GOP) for 2005-2009, Portugal *“is facing important and deep challenges (...) not only of an economic and financial nature, but also social, cultural and behavioural. And at present Portugal is also facing not only a serious problem of competitiveness, but also a difficult social situation, characterised by the strong rise of unemployment, the deepening of social and economic inequalities, the increasing risk of poverty and social exclusion.”*(CES, 2005 :5)

In this context, and although the Council recognises the evolution registered in the present Government's strategy comparing to previous ones, it still considers it insufficient regarding a medium to long term perspective, the mobilisation of economic and social stakeholders and the *“deficit of articulation and integration of economic goals with employment and social cohesion objectives”.* (CES, 2005:9)

Other critical comments are presented by the Council, regarding the lack of objectivity in the definition of targets and objectives. Given the *“extensive list of intentions and concerns presented (...) the number of those intentions which were actually translated into concrete and quantified objectives is very limited (...) more limited is even the number of objectives translated into targets (...) which does not allow a definition of the stakeholders responsible for the implementation of the presented proposals, or the timing for their implementation and the way it will be monitored. Budget allocation for the foreseen projects is also lacking.”* (CES, 2005:9)

The non-consideration of the regional or territorial dimension of the policies and the non-integration of the Autonomous Regions of Azores and Madeira in the GOP is another raised criticism.

The Council also expresses its concern by the fact that the *“2005-2009 GOP are not linked with the principles and strategical guidelines of the Strategy”*(CES, 2005:10) and reiterates its total conviction on the importance of redynamising the Lisbon Strategy. On the other hand, the National Reform

Programme's (NRP) main goals and priorities should be explicitly framed by the GOP since the former have been developed based on the Integrated Guidelines for Growth and Jobs.

Finally, in the specific domain of the second major Option of the Government's Plan – "To reinforce social cohesion, reducing poverty and promoting equal opportunities", the Council highlights the unquestionable relevance of introducing such a goal and agrees with the different themes proposed which are considered clear priorities. Once again, however, the measures lack detail in timing, quantification and programming.

In our opinion, it is fair to say that there has been an increased concern and importance which the present Government has given to social policies. The Government's Programme dedicates a whole chapter to "New Social Policies". In this chapter, the Government specifies the desirable intervention in each of the relevant areas, defined as follows:

- "Employment and Labour Market;"
- "More and better education";
- -"Youth policies: educating towards citizenship, promoting democratic participation".
- "Social Protection and the fight against poverty: more future, better present";
- "Health: doing good to people";
- "Families, equality and tolerance";
- "Towards and inclusive immigration policy".

Still under the scope of the social policies, the Government also highlights its intention to invest in the housing policy, namely regarding the "*redefinition of the special programmes for precarious and degraded housing*" and "*the conclusion of the rehousing programmes*" (Chapter III, Programme of the XVII Constitutional Government) which have long been established.

We believe that the key policy areas and general orientations followed by the present government address the key challenges Portugal will have to face. The political commitment towards these objectives also seems clear to us. What is less clear is whether the government will be able to overcome the recurrent frailties in matching ambitious and well defined objectives with adequate programming, timing, target quantification, adequate budgeting, clear definition of responsibilities, identification of stakeholders and effective monitoring.

The following paragraphs will focus on the analysis of the main measures which have been announced and/or implemented during the last year, the context they have been born out from and the public debate arisen.

1.2.1. Social Protection and social transfers

According to Social Security data, its revenues have grown 5.9% (January to December 2005) comparing to the same period in 2004 and the total expenses registered an increase of 6.6% (January to December 2005) comparing to the same period in 2004. The revenues are still not including half of the additional revenues from the VAT rise from 19% to 21%.

Information released by the Bank of Portugal states that the revenue of actual social contributions from the contributive social security system has been constant between 2004 and 2005, having registered an increase of 3.2 % (as a percentage of GDP).

Social contributions regarding public officers had an increase of 3.0%, which is significantly less than in previous years. This may be explained by the fact that the amount paid by the State to the so-called «Caixa Geral de Aposentações» (specific body for granting and managing pensions for Public Administration workers) benefited from part of the additional revenue coming from the TVA increase, as well as from debts settling processes.

All other current expenses fell, comparing to 2004, a situation that is mainly linked to the sharp fall in revenues (71.9 %).

Primary current expenses in percentage of the GDP increased substantially during 2005 (1.6 p.p.). The performance of social transfers in cash explains about half of this evolution.

This performance is mainly associated to the levelling of the growth of expenses in pensions which is much higher than that of the nominal GDP. In fact, the expenses with pensions of the general regime and of that of the civil servants went up respectively 8.6 and 7.9 per cent in 2005 (comparing to 8.2 and 9.5 in 2004). This evolution reflects the impact of the increase of the number of pensioners, as a consequence of population aging (in the case of the general regime), as well as the effect of the rise of the average pension, arising from the updating of pensions and from the fact that the new pensioners are receiving, in average, much higher pensions than those earned by the existing ones and, above all, by those who passed away in the meantime. It is also important to mention the substantial increase of the payments related to unemployment allowances (8.5%), although not as substantial as in 2004 (11.6%).

Social transfers in kind raised 13.9 percent during 2005, giving a decisive contribution to the increase in the ratio of primary expense regarding GDP. This reflects a strong growth of the payments regarding services rendered by the entrepreneurial hospitals as well as of the costs of the National Health Service, its connecting medicine services (*“medicina convencional”*) and pharmacies.

Personnel costs went up 3.9 per cent (4.9 percent in 2004), resulting in a slight increase of its relative weight in the GDP. Such an evolution, according to the Bank of Portugal, may be explained by the end of the partial defreezing of the salaries table, by the increase in the number of civil servants and by the rise of expenses with the Public Administration's health subsystems.

Looking at the Social Security data it is possible to observe that during 2005 the unemployment allowance, the social unemployment allowance and other employment supports represented a cost of over 1 643 thousand million euros, which represents 11.7% of current expense, corresponding to a budget performance of 90.9%. The unemployment allowance alone accounted for a total of almost 1 311 thousand million euros, 6.6% higher than in 2004, which represented around 91% of the budgeted amount for 2005. As for the social unemployment allowance (granted to those people who are not entitled to the contributive regime unemployment allowance) was around 276 million euros, which corresponds to 93.4% of the budgeted cost, and represents an increase of 2% comparing to the previous year.

To ensure the long-term sustainability of Social Security has been one of the priorities of the present Government. The Government has just presented – in May 2006 – the new proposal for the reform of the Social Security system which is now under discussion among the social partners.

There are five main major proposals for reform – not yet known how they will be implemented – which directly relate to:

- a) flexibilisation of retirement age
- b) anticipation of the new calculation formula for old-age pension which will take into consideration the whole contributive record;
- (c) indexing pension's increase to the evolution of GDP and inflation turning it autonomous from political cycles;
- d) promote natality;
- e) the creation of a solidary complement to elderly persons and the reinforcement of the protection to disabled people, protection lone-parent families, children and orphans.

1.2.2 Labour market, employment and professional qualification

One of the major governmental initiatives in this domain was the revision of the Labour Code. It is important to recall that the reform of the Labour Code brought about by the previous governments was one of the most controversial reforms undertaken in the latter years, rising very strong social and political protests.

In August 2003 – following a complicated process initiated in June 2002 – a new **Labour Code** was approved which, according to the Government, was drafted given “the need to increase the productivity dynamics and allow salaries to grow”. The new Code brought together in one document a large number of aspects of labour law and amended a whole set of other already existing dispositions. It contained changes in both the collective and individual aspects of labour law.

Before its final approval, the new law was subjected to the Presidential veto given the fact that in several aspects it did not respect constitutional rights. In fact, several articles were considered unconstitutional by the Constitutional Court in June 2003, namely those allowing “direct access of the employer to information concerning the health or the pregnancy condition of the worker or candidate to a job”, the limitations introduced to the workers’ right to strike, as well as other issues concerning collective contracts.

The main trade union confederations (UGT and CGTP) - argued that the Code would have a negative impact on industrial relations. Following the approval of the document there were claims for a close monitoring of the Law regulation (started in January 2004) to avoid the introduction, at a later phase, of regulatory decrees that would “refresh” some of the dispositions considered unconstitutional by the Court, namely regarding restrictions to be imposed on workers in their trade union activities within their workplaces promoting a higher level of social conflict.

In April 2006, the Government presented the so-called Green Book on labour relations which was the first diagnosis on labour in Portugal. This document shows that, as recommended by OECD, the changes introduced in June 2003 to the Labour Code, were not enough in order to turn labour relations more flexible and adaptable, adding that the only “*its almost only consequence was to drastically reduce the role of trade unions*”.

Also in April 2006, the Government established the main guidelines for the revision of the unemployment allowance which is due to be implemented in the second semester of 2006. This revision was made following a 5 month period of social dialogue with employers and trade unions, which ended up with all parts agreeing on the final proposals. These include linking the benefit with age and the respective contributive career, to penalise the abusive use of the allowance, to hold both the unemployed and the employment centres responsible for the search of jobs, and to limit the number of agreed termination of contracts which may give access to the unemployment allowance, foreseeing for the employers quotas in courts for these specific terminations.

