
PORTUGAL 2003

1. Overview of the system

Portugal has an insurance-based unemployment benefit system with duration related to age. An unemployment assistance system exists and is related to the unemployment history and economic resources of the recipient. Childcare benefits do not exist, nor are there any provisions for lone parents. Housing benefits are restricted to people suffering a sudden loss of income, for example through unemployment. They are not meant to be paid permanently. The tax unit is the family. The 2003 AW earning level is estimated at EUR 13 350.

2. Unemployment insurance

2.1 *Conditions for receipt*

Unemployment insurance (UI) is compulsory, except for the self-employed (non-applicable). Claimants must be in a situation of involuntary unemployment, have to be capable and available for employment and have to be registered at the employment office.

Unemployment is regarded as involuntary whenever the end of the work contract is due to:

- Unilateral decision by the employer;
- Work contract expiration not determined by pension;
- Contract rescission by the employee with just cause (as long as the employer places no arguments against or placing them the employee proves to have set a legal action against the employer);
- Mutual agreement between employer and employee in the case of companies in situations, such as process of structural re-adaptation or recovery or any other situation that allow for collective dismissal of employees.

Invalidity pensioners who are considered as apt to work are regarded as involuntary workers as well.

2.1.1 *Employment conditions*

The Employment and Social Security Program (*Programa de Emprego e Protecção Social – PEPS*), in force from 1st March 2003, reduced the employment condition for UI eligibility to a 270 day employment record in the last 12 months. Previously a 540 day employment record in the last 24 months was required.

2.1.2 *Contribution conditions*

The contribution condition coincides with the employment condition.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

The benefit amounts to 65 per cent of the average salary during the 12 months period ending 2 months before unemployment. This calculation takes into account the annual vacation bonus and the Christmas bonus due in the reference period. The maximum benefit amount is three times the national minimum wage (NMW); the minimum amount is the amount of the NMW or of the average remuneration (also referred to as reference remuneration), whichever is lower. The NMW amount in 2003 was EUR 356.60 per month. The unemployment benefit is paid on a monthly basis.

Under the Employment and Social Protection Program, the beneficiaries of the unemployment insurance and social assistance whose households are within the first income level of the family allowance are entitled to receive an extra amount equal to the family benefits to which they are entitled. This measure was in force from 1st March 2003.

2.2.2 *Income and earnings disregards*

The unemployment insurance benefit may be accumulated with part-time work in accordance with some requirements set by law: for insured persons in part-time employment whose income is lower than the value of the unemployment benefit and work between 20 per cent and 75 per cent of the normal work week, the benefit is equal to the difference between 1.35 times the unemployment benefit and the value of part-time work earnings. This was part of the Employment and Social Protection Programme, in force from 1st March 2003 onwards. Prior to this date the multiplier was 1.25.

2.3 *Tax treatment of benefit*

Not taxable.

2.4 *Benefit duration*

There is no waiting period. Duration increases with age according to the following table:

Age	Duration (months)
<30	12
30 – 39	18
40 – 44	24
45+	30

The beneficiaries of 45 years of age or over are entitled to another 2 months for each set of 5 years with registered earnings in the last 20 years preceding the unemployment.

2.5 Treatment of particular groups

2.5.1 Young workers

In the situation of workers in search of the first job there is a temporary exemption concerning the employers' contribution to social security. This exemption has a maximum duration of 36 months.

2.5.2 Older workers

When at the date of the unemployment, the beneficiary is 55 years of age or more, the age of entitlement to the old age pension is anticipated to the 60 years of age provided that at that date the guarantee period required by law is completed. Under the regulations of the Employment and Social Security Program, that came into effect from 1st March onwards, the entitlement to the old age pension may be further anticipated to 58 years old provided that the beneficiary simultaneously has: at least 55 years of age at the date of unemployment; a contributory record of 30 calendar years at the time of his 55th anniversary; and has completed the full 30 months of unemployment insurance or social assistance.