The employers confederation of Portuguese industry (CIP) did not subscribe this latter measure in the agreement, stating that *“by limiting the number of agreed dismissals, the law is abolishing of the the few instruments that employers had to make readjustments and which were also serving the workers’ best interests”*. According to the President of the Confederation this measure will oblige employers to resort to collective dismissal which, according to him, has a *“strong stigma attached and compels the unions to intervene, which on itself is paving the way for higher social conflict”*. On the opposite side, the Communist Party considers this to be a good initiative in order to stop companies doing collective dismissals under the figure of friendly contract termination.(DN 11/04/06)

The new measure regarding the responsibility for the active search of job includes the compulsory attendance by the unemployed person every two weeks at the local employment centre. He/she will also have to present evidence for active search of job, and is compelled to accept any training or job offer considered convenient. The first non justified absence to the centre call may determine the end of the benefit. After negotiating with the social partners, the Government agreed to include an opportunity for the unemployed person to ask for a preliminary meeting before the benefit is cancelled in order to be able to present evidence which, if considered valuable, will stop the cancelling of the benefit.

Responding to the trade unions reivindications the Government has agreed to lighten the conditions under which the beneficiary may reject a job offer, although the idea of accepting a job out of his/her specific profession is maintained. According to the proposal presented last March the person is obliged to accept an offer for a job as long as this does not imply travelling costs which are higher than 10% over the net salary and the new job should be accepted as long as the time for commuting does not exceed 25% of the working time or does not overcome the conditions in the previous job. Exceptions have been considered for all those who have minor children or dependent persons to care, for whom the percentage of the working time has been reduced to 20%.

The Government’s reviewed proposal maintains the compulsiveness for accepting a job whenever the salary is equal or higher in 25% of the unemployment allowance. This situation is only valid during the first 6 months and from then on the unemployed person must accept the offered job even if that offer only represents a valuation of 10% in relation to the benefit.

As far as the new penalisations regarding the abusive use of the unemployed allowance, the Government intends to increase penalties for those unemployed or under medical leave who are working, but also to the employers who hire them under those conditions. The individuals will have a penalty which can vary between 250 and a thousand euros and they may be prevented from receiving the benefit for a period of two years and those who are under medical leave and working will have to give back the amounts received to social security. Employers will be subjected to increased penalties whenever they do not communicate the admission of new workers to social security, particularly if these are benefiting from unemployment or illness allowances. Firms’ administrators will be held responsible

for the payment of the penalty together with the firm and it is foreseen that firms may ask workers for documents proving that they are not receiving any undue benefits.

The Government's National Employment Plan 2005-2008 has been subjected to criticisms from political opposition parties in Parliament, from trade unions and from the Social and Economic Council.

The Social and Economic Council (CES) criticises the lack of objectives programming, quantification and implementation timings for the measures related to the professional qualification of the active population. The fact that most objectives are mostly long term and do not comprise intermediate stages or targets is regarded as potentially limiting the attainment of those initial and overall goals.

Another criticism – now shared by CES and by one of the trade unions confederation (UGT) is the lack of effective connection between the Ministry for Economy and the Ministry for Labour and Social Solidarity, essential for responding to labour problems. Moreover, there is *“a disconnection between the discussion on labour policies and the National Reform Programme, which prevents that the main guidelines in terms of the economic policy and its contribution for the options taken regarding the labour policy. This lack is even more serious, taking into account the relaunching of the Lisbon Strategy from where the connection between those two domains came out reinforced, namely by the approval of the Integrated Guidelines for Growth and Jobs which comprise two elements – the Major Guidelines for Economic Policies and the Strategic Guidelines for Employment.”* (UGT)⁸

According to the Communist Party (PCP), the NEP is *“just announcing prevention and alleviation measures for unemployment (supported by active employment measures) and fails to foresee instruments to create jobs. What is essential is to have economic policies that create jobs and not alleviation measures which are merely softening the social consequences of unemployment”* (<http://www.pcp.pt/publica/militant/280/p04.html>)

PCP also refers that the NEP *“is aiming at reducing the labour market segmentation, which at a first glance can be considered positive. However, it does not foresees the change in some counterproductive and dangerous measures in the Labour Code, namely the one that allows someone who has a term contract may remain in that situation for 6 years”*. (<http://www.pcp.pt/publica/militant/280/p04.html>)

Finally, according to the OECD Evaluation Report on Structural Reforms (February 2006) Portugal did not accomplish most of the recommendations regarding the income and productivity increase which had been made in the beginning of 2005.

Among those non-accomplished recommendations we would point out: the simplification of the tax system in order to reduce costs for compliance among firms, the weak investment on the qualification of the human resources and the need for a change in labour legislation, turning the labour protection legislation more flexible, encouraging technological and management innovation.

⁸ Available at <http://www.ugt.pt/>

On the other hand, the OECD report presents some positive measures that have been taken, namely the budget consolidation programme and the convergence of rules between the public and the private sectors.

1.2.3. Education and youth

“The lack of stability, coherence and persistence in education policies is deeply hazardous for this sector (...) stability which was difficult to ensure along the 30 years democracy, since, during all this period, more than two dozen Education Ministers have passed through”. (Roberto Carneiro, former Education Minister in EDUCARE January 2005)

Choosing this extract to start this chapter is, in our opinion, a concise and straightforward way to present one of the major obstacles that has perdured over the years and which has had – and will have lasting effects – on the functioning of the education system and as a consequence on the educational attainment of generations of Portuguese people.

In April 2006, there was a national debate on the 20 years of the basic law on the education system. The National Education Council has accepted to make a balance of all that was done in Portugal for the two decades in the area of education. The objective is to *“prepare a final report to identify critical issues of education in Portugal and to define strategic objectives. The debate should be as comprehensive and decentralised as possible, and should not be limited to education stakeholders”* (LUSA - National Press Agency). The collection and systematisation of the information will be concluded in January 2007.

Indicators on the performance of the education system have recurrently shown the structural hindrances affecting Portugal, namely when compared to other European countries.

The EC report “Mobilising the intellectual resources of Europe: creating conditions for the universities to contribute for the Lisbon Strategy” show that, in Portugal, the percentage of people between 20 and 24 years old having finished only the 6 years basic education almost reaches 40%. In the European Union the average is 16%. One of the objectives of the Lisbon Strategy – until 2010 all young people aged 22 should have completed secondary education – is far from being achieved in Portugal: in spite of the improvement of 5% since 2000, that figure only reached 48%)

Another important source of comparative information is the OECD 2005 report *“Panorama Educativo”*, disseminated in September 2005. According to the information released *“among OECD countries Portugal is the one where children leave school earlier”*. Portuguese students go to school, in average, for eight years, four years less than the average for the remaining OECD countries. Thus, it is not surprising that Portugal stands among the group of countries whose populations aged between 25 and 34 years old have the lowest academic qualifications; half of these young adults do not succeed in completing the 12th year, which impacts directly on the percentage of people with a degree which in Portugal does not go beyond 10%.

Looking at the expenses with education these are comparatively reduced. The cost per student in Portugal – from basic education to higher education – is around 4900 euros per year, whereas the annual average among OECD countries is 6000 euros (data from 2002).

Looking at the different education levels Portugal spent annually around 4025 euros per student in the 1st and 2nd cycles, 5655 euros for those in the 3rd cycle and in the Secondary education. In higher education the investment of the State per student per year fell to an average of 3590 euros.

Another indicator relates to the amounts the State is spending with the teachers salaries. Portugal stands in the 20th place in the whole of the 30 countries, spending annually around 27 thousand gross euros per each teacher in the 3rd cycle that has 15 years teaching experience.

The analysis of the relative weight of teachers' salaries within the education budget shows that they correspond to 93% of the annual fixed expenses of the Ministry (the OECD average is 75%) and to 58.4% of all fixed State salaries (2005 data). The present Ministry claims that it is necessary to rationalise human resources (namely through changing the centralised way teachers are hired) in order *"to release funds that could improve the quality in the way schools and teaching is working"* (DN 27/04/06).

The present government has established targets for each education level and has started some changes which will be briefly presented below.

The first target regards pre-schooling and the Government's intention is to have all children aged 5 years old enrolled in the network until the year 2009.

At the level of the basic education levels one of the measures that has actually been implemented and which has raised general consensus is the enlargement, during the current school year, of the teaching of English to 2 000 schools (comprising 50 thousand children in the 3rd and 4th grades) and its enlargement to all schools until 2009. In September 2005, the programme was reaching 93% of the schools and 87% of students around the country. The performance varied according to the regions: in the north and centre regions the programme was reaching 94% and 95% of the students, respectively and the Algarve, Lisbon and the Alentejo regions rates were 89%, 77% and 72%⁹.

Other introduced changes relate to the schools working hours (now open until 5.30 p.m.), the provision of meals in most primary schools, the permanent training of primary school teachers of Mathematics and the stabilisation of teachers in schools to allow them to stay in the same school for 3 to 4 consecutive years.

The way in which the Government implemented the enlargement of the schools working hours was not without protest. The National Teachers Federation (FENPROF) organised, last February a strike for all non-teaching activities, such as replacement classes (introduced this year, too) and the extension of the 1st cycle timetable (between 3 and 5.30 p.m.). The Federation claims that these activities have imposed and actual overload of direct work with students, with *"serious consequences at the level of individual work and worsening the already significant physical and psychological erosion for the continued exercise of the teaching profession."* (Educare 9/02/06)

At the level of secondary education, the Government has presented several proposals: to raise the level of qualification of young people and to bring all those under 18 years old back to school even if many of

⁹ 2005 data collected at the Ministry of Education.

them are already working. To do that the Government has defined a specific Programme to reduce school failure and drop-out and other five priority measures which include compulsory education up to 18 years old and enlarging the offer of technological, artistic and professional courses.

Recurrent schooling is also foreseen through the creation of daily programmes for young people between 15 and 18 years old and after-school classes for working students, introducing a new profile: the tutor who will be able to provide a more adequate support.

The Government's programme also defends that schools should have greater autonomy, so that they can manage more efficiently their resources and to invest on local partnerships. More autonomy means more responsibility, which means that schools will have a regular evaluation of their budgets, as well as their performance and results.

Under this context, the Government presented the intention to create in 2006 the new national co-ordinating council of the schools executive councils which should act as a representative structure of all the country's schools in order to reinforce the role of schools in the definition of education policies. However, once again, there is no consensus around the creation of this new structure since, according to teachers' organisations, there are other structures that could bridge between the schools and the ministry.

As far as higher education is concerned, one of the major problems is the high failure rate, during the first year of university where "failure rate reaches 40% of all students according to official statistics"¹⁰

In this area the Government has committed itself to reward students who present better performances, to receive more working-students and to take into consideration their specific situation.

The Government's Programme also targets the Portuguese need for strategically overcoming the hindrance observed in R&D. The creation of 200 new technologically based firms is proposed together with a further thousand additional places in R&D and the increase for 1500 of the annual average of doctorships in Portugal and abroad in this area.

A final issue in the area of education which we would like to raise regards violence in schools which has been high on the public debate. According to the Ministry of Education during the school year 2004/2005 there was over 1200 aggression reported situations inside schools, some of which have raised the interest of the media and have been widely discussed.

A recent study called "School and violence – concepts, policies and daily lives" (Sebastião, coord: 2004) states that there is no data to confirm that "*the situations of violence in the school environment have reached such a level during latest years that there may be the risk of them being out of control*".

The research report also concludes that there are situations of reduced seriousness and low intensity which are daily and recurrent and that situations of serious violence are rare.

¹⁰ Speech of Roberto Carneiro, former Minister of Education during his presentation in the Education Panel at the Citizenship Congress held at Horta, in January 2005.

The researchers explicitly criticise the policies followed by the State all over the years in this domain, namely the Programme Safe School, which since 1996 is investing on policing the schools since *“this programme should be mostly civilian and monitored by an organisational structure with the means to perform its duty, since the Security Office of the Education Ministry is reduced to a handicraft structure”*.

One interesting measure adopted recently is the so-called “Mobile School” which allows children belonging to itinerant families to have classes through internet. The project’s goal is to fight the high rates of school non-attendance. The Project will distribute laptops to students in the 3rd cycle that will be able to communicate with teachers and thus have access to classes through a platform of distance education, specifically created for this. The objective is to disseminate the project to all students in the same conditions or other needing this kind of support.

Some final comments regarding the measures and objectives announced in this area. It is unquestionable that it is vital to invest in education promoting stability, increasing the level of education, reducing school failure and drop-out, promoting better access to specific groups. The objectives identified are, in our opinion, of utmost priority. However, they cannot be achieved during an electoral cycle of 4 years, or without the adequate programming in terms of timing, of specific targets and financial resources. On how these challenges will actually be met by the present Government will once again depend the continuing hindering that has long been affecting the educational system or else a decisive push forward.

1.2.4. Children, older people and social support services

Portugal – where child poverty rose 3.2% in 10 years and in March 2005 reached 15.6% of children corresponding to 32 048 individuals aged less than 18 years old – is one of the countries (together with Greece, Italy, Spain and Ireland) who are allocating less resources to social expenses in general and even less to expenses targeting families.

The lack of availability and access to childcare facilities and the lack of support to families, particularly to most vulnerable ones have long been referred to as some of the factors contributing to the particularly disadvantaged situation of children in Portugal. On the other hand, as seen before the high school failure and the early entrance into the labour market in precarious conditions also play their role in this serious situation.

Researchers in the area of family sociology have also stressed that being a recent immigration country, Portugal has not developed social policies aiming at the specific needs of these populations which increases exclusion vulnerability for these families and their children.

According to UNICEF ¹¹ the comparison between qualitative and quantitative indicators of the OECD countries shows that there is a clear relationship between the financial resources allocated to families and to social support and child poverty. Changes in family structures, unemployment increase, labour instability and social policies’ changes also contribute to this particular vulnerable situation of children.

¹¹ Press release “The child poverty is increasing in the richer countries - Available at http://www.unicef.pt/18/05_03_01_pr_lancamento_report_card_6_innocenti.pdf

Another vulnerability indicator regarding the situation of children and their families relates to loneparent families. Data from the Guaranteed Minimum Income and from the present Social Insertion Income have identified loneparent families (headed by a woman) as one of the most vulnerable groups regarding poverty.

In December 2005, the Government introduced a change in the family allowance which is directly targeting children from immigrant families. Children from immigrants who have a staying permit will be entitled to receive the allowance which, according to the Minister, will cover around 20 000 people.

The particular vulnerability of the elderly in Portugal has already been referred to in the present report. Not only do they represent the largest group among the poor population as they also are among the most vulnerable groups to poverty incidence.

The low level of social protection, namely the low level of pensions is one of the main factors contributing to this situation.

One of the new measures introduced by the present Government is precisely aiming at reducing the most extreme situations of lack of resources among the elderly. The new extraordinary pension complement, the so-called "solidarious complement" has been approved and it allows very low pensions to rise up to 300 euros month.

The first benefits were paid in March 2006 and they reached 613 people (80% of whom are women; 87% do not have children; and 96% receive social security pensions; over 70% are aged between 80 and 84 years old). Until March applications received totalled almost 5000 people in March.

In April the number of applications had reached 17 600 and 4217 processes had been approved and 2849 benefits had been paid.

According to the Government the objective of this measure is that in 3 years the complement reaches 300 thousand people who have been identified as being at risk of poverty. Social Security data have identified over one million elderly are receiving pensions lower than 300 euros and 30% of these live at risk of poverty.

In 2006 eligibility only applies to those aged over 80 years old, in 2007 it will include also those over 70 years old and in 2008 it will be extended to those aged over 65.

The application will have to be made at the social security centres by the elderly living in Portugal for over 6 years and taking into consideration their family household incomes.

The implementation of the measure raised criticisms from several sectors, namely regarding the fact that the application process for this monthly benefit involves excessive bureaucracy. To help the elderly in filling in the respective application forms, four outreach mobile units were created which are moving around in seven districts at the moment but who will be present in all districts in the future.

The Government, in partnership with the Private Institutions for Social Solidarity (IPSS) and the incentive given to private investment is planning to implement a programme for the enlargement of the Social Equipment Network (PARES), in order to accomplish the priority it has committed itself regarding the reinforcement of social protection in combatting poverty and in protecting families, namely supporting children and the elderly.

At present the national coverage rates of social equipment are very low : kindergarten and childminders (23.5%), occupational activities centres (16.5%) and Nursing Homes for the elderly (8.25%).¹²

The Programmes objective is «*To support young couples and their children, by increasing by 50% the number of places in crèche, to increase the number of places in Day Centres*», *to increase responses for ageing and for elderly dependency, through the increase of the number of people in Nursing Homes*», to promote the possibility for the elderly to stay autonomously in their own homes and with a better quality of life through the reinforcement of Home Support services and to increase the network of residential services and occupational activity centres for disabled people.

1.2.5. Gender equality and domestic violence

As far as gender equality is concerned, an evaluation report will be presented next week on progresses regarding the implementation of legislation promoting equal opportunity in labour, employment and vocational training. It will include statistical indicators on this issue. Information will therefore be provided at a later stage.

The consultative council of the Commission for Equality and for Women's Rights (CIDM) is now under the direct political responsibility of the Presidency of the Council of Ministers and it met for the first time in February 2006. Eight working groups were defined: education; training and information; reproductive and sexual health; media; power and decision making; culture and sports; poverty, inclusion and multiculturalism; gender and domestic violence.

Finally, as far as domestic violence is concerned, a legal change has been studied in order to introduce electronic surveillance devices for applying the law on keeping the perpetrator away. Last April a diploma was approved regarding the channelling of social lottery towards the fight against domestic violence.

During 2005 the complaints presented to the security forces regarding domestic violence had an increase of 17%. In total 17 811 complaints were received, most of which were women who had been abused by their partners and the police made 249 detentions. There has been a constant increase in the number of complaints during latest years which is not necessarily linked to an increase on domestic violence, but rather to a higher sensitisation of people regarding this problem and particularly also among the police themselves.

1.2.6. Health and Drug Addiction Prevention

The Government's Programme in the area of health is, in our opinion, presenting the same frailties as the ones already mentioned before regarding the lack of concrete definition of many of the intentions presented.

¹² Available at

http://www.portugal.gov.pt/Portal/PT/Governos/Governos_Constitucionais/GC17/Ministerios/MTSS/Comunicacao/Programas_e_Dossiers/20060311_MTSS_Prog_PARES.htm (11/03/06)

However, it is possible to list some concrete measures which have been put into practice since the Government came into power, namely: the start of the National Plan for the Prevention and Control of Oncological Diseases (2005-2010); the Approval of the National Plan for the Fight against Drugs and Drug Addiction (2005-2012) and the approval of a national programme for environmental health and the National Programme for the Prevention of Accidents.

In terms of organisational change, the government intends to increase competences and resources for the National Centres for Public Health, to decentralise the National Health Service and to update the national chart of equipment.

The Social and Economic Council in its comment on the Government's Programme has raised attention to the unsolving issues of hospital debts, waiting lists for hospital surgical interventions and reference prices for generic medicines.

An important measure taken relates to the reinforcement of Primary Health Care. A Commission for the Development of Health Care for the Elderly and for Dependent People, whose mission is to develop an action plan for the integrated practice of continued care service and of "proximity community services". The project defends the link between health centres, hospitals and social support institutions such as the restructuring of health centres who will have a network of family health units who will take health care services to patients at their homes, particularly to the elderly.

In November 2005, the National Meeting of Therapeutical Communities, Detoxing Units and Day Centres took place. Its objective was to evaluate the National Strategy for the Fight against Drugs between 1999 and 2004.

Among the main conclusions it is important to highlight the lack of defined criteria for evaluation the quality of the models implemented, of the definition of guidelines according to which the efficiency of the measures implemented might have been assessed. The institutions present at the meeting declared that it was important to have an evaluation both in the private and in the public sector and the subsequent moment for sharing results in order to maximise their use and to replicate them.

The participants have also stressed the lack of communication among the different institutions working area; the lack of updating of financing to the institutions; the unequal treatment regarding the number of "reserved" (*convencionadas*) beds in each institution; the lack of diversification in the provision of services for prisoners, women with children or pregnant, adolescent and homeless people.

The Meeting's conclusions refer: the need for legal changes in this area, namely those that allow the financial autonomy of the Institute for Drugs and Dependencies (IDT); to widen the concept of addiction to "chemical addictions"; to close all illegal treatment units which are boosting the parallel market which often contributes to the discredit on the results of treatment programmes; to promote programmes for the diagnosis, the motivation and the intervention inside prisons, since the legislation regarding measures for channelling prisoners to units free of drugs is not being sufficiently implemented; to increase intermediate structures; to promote programmes that distinguish use situations and abuse situations particularly necessary when dealing with adolescent consumptions.

In November 2005, IDT finalised the National Plan against Drugs (2005-2012) which is still waiting for ministerial approval. The Plan should have been approved in 2005, which did not happen given the changes in Government, first and then inside the IDT itself.

The main changes introduced by the Plan regard the organisational features of intervention in prevention, treatment and damage reduction. Until now it was up to the different institutions to propose plans which the Institute would (or not) finance. If the new Plan is approved it will be the institute to decide which are the priorities for each region and each area. The priorities proposed by the IDT will be defined on the basis of the needs assessment which is now being developed at a local level. On the basis of these local diagnoses the Institute is also preparing a reallocation of the available resources in order to privilege areas with greater problems.

1.2.7. Immigration

In the beginning of 2006 the new law of nationality was approved in Parliament with no votes against.

The new law makes it easier now for second and third generation immigrants to obtain Portuguese nationality.

The centre and right wing political parties wanted the new law to include a compulsory examination of Portuguese for all applicants and to prove they have means of subsistence, but the proposal was rejected.

Leaders from immigrant associations protested against the fact that the law did not privilege the *jus solis* (those born in Portuguese territory are Portuguese) but rather the *jus sanguinis* (your nationality is that of your parents).

During 2005, according to data from the Border and Foreigners Service (SEF) Portugal expelled 784 illegal immigrants, 270 more than in the previous year which represents an increase of 53%. Brazilian nationals are the most prevalent among the citizens expelled.

In February 2006 – two months after the media had reported the bad conditions under which illegal immigrants were waiting in the Oporto airport to be sent back – a new place for receiving foreigners and those without nationality. The creation of this new place involves the Ministries of Internal Administration, the Ministry for Justice, the International Migration Organisation and the Refugee Jesuit Service and will be managed by SEF.

The centre has 36 vacant places (198 men and 18 women). There is one social worker, one priest, one group of cultural mediators and support will be given at the level of languages, social and psychological support and educational support. Children will be given special attention. A commission to ensure the monitoring and evaluation of the new service will be created.

According to the Report of the United Nations against Drug and Crime, traffic victims in Portugal are mainly women and girls, for sexual exploitation and the most represented country of origin is Brazil. The report states that Portugal may be classified as a country of “medium incidence” for traffic of human beings, but the fact that there are no official statistics on the phenomenon does not allow a clear picture over the issue. According to the same source, the Portuguese authorities identified 506 people victims of traffic during 2005.

NGO's and International Amnesty have alerted to the fact that in Portugal the crime of traffic has been recognised very late, and women victims of sexual traffic are still treated by the police as prostitutes.

According to the Home Office the reform of the Penal Code – underway – will increase victim protection and make it easier to combat human trafficking. (Público 25/04/06)

1.2.8. Housing and Homelessness

The Government's Programme identified the need to reinforce social housing and to focus on the support to be given to populations after rehousing plans as well as the need to dynamise the renting market through legislative changes.

These concerns have to be understood in the context of some specific features of the mechanisms operating within the Portuguese housing market :

- A traditional low share of social housing in the total housing supply, which has been increasing (in 2001 the number of dwellings under the social or supported rent regime accounted for 10.5% of the total rented housing), due to the resettlement of populations in major urban areas¹³;
- A continuous growth in the share of own housing in the total housing stock (in 2001, own housing represented 75% of the total housing stock compared to 65% in 1991 and to 71% in 1998); a restricted and dual rental market (very high and flexible rents versus ancient low and fixed rents¹⁴);
- A State policy which has concentrated its support to housing ownership through a system of bonused credit¹⁵ and not through fiscal or other financial incentives;
- The drop of the interest rates throughout the 1990s (from 18% in 1992 to 6% in 1999), together with the growing competition in the housing credit sector, allowing many families to accede housing credit;
- The cultural and social importance of owned housing in the Portuguese society.

Thus, the housing sector is one of the areas where structural problems will be difficultly removed given the economic interests at stake and it is vital to effectively assess the impact of the implemented measures, particularly when in the previous NAP no information was made available regarding the implementation of the foreseen measures and targets.

A new law on urban rents will enter into force at the end of June 2006. This new law will allow the update of rents for housing and non-housing purposes with contracts dated before 1990 in the first case and 1995 in the second case. The level of maintenance of the building is essential for determining the possibility to update these rents and all those buildings considered bad or very bad will not be included.

This evaluation will be made by Municipal Commissions according to objective criteria determined by law.

The rent updating is limited by law and it will be done by stages, generally, during 5 years.

Aiming at reaching the targets included in the NAP/incl 2003-2005 – the Institute for Social Security (ISS) launched the first of several initiatives in order to obtain a *“national diagnosis of the situation of homeless people and of the institutional support available until December 2004”* (NAP/incl objective 3).

In 2005 ISS launched a **national survey** on the night of the 12th October covering all “heads of municipalities” of inland Portugal aiming at identifying and characterising *“all the people who were*

¹³ The implementation in 1993 of the PER (Special Rehousing Programme) aimed at eradicating all shanty towns until 2000. The Programme is still under way.

¹⁴ Stemming from the long lasting rent control and the rigidity of the rental market juridical regime.

¹⁵ A situation which came to an end in 2002, after the Government's announcement of the abolition of beneficed (supported) regimes.

sleeping rough, in the city head of the municipality in inland Portugal, during a fixed period of time.” (Castro, Gil et al, 2005: 8).

During May 2006 ISS will present the results of this study together with those of other two studies: one on the situation of people living in pensions and hostels in the cities of Lisbon and Oporto and another aiming at *“identifying and characterising services working in the field with the homeless population in order to identify methodologies and intervention strategies developed”*. (Castro, Gil et al, 2005: 3)

According to the NAP/incl 2003-2005 on the basis of the diagnosis obtained, the Institute is expected to develop a strategy to address the issue of homelessness in an integrated and coherent way.

More information on this issue will probably be available for the final version of the report.

1.3. Preparation and consultation of the NAP/inclusion

On the celebration date of the Revolution (25th April 2006) the newly elected President of the Republic explicitly referred in his first public speech the need for “a civic compromise” towards social inclusion to be accomplished during the next NAP/incl which is being prepared by the government.

According to the president *“the preparation of the next Nap/incl can be used for a general mobilization, for true campaign for social inclusion”* and his proposition is that the *“national institutions, the local authorities, the civil society organisations, trade unions, the civic associations, and solidarity institutions”* overcome their *“natural ideological divergences”* and work together to reach the goals of inclusion.

The speech had a wide dissemination all over the media during the following weeks and the NAP was recurrently being referred to and the Portuguese Implementation Report cited in the news.

On the April 26th, a Resolution of the Council of Ministers, “establishes the drafting of the NAP/incl 2006-2008 and defines its structure of elaboration and monitoring.”

The resolution determines the continuity of the InterMinisterial Committee in order to follow the preparation, elaboration and monitoring of the Plan.

The Committee is composed by one coordinator, one person representing the Government from each one of the ministries, one person responsible for the areas of social solidarity, immigration and gender equality.

The committee will have a representative from the Non-Governmental Forum for Social Inclusion (so-called NGO Forum) who will act as the linking point between the Forum and the InterMinisterial Committee.

To achieve its objectives, the Committee will have at least one meeting every 3 months and it should promote linkage with other structures with responsibilities in the monitoring of other national instruments.

The working group of the Ministry of Work and Social Solidarity will present the Minister a proposal regarding Portuguese priorities and strategic orientations for the NAP/incl as far as this ministry is concerned and a proposal for the structure of the Nap/incl and for the implementation reports.

This group is also responsible, in cooperation with the commission, for the dissemination of the Nap/incl and for the definition of the methodologies to reinforce the participation of the civil society and the citizens.

The Non-Governmental Forum has met three times since the beginning of 2006 and it is now composed of around 60 NGO's, comprising a group of full members and a group of observers.

Given the lack of umbrella organisations in the social arena the creation of the NGO Forum has opened the opportunity for NGO's to have *"platform for dialogue and for political pressure over social issues in general"*¹⁶.

This wide understanding of the role of the Forum may eventually collide with the initial objectives for the creation of the Forum, restricted to consultation on the NAP process and this will certainly be one of the issues to be taken into consideration in the future.

Chapter 2. Active inclusion policies in Portugal

2.1. The Guaranteed Minimum Income

2.1.1. The philosophy

The issue of active inclusion and minimum resources is relatively new in the political discourse and practice in Portugal. The so-called "new generation" of social policies was implemented in Portugal after 1996.

This new range of measures and programmes was based on certain basic principles:

- the promotion of a concept of citizenship that embodies the right to work and the right to a minimum income, but also the full exercise of civil rights, culture, education and participation in social life in general;
- the recognition of the importance of equal opportunities as a way of combating inequalities and social fragmentation;
- the adoption of a mobilising approach for eradicating poverty and exclusion reflected in the involvement of the most varied bodies, such as state services, local authorities, non-profit-making organisations and simple groups of citizens in partnership and networks, which increasingly represents a pooling of efforts and wills, in association with an extended sharing of responsibilities

The GMI (actually called Social Insertion Income - SII) was probably the best example of this new policy-mix and the first global approach towards a new dynamics to social policy namely by trying to overcome the deeply rooted tradition of promoting mere discretionary social assistance in Portugal.

¹⁶ Interview with one of the members of the restricted group of the NGO Forum.

Our choice of this measure in the present chapter is mainly linked to the fact that it is the first measure to directly address the issue of active inclusion for people furthest from the labour market, proposing to address a multiplicity of needs that are clearly in the domain of social activation, although many of them do not refer to professional activation. On the other hand, the introduction of the right/duty principle was a clear innovative principle which is expected to dramatically change the nature of the provision of social support, until then based on discretionary criteria.

On the other hand, the principles underlying the GMI/SII directly relate to the new EU objectives namely regarding the promotion of access to resources that allow people to escape poverty, active social inclusion, namely through a stronger participation in the labour market, access to better health care and access to other rights and services and the inclusion of all levels of government in the implementation of the measure.

The next chapters will show the evolution, some of the accomplishments and some of the flaws arising from the introduction of this measure during the last 10 years.

In fact, the GMI/SII, was object of several changes, the most important of which was its transformation into the SII in 2002. If this change was, in our opinion, a result of the political lack of investment of the former Government in the social inclusion area and a an attempt to push back the original purposes of the GMI, the fact is that the several operational changes which occurred during the short period of the Government's stay in power have been again reversed in 2005 and the initial principles of the GMI are theoretically in place again.

Thus, the following paragraphs will give a summarised description of the philosophy and principles behind the GMI/SII scheme, before presenting its main implementation features.

The GMI was introduced in Portugal by June 1996 through Law 19/96, which established a new right ensuring each citizen a minimum level of economic resources and promoting the development of social insertion programmes.

According to Ferro Rodrigues – then Minister for Solidarity and Social Security – the GMI law included three fundamental goals: *«First: it creates a coherent means within the context of social protection, recognizing every citizen resident in Portugal the right to a minimum subsistence level, provided that they are in a situation of social exclusion and that they are actively available to follow a way of social insertion. Second: the new measure is established in the form of a social contract engaging the state, the social partners, the institutions of solidarity, the municipal authorities and the citizens, in a way that the former undertakes to grant a financial benefit and, together with the second, undertake to stake on the creation of opportunities for social insertion and, in their turn the latter undertake to follow the insertion paths that have been possible to design. Third: this new instrument is created in the context of a system of social protection by equating it with the social pension, because it is understood that it should constitute a minimum level of universal social protection.»* (Ferro Rodrigues, Diário da Assembleia da República, 1996: 2214).

Thus, the GMI combined income support with opportunities for social insertion program so as to ensure resources to the individuals and their households that can contribute to satisfy their minimal needs and to favour a progressive social and professional insertion.

In the short run, the GMI matched up to a challenge of modernisation and increase in efficiency of the welfare state, especially of the policies to combat social exclusion. Emphasis is not only put on the traditional and fundamental dimension of redistribution, but decidedly on the activation of processes of

social insertion within a framework of recognition of the right to citizenship (Pedroso, in Capucha, 1998: VII).

In the long run, the GMI sought to reformulate the functioning of the welfare state, representing a change in social policies regarding both the aims and the ways to achieve them. In other words, the GMI is embodied by means of a «*contract between the state, the civil society and the beneficiary. In this contract, the State assumes the obligation to ensure minimum conditions of existence for every citizen and to support the creation of opportunities of insertion. In turn, the citizen assumes the obligation to be willing to engage in his/her social insertion including the willingness to work and reaching towards his/her participation in creating those opportunities, and even in taking advantage of the potentialities arising thereof. The institutions of the civil society assume the obligation to engage in the organisation and management of those programmes where the new opportunities develop, as well as to take part in the creation of those opportunities.*» (Pedroso, in Capucha, 1998: VIII).

2.1.2. The GMI income support component

The income support component of the GMI was indexed to the annual legal amount of the social pension, updated every year, and varying according to the composition of the beneficiary's household.

The GMI indexation to the social pension was meant to comprise individuals and families, in relation to which the benefits of Social Security and the measures of social policies already existing were not able to respond. It is the subsidiarity principle, according to which the beneficiaries can only apply for the GMI if they had no response to their situation through other social benefits. Thus, the GMI aims to widen the coverage of social protection, but it restricts the target group to those individuals or families whose incomes are below the upper ceiling of the social pension, that is persons living below the poverty threshold in a situation of absolute poverty who, from now on, have the right to a minimum income allowing them to live with a minimum of dignity. As Capucha says, the GMI is basically addressed at persons and families living in a situation of *social destitution* - «*expression that is proposed to classify the beneficiaries of GMI – that is those whose level of resources and incomes put them on lower and more intense stages of poverty, so that their social exclusion is less tolerable, in such a way that they are not able to – by their own forces – build up a life project in society, i.e. to conceive a personal and family future and to mobilize the material, institutional, relational and cognitive resources necessary to achieve it.*» (Capucha, 1998b: 7).

The income support component of the GMI had a temporary nature as it was granted for a period of 12 months. After this period, the situation would be again evaluated, and the benefit could eventually be renewed. Canceling of the benefit took place when after three months from the effective start of granting the benefit no insertion programme had been established, for reasons that could be imputed to the beneficiary, or if any insertion programme had been subscribed, but the beneficiary did not fulfil the actions defined therein. Reasons for canceling of the income benefit also include the rise of incomes above the amounts granting eligibility for the minimum income calculated for a determined household, or the invalidation of a residence title.

The Portuguese legal framework of the GMI lists a range of criteria for selecting the beneficiaries of this measure, which can include personal conditions (nationality, residence and age), condition of resources and availability to accept employment. All citizens, nationals or not, legally resident in Portugal could apply to the GMI. Applicants must be at least 18, with the exception of young people under 18 who have reached majority by marriage, who have other minors who are solely dependent upon them economically, or who are pregnant. The amount granted differs according to the resources

/income available to the claimant, bearing in mind the income of the spouse or partner and the other members of the household. Finally, potential beneficiaries must be actively available for social reintegration and occupational (re)integration, which will be applied by signing up for an integration programme to be implemented either through the labour market or through vocational training, among others.

The amount of the benefit is indexed to the value of the old-age social pension¹⁷ (value updated annually on the basis of the consumer price index). Variables such as the income of the household and its size are taken into account in calculating the amount of the benefit. The great novelty of the GMI, operating as an active measure encouraging integration into the labour market, is the fact that it only considers 50% of earned income in calculating the benefit in the first year it is awarded, when the activity begins during that period.

But the GMI was not merely aiming to combat absolute poverty by slightly increasing the income of people; it also meant to reverse the situation of dependency of persons towards that benefit, by laying down the right/duty approach to insertion.

2.1.3. *Right and duty to insertion*

Apart from the right to a basic support income, the GMI also laid down the right of citizens to insertion, which has to be understood also as a duty, i.e. access to a minimum income depends on the willingness shown by the beneficiaries to follow an insertion programme aiming at their economic and social autonomy.

To this effect, the *Insertion Programme*, as defined by the Portuguese law, is made up of a set of locally implemented actions, agreed between the Local Monitoring Commissions and the beneficiaries of the minimum income aiming at the creation of conditions allowing their gradual social insertion and that of the other household members. On the basis of a wide insertion concept which comprises different areas, the actions composing the insertion programmes vary according to the needs and the characteristics of the beneficiaries and their households. The beneficiaries have to commit themselves to fulfil the obligations defined in the insertion agreements, which may include: a) *accepting work or professional training*; b) *attending the education system*; c) *participating in temporary occupation that may favour the insertion in the labour market or satisfying social or that may respond to social or environmental needs which normally would not be developed within the framework of organized labour*; d) *accepting the improvement of housing conditions*; e) *accepting parallel and complementary support for the family (psychosocial support)*; f) *accepting health care and participating in health prevention actions, especially regarding children*.

Normally, every member of the household encompassed by the minimum income must subscribe an insertion programme which is suitable to his/her particular situation. Only persons affected by proven health problems (long-term illness or invalidity), age (younger than 16 or older than 65 years), or those who for family reasons cannot exercise a professional activity are exempted from availability for professional activation.

¹⁷ The value of the old-age social pension (€171,73) falls below the value set for the poverty line and therefore shows that the GMI only covers extremely deprived people on very low incomes. This basic amount is mandatory and cannot be adjusted in line with the socio-economic situation of the claimant.

One of the innovative features of the GMI was the introduction of a contractual logic into the insertion programme, i.e. the negotiated character of the actions, supports and obligations as defined by the insertion programme which confer an active and central role to the beneficiaries, hence being an active part in the process. This contractual approach aimed to *«create the conditions for those entitled to the GMI to achieve an actual insertion, by, recognizing their citizenship rights and by avoiding the institutionalization of poverty, i.e. the risk that this measure may originate a logic of readily available assistance characterized by demotivation and accommodation to dependency on the different existing social policies. At the same time, the GMI is holding the state and the social partners responsible for inverting the initial situation of those people targeted by the GMI, since it is their job to find suitable responses to the needs of the beneficiaries, and is also holding the state responsible to guarantee the actual available existence of those responses.»* (Capucha, 1998b: 37).

This contractual nature of the GMI is translated into the compulsory character of the insertion process which is at the core of the measure both in Portugal and in other European countries.

As far as the Portuguese legislation is concerned this concept of insertion is clearly linked to the multidimensionality of the concept of social exclusion according to which excluded people not only find themselves deprived from the economic resources, but also from access to basic rights as education, health and housing. Work is still considered as the utmost finality of the insertion process, although it is not an exclusive stage insofar as the Portuguese law foresees other insertion measures and instruments. The fact that work activation is not regarded as the central part within the GMI does not mean that its importance is being underestimated, but rather to the dynamics of social exclusion processes, where the individuals gradually experience successive social ruptures, going through different types of exclusion.

Thus, part of the legislation concerning the minimum income establishes a direct connection between the lack of economic resources and unemployment, implying that the means for insertion of these individuals has necessarily to come about by means of seeking and accepting employment, which is one of the conditions for being entitled to the minimum income. Another part of the legislation, to which Portugal pertains, adapts a wider notion of insertion that comprising a huger set of exclusion dimensions such as health, education and housing.

2.1.4. The GMI and the involvement of different actors – potential and limits

As we have seen the GMI introduced a new challenge at the level of social action: to make individuals, the different institutions and society as a whole jointly responsible for executing a range of participatory activation measures in which each actor makes certain commitments to cooperate so as to define an integration pathway.

A philosophy of work in partnership was therefore the basis for implementing the GMI. Such partnership required the direct involvement of the state, local partners, local power and welfare institutions which came together to increase resources and pool efforts so as to find responses to the problems of poverty and social exclusion.

A National Commission on the Minimum Income was created at a national level involving representatives of different Ministries (Education, Health, Labour and Welfare and Justice, the Secretary of State for Housing and representatives of the local authorities, private welfare institutions and trade union and employers' groups). The central role of the Commission was to assess the implementation of the measure and to mobilise the Local Support Committees.

These Committees were also established by law and they have a territorial scope that corresponds to the *municípios* (municipalities) or *concelhos* (administrative subdivision of a district). These local level horizontal coordination structures comprise representatives of the four areas essential to the integration process: Social Security, responsible for administering the measure and awarding the benefits, and which also includes the social (or welfare) action services which are essential for the social integration of beneficiaries, Education, Health and Employment. The Local Committees may also be made up of the local authority, private welfare institutions, employers and trade union groups and other non-profit-making bodies.

The importance of these Committees in the local implementation of the measure is well expressed in the report of the Social and Economic Council: *“If the LSCs were not operational bodies there is a serious risk that the measure would be undermined and reduced to no more than a cash benefit which, while seeking to raise human dignity, would be insufficient to reverse personal and social pathways of exclusion. It is therefore essential for these committees to have dynamic agents capable of pooling public and civil resources likely to promote the social integration of GMI beneficiaries”* (CES, 1997: 13).

The attributions of the LSCs are generally linked to the regulation of the forms of application and functioning of the measure at local level, while defining partners’ responsibilities; co-ordination of resources by channelling and optimising them in order to implement beneficiaries’ insertion programmes; and assessment of the insertion programmes.

If, in our opinion, the GMI gave a very positive contribute in institutionalising and generalising partnership work, some authors have stressed some limits to the potential of such work in reverting former institutionalised practices: *“The GMI has been conceived as a right, as a guarantee of survival of citizens with the weakest resources. This right, however, is not seen as such by all the bodies that on the LSC and at local level this is one of the most common reasons for disagreement between partners. It is also a factor of divergence between the local and central political debate, despite possible political convergence in other areas. What is at issue for some is the denial of securing the GMI as a right to which everyone is entitled, provided the conditions of eligibility are confirmed, based on a desire to maintain a certain social control and the power it confers, which is removed when there are universal pre-defined criteria, with no place for subjective assessment.* (Cardoso and Ramos, 2000: 79)

An assessment of the work of the LSC – during the piloting stage of the GMI ¹⁸– showed that there had been a positive impact in the development of a stronger partnership culture and also on a higher level of awareness of the poverty problems among the partners, which had a direct impact on the beneficiaries’ easier access to the GMI and to other support programmes and services.

2.1.5. *The implementation of the GMI*

Between the legal creation of the GMI in June 1996 and its implementation all over the country in 1997, there was an experimental period applied to a restricted range of potential beneficiaries and territorially implemented through pilot projects.

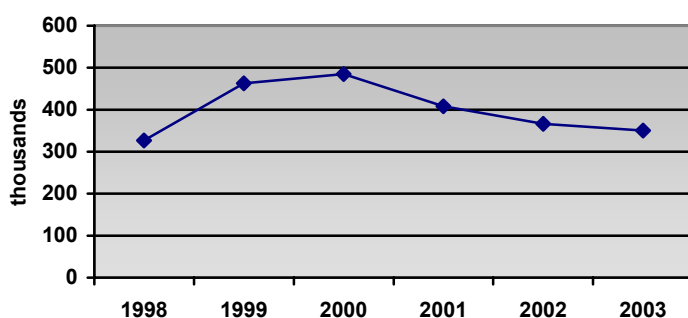
This experimental period was meant to prepare the application of the measure and to test the participatory management models put in place by the LSC.

In 1997 the GMI became a national measure *“managed and implemented territorially at municipal level (the LSC is municipality-based), thereby fostering decentralised decision-making, trying to abolish the*

¹⁸ Vd. Capucha (1998)

bureaucracy of the whole process and allowing the staff who work on the ground directly with the target population some degree of independence in decision-making.” (Cardoso and Ramos, 2000: 16)

Figure 1 - Evolution of GMI Beneficiaries



Source: IIIES, Statistical Unit

The evolution in the number of beneficiaries between 1998 and 2003 shows an important increase until 2000 in the number of beneficiaries and a trend towards a descent and a relative stabilisation in the following period.

The increase in the first period may be explained by the expansion and consolidation of the measure throughout the national territory. The decrease after 2001 is due to the restrictions imposed by the Government PSD/CDS/PP and the replacement of the GMI by the social insertion Income.

In 2003 women accounted for 69% of the total applicants (a traditional situation in social action). One in every four women applicants in the same year were aged between 35 to 44 years old.

Among the non-applicants 59% of the beneficiaries are under 18 years old. Considering the total beneficiaries – applicants and non-applicants – individuals under 18 years old represent 39% of the total.

Foreign nationals represented only 3% of the total GMI beneficiaries in 2003.

Moving from a quantitative approach on the implementation of the measure towards its impact on the beneficiaries it is important to highlight some findings based on the few available studies¹⁹.

A first important aspect highlighted by a 1999 study reveals: *“Taking as a reference the central figures corresponding to a poverty line defined as 50% of the average, the basic situation of the GMI records a reduction in poverty, expressed in terms of the number of individuals, from 10.5% to 9.8%. Although at first sight this might appear to be a modest reduction, it means that thanks to implementing the GMI, around 21 000 families or more than 66 000 people were removed from poverty” (Pereirinha, coord, 1999:543).*

As a consequence it has been possible to see a reduction in indebtedness and a greater level of satisfaction of basic needs directly produced by the income support itself.

Moreover, other significant impacts may be identified through the implementation of the insertion component of the measure:

¹⁹ Very few studies (Cardoso and Ramos, 2000; Rodrigues, 2005) have been produced on this issue and the only available evaluation of the measure that goes beyond the quantitative analysis of beneficiaries and respective households dates back to the experimental period (Capucha, 1998).

- the improvement of living conditions, through the integration in programmes aiming at better housing conditions and better access to healthcare, corresponding to better levels of health;
- the raising of self-esteem which favours the continuity of the pathways to integration and counteracts dependency;
- better access to employment and training opportunities through the establishment of priorities for GMI beneficiaries within existing programmes and adaptation of the professional training system to the profile and the needs of the beneficiaries;
- increase in literacy among beneficiaries;
- promoting the return of early drop-out children back to the education system;
- better access to childcare facilities.

On the other hand, multidimensional integration processes are not an easy task. Several shortcomings have also been identified (Rodrigues, 2005; Cardoso and Ramos, 2000) in the implementation of the insertion component of the measure, namely:

- the persistence of very precarious working conditions among the beneficiaries who often circulate between unemployment and precarious work, through Occupational Programmes which are not able to promote an actual and stable insertion in the labour market;
- the lack of human resources which has in many cases originated a build-up of applications being accepted without a contract or the establishment of any insertion programme, leading both to the postponing of the resolution of situations requiring immediate action and to a divorce (even if temporary) between the right and the duty dimensions of the measure, which may foster dependency;
- the shortage of available resources for the diversity of situations encountered led to an inversion in the proclaimed logic of mobilising the resources to the identified needs, i.e. in some cases the programmes adapt to the resources available;
- the persistence of different – even clashing – forms of action, marked either by the promotion of an active involvement encouraging participation and “empowerment” or, on the other hand, by a practice of facilities’ management and paternalistic welfare;
- the resistance towards assessment among the personnel deriving from a mix of expressed “lack of time” and unexpressed “fear” of having one’s work questioned;
- the high prevalence of informal economy mechanisms, the weaknesses of the tax system and the frailties of the services inspection system facilitated inadequate use of the measure, which would be easily brought into the public debate around the “rightness” of such a measure.

Following the shift in national politics brought about by the anticipated elections in the beginning of 2002, the existing criticisms that had surrounded the creation and implementation of the measure and the public visibility given to the frailties of the whole process would pave the way to an important change in the GMI.

2.2. Social Insertion Income – an alternative to the Guaranteed Minimum Income?

2.2.1. Continuities and changes

In October 2002 a Decree-Law replacing the GMI by the Social Insertion Income (SII) was approved in Parliament although it only became effective in June 2003.

The new social-democrat and liberal coalition Government declared its concerns about the way the GMI had been implemented since 1997, supported by the audit carried out by the *Tribunal de Contas* [Court of Auditors] on the Guaranteed Minimum Income, which highlighted the negative aspects of the measure's implementation and referring to the existence of inappropriate payments.

In the words of the then Minister for Work and Social Security , «*We should all be conscious that we have a difficult task in hands. A task that started with the [GMI] and that we now intend to make more efficient. From the very beginning, considering insertion as the goal – the noblest goal of the [SII] – and not as simple formal expedient in order to maintain the right to benefit and never to leave that situation. The idea of return and the association between a right to benefit and an insertion contract turn the [SII] into a fair expression of a right-duty and of a balanced relation between solidarity and responsibility*» (Félix, 2002b).

According to the Government, the replacement of the GMI by the SII is intended to strengthen some of the components of the previous measure, such as the social and insertion components and, the idea of subsidiarity towards other benefits. However, it aims to introduce some ruptures regarding the previous GMI: «*the Social Insertion Income is not intended to save money and even less with the poorest and the most disfavoured. On the contrary, the philosophy and the rules are changed in order to spend in a better way for those who effectively need most support. And it is intended to improve the inspection system in order to distribute with better social quality.*» (Félix, 2002b).

Inspired by these concerns the Government introduced some changes both in the accessibility criteria and in the operating mechanisms of the former GMI. The major proposed changes may be summarised as follows:

- Restricting the eligibility criteria to individuals aged 25 or over, i.e., excluding the 18 to 25 age group;
- Replacing about 30 to 50% of the income support benefit by social vouchers;
- Ending the annual renewal of the benefit by making it dependent on submitting a new application together with the respective means of proof; failure to do this in time would incur in the suspension of the benefit during 90 days and a total cease of the benefit after this period if nothing had been declared;
- Changing the calculating method of the amount of the benefit by considering a period of 12 months income;
- Abolishing the former Local Social Committees (LSC) and creating the so-called Local Insertion Units.

Through these changes the Government intended to put a stronger emphasis on the transitory and auxiliary character of the measure and to moralize the present model, by creating mechanisms of effective inspection and efficient control, focussing the reach of the measure to those who effectively need it.

The introduction of the above mentioned changes was not totally achieved not only given the strong criticisms they raised from different political and social sectors but mainly since some of them were violating the Constitution's principles and were therefore rejected by the Constitutional Court.

Among the major changes presented above the one relating to the age criterion was precisely one of the refused proposals. The law was then revised and the eligibility was extended to all individuals between 18 and 30 years old under the condition that they would be enrolled in local employment centres and not "unemployed for at least 6 months" as in the original proposal.

Before presenting the main criticisms that were put forward following the Government's proposed changes brought about by the new SII it is important to highlight some evidence directly collected in our direct contact with direct local services during the implementation period of this new regime.

The first issue relates to the fact that the new conditions have proved much more restrictive regarding access to the programme which does not mean that it is now reaching only those who need, but rather that it is not addressing situations clearly under the scope of the aims of the Programme. Entitlement among immigrants falls into this category: in the former regime the direct beneficiary of the GMI had to be a legal resident in the Portuguese territory but if in his/her household there was one member not legalised that fact did not prevent the granting of the benefit, the legalisation process of the kin person becoming part of the Insertion Programme. By the new regime all household members have to be legalised in order to be eligible; if one member is not legalised that situation automatically excludes all other members from being entitled to receive the benefit.

On the other hand information from local services and from NGOs refer that the SII is increasingly becoming a mere pecuniary benefit and lesser attention has been given to the insertion component of the programme. This has mainly been a consequence of budgetary restrictions that have led to the termination of contracts among social security temporary workers – many of whom were hired following the introduction of the GMI and the need for further personnel at a local level - and to an overload of work among the permanent staff, who started to accumulate unreasonable number of SII processes and other responsibilities.

Finally, the dynamics that had been created through the establishment of the Local Social Committees during the first years of implementation of the GMI was severely struck by the organisational changes introduced, since the Social Insertion Units approved in 2003 never worked as such, since the different representatives were never designated.

Although it is impossible to have a complete diagnosis of the situation in all the municipalities regarding the working dynamics of the former LSC we have direct information from many municipalities in different parts of the country where the former partnership dynamics of the LSC is completely lost although the SII continues to be run and managed under the direct responsibility of the social security services. However, the logic behind the partnership work of the LSC in order to promote insertion pathways involving different areas has now been mostly abandoned and very often the contacts are made directly by the social security to each of the different sectors (employment, housing, education, health...) on a one to one basis.

Nevertheless, it is fair to say that we have also knowledge of a small number of municipalities where the co-ordinating unit of the LSC has managed to keep on pooling the resources essential to promote the social integration of the beneficiaries by maintaining the existing partnership dynamics – which usually

pre-existed the introduction of the GMI – although as they refer the work is sometimes hampered when in one sector the upper hierarchical levels do not allow the participation of their representative in the co-ordinating structure since there has been no official designation up until now.

According to information directly obtained from the SII co-ordination the new local structures will be functioning again until June 2006.

A final comment to one of the groups which being one of the most vulnerable to social exclusion has been almost totally marginalised by any active inclusion policies: the homeless population.

Neither the GMI or the SII have been able to encompass the extremely marginalised situation of the homeless people.

A study undertaken by the ISS (Institute for Social Solidarity) and still not published highlights the fact that out of the 467 roofless people inquired in October 2005 only 24 individuals were SII beneficiaries. One of the main reasons may lie in the fact that one of the criterion for eligibility was already lacking: being enrolled in the local employment centre. The extreme marginalisation affecting this particular group of homeless is hardly compatible with the certain proactive behaviours, or even with the basic individual and social skills needed for certain types of integration, e.g. labour market participation.

In this sense, it may be dangerous when the scope of active inclusion assumes that all individuals have the possibility to cooperate, to have the initiative and the self-confidence to go forward. Disempowerment among the excluded may hinder this “expected” behaviour and “for a decisive impact on the eradication of poverty and social exclusion” it is essential to consider the specific conditions imposed by the diversity of the population at stake. Activation policies have to be well aware of these challenging issues.

2.2.2. Major criticisms

In spite of the Government’s emphasis on the new strengthened insertion component of the new regime, the presentation of the new SII raised the most fierce criticisms among the political opposition parties and among other sectors of the public opinion by “*transforming a social right into a logic of assistance*”.

Strong criticisms were raised by the age criterion proposed change which would restrict access to measure which was built up as a right to citizenship and that would leave a segment of younger people “*less protected than before the existence of the Guaranteed Minimum Income*» (Vieira da Silva, 2002).

Criticisms also focused on the intention to introduce positive discriminations for designated more disfavoured social groups which is replacing the keyword in the sphere of social rights, i.e., equity.

On the other hand, to substitute around 50% of the monetary benefit by social vouchers is seen as «*a scheme of state charity, disparaging the autonomous resource management by the beneficiary families, as an instrument for social insertion*» (Pedroso, 2002).

The Government's concern to restrict access to the measure is envisaged as having no significant financial impact at the same time as it is questioning important social rights. On the other hand, an opposition MP criticises this restriction when the *«total expenses of GMI amount to 1.5% of the expenses of Social Security, and at the same time when we do not see the Government taking actions against the debts with respect to Social Security of about 400 millions of contos, on behalf of the employers.»*

In short, the criticisms refer to a significant change in terms of philosophy provoked by the alterations brought about by the creation of the SII and that misrepresent the genesis and the fundamental aims of the measure.

2.3. From GMI to SII - transition and new changes

Although the GMI came into force in June 2003 and the definition of the transfer of former GMI beneficiaries - if eligible – into the new SII Programme, more than one year after the transition was still facing serious difficulties.

The collection of data on the SII only started during 2004. In January 2004 there were 1544 beneficiaries and in December 2004 the total number of beneficiaries was 75 479 individuals. This huge increase is mainly explained by the transition of former GMI beneficiaries into the present scheme. In 2005 the figures for January were 85107 beneficiaries and for December 171 902. Apart from the above mentioned reason, the increase registered in 2005 would also be a result of the less restricted eligibility criteria introduced by the new government.

According to one of the major national NGO federations (the União das Mutualidades Portuguesas) after 18 months following its entry into force almost one in every three applications has not been evaluated and the main reason for this delay is precisely the transition between the two measures.

In this context the public debate would again be raised around the SII when in May 2004 several news came to into light reporting the dual situation registered among former GMI and new SII beneficiaries. In fact, the change in legislation created two different type of situations: those who were entitled to the former benefit continued to receive it and to proceed with their insertion programmes; those who required the Social Insertion Income after the 20th June have seen their processes stopped until December 2003. The press reported extensively the serious situation of almost 10.000 families with pending situations.

Following the anticipated elections of February 2005 the Socialist Party went back to power and since then new changes have occurred in the SII Programme. These changes have in most cases repositioned some of the former dispositions of the initial GMI.

The first alteration occurred in April 2005 regarding the formula to calculate access to the benefit. The basis is now the family income during the month preceding the application or the average of the last 3 months, i.e., the former 12 month reference period has now been abandoned. According to the Socialist Government this change aims at “regaining the principles of equality, solidarity and social justice that were behind the creation of the measure”.

Linked to this change all beneficiaries – and not only young people aged between 18 and 30 years old – now have the obligation to enrol in the local employment centre. At the same time the social vouchers which had been created – although never implemented because the law was not regulated – have now been extinguished, since such a measure could enhance stigma on the beneficiaries.

Moreover, the new diploma reintroduces the automatic character of the benefit renewal after a first period of 12 months and it introduces the “principle of fiscalisation guided by risk indicators, in order to increase the efficacy of combating fraud.” (DN 29/04/05)

In December 2005, the present Government has decided to widen the scope of the SII and of the family allowance to foreigners who have a staying permit, a working visa or a temporary permit as long as they are legally staying in Portugal for at least 3 years. This change “substantially widens the scope of the SII, fulfilling the Government’s commitment to reinforce the integration mechanisms for immigrants and to render available a set of social protection mechanisms identical to those available for national citizens”. (Council of Ministers, 22 nd December 2005)

The new diploma also introduces specifications regarding the way in which assets and respective generated income are considered for the attribution and calculation of the SII support income.

Looking at the budget allocated for the SII, the State spent in 2005 285,8 million Euro, an amount higher than what had been budgeted in 15 million Euros, and even higher than the budget for 2006 (281,1 million Euro).

Questioned on this issue the Minister for Work and Social Solidarity explains that this deviation may be explained by the figures registered in December 2004 – 212 867 beneficiaries from the GMI and 86 985 SII beneficiaries which totals almost 300 thousand beneficiaries from both measures. In other words the numbers of households who benefit from the SII rose comparing to those still in the GMI programme, since the recent changes in law are leading to the extinction of the latter. GMI beneficiaries applying to the SII are now being included in the SII, a situation which failed to happen during too long a period.

2.4. Impact of the activation measures

An overall assessment of the impact of the 10 years implementation of the GMI/SII scheme is at the present moment not available. According to the present co-ordinator of the SII the fact that there were successive changes to the scheme along the last 10 years, both in terms of the organisational structures and dynamics, on the eligibility criteria of the beneficiaries and on other operational features of the scheme made it impossible to perform a global comprehensive evaluation of the impacts of the measure.

In the 2004 Report on the Social Insertion Income (Vallera et al, 2005) produced by the Social Security services highlighted some of the major difficulties in the implementation of the scheme, namely:

- The situations of injustice arising from the changes introduced in 2003, e.g. the calculation rules for the income benefit, the bureaucracy deriving from the excessive demand of documentation and the complexity of the renewal process;
- The fact that the Local Insertion Units were never formally constituted although in some cases the former Local Social Committees continued their work.

The report identifies the lack of personnel as one specific element responsible for failure occurring in the implementation of the SII. However, this lack of personnel had also been referred to previously during the previous GMI. In fact, the reduced number of professionals specifically engaged in the implementation of the measure does not guarantee, in many cases, an adequate and effective response to all the stages of the process, from the granting of the income benefit to the development of the insertion programme and to the beneficiaries follow-up. During the SII implementation period, this situation was even worsened by the fact that the majority of the professionals who should accompany the families were given other increasing responsibilities in areas other than the SII.

A survey on the perception of the recipients of the GMI, made by the Comissão Nacional do Rendimento Mínimo (2001) the most important impacts – and factor of improvement in the beneficiaries' lives - was "regularity of incomes". The survey shows that this regularity is extremely important for the beneficiaries who have always had difficulties in settling their debts (house rent, water, electricity...), and it also stresses the impact at the level of the improvement of self-esteem, access to medical care, and to better housing conditions, as well as to better professional insertion.

Some of these impacts have already been mentioned on section 2.1.5. where we presented some of the impacts of the introduction of a minimum income scheme in Portugal, in a qualitative perspective, highlighting effects on individuals and families, drawing on specific studies, developed by independent researchers.

These studies although relating to specific territorial contexts have allowed us to understand the importance of the introduction of the scheme in the lives of the beneficiaries. Although they do not permit an assessment on the overall impact, it is important to stress that what may seem as a limited impact, from a macro perspective, is certainly a huge impact from the individual and family perspective.

Finally, these studies have also shown the importance of the scheme in the social activation sphere. At the educational level, for example, the GMI/SII had an important impact since one of the conditions for receiving the income benefit was returning to school. This was true both for children who were either not going to school or had left before completing compulsory schooling, but also to adults through occupational training or basic reading and writing courses. The main criticisms to the educational programmes suggested by the GMI have been the limited availability of the courses and the lack of relation between the courses offered and the labour market.

In short, in a context of lack of global assessment of the impacts of the system on the reduction of poverty and social exclusion at a national level it has been possible to identify some significant improvements enhanced by the system over the last 10 years on the lives of the people directly involved in the scheme. At the same time several constraints have been identified and presented in the previous chapters, during the whole period, regarding the involvement of the different stakeholders, the adequacy of existing resources in different areas to the needs and profiles of the potential beneficiaries, the co-ordination issues, the adequacy of the technical resources, the need for clear political orientations, among other.

These already identified issues should clearly lead to the establishment of priorities around the implementation of the GMI. The first one clearly relates to the need of continuity. Successive changes have dramatically affected the effectiveness of the measure and have not allowed dealing with overcoming the identified problems. Political engagement is a priority; as a top-down created instrument the scheme easily loses credibility whenever there is a drawback at the central level regarding the utility of such measure. Multidimensionality should be the focus of local stimulation of policy measures, of the full exploitation of resources to respond to the multiple needs of the socially excluded beneficiaries. Information production is essential if the services are to provide evidence of the results of their action and this means that they should be equipped with the means to allow them to carry out such task rapidly. Continuous training of the personnel directly involved in the local implementation of the measure should be a strong investment; the minimum income scheme is working in a non-neutral domain and the right and duty character of the measure is not an easy concept to acquire and less even to implement. A culture of partnership has to be consolidated and fostered so that combating exclusion may be seen as collective task in which everyone has the duty to participate, and in this case the benefit is seen as a right.

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