The age of entitlement to the old-age pension is still anticipated to 55 years of age for the beneficiaries that at the date of the unemployment have simultaneously 50 years of age or more and a contributory career of, at least, 20 civil years with registered remuneration. In that case the statutory pension amount is reduced. See the annex "Anticipation of Old-Age Pension for Unemployed Insurance or Social Assistance Beneficiaries".

As far as pensionable age anticipation is concerned and whenever the unemployed person is not entitled to the sequential Unemployment Social Allowance (granted after the Unemployment Insurance has expired) because his/her income is higher than the limit established by law, that person's insurance career is credited with earnings registration (as if contributions were being paid): for the period following that of maximum entitlement to Unemployment Insurance, until the person concerned meets the requirements for the anticipated old age pension (age and further qualifying conditions).

3. Unemployment assistance

3.1 Conditions for receipt

For receiving the initial Unemployment Social Allowance (USA), claimants have to be between 18 and 65 years of age and have to be registered unemployed looking for work and available for work. This benefit can also be received after expiration of entitlement to UI (sequential Unemployment Social allowance).

Additionally, the Unemployment Social Allowance may be renewed until the age of pensionable age anticipation is reached, provided that: *i*) when unemployment begins the insured person is aged 50 or over; *ii*) by the time of its renewal the insured person continues to meet the qualifying conditions for the Unemployment Social Allowance.

3.1.1 Employment conditions

Any claimant needs to have worked 180 days in the year preceding the claim, unless he/she is a first job seeker with dependents. In addition, this benefit is means tested, which means that the beneficiary must prove that the household earns less than 80 percent of NMW per capita. For the fulfilment of the means test the following sources of income are included:

- Gross earnings from work;
- Pensions and other social benefits that aim to replace the lost income from work, such as sickness subsidy, and complementary benefits to those granted by the social security regimes, *i.e.* benefits granted under private pension or insurance schemes;
- Gross income from capital or other regular profits;
- Maintenance allowance legally set by the Court in favour of the individual applying for the unemployment assistance.

3.1.2 *Contribution conditions*

The contribution condition coincides with the employment condition.

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

Benefit amounts per month are linked to the minimum wage level and depend on family type:

Family type	In % of minimum wage	
	After UI benefit	Not eligible for UI
Single	80	80
With an aggregate	100	100

3.2.2 *Income and earnings disregards*

The Unemployment Social Allowance must not be accumulated with earned income.

3.3 *Tax treatment of benefit*

Not taxable.

3.4 *Benefit duration*

Regarding the beneficiaries of the initial Unemployment Social Allowance the duration is identical to point 2.4. Concerning the sequential Unemployment Social Allowance the duration is reduced to half the duration indicated in point 2.4.

3.5 *Treatment of particular groups*

3.5.1 *Young workers*

Idem 2.5.1.

3.5.2 Older workers

Item 2.5.2 – The Unemployment Social Allowance duration can be extended until the retirement age if the beneficiaries are at least 50 years old at the moment of unemployment and fulfill, at the time of the extension, all the conditions necessary to receive this benefit.

4. Social assistance

The long-term unemployment (LTU) refers to the unemployed simultaneously searching for work and registered in an Employment Center for more than 12 months. There is a temporary exemption concerning the employers' contribution to social security that hires long-term unemployed persons.

The Social Insertion Income (formerly Minimum Guaranteed Income) is focused to support individuals or families in situations of great economic need. The Social Insertion Income (SII) is both a benefit, part of the Social Welfare sub-system of the Public Social Security System, and an insertion programme, with an aim to provide individuals and their households with the means tailored to satisfy their basic needs and allow for a progressive insertion in the labour market, the community and society.

Great economic need is recognized in the following situations:

- Individuals whose income is inferior to 100% of the welfare pension, which was EUR 143.80 per month from 1st Dec 2002 to 30th May 2003, EUR 146 per month from 1st June 2003 to 30th November and EUR 151.84 in December.
- Households whose income is inferior to the sum of the following amounts:
 - a) 100% of the welfare pension for each of the first two adults;
 - b) 70% of the welfare pension for each adult starting from the 3rd;
 - c) 50% of the welfare pension for each of the first two minors;
 - d) 60% of the welfare pension for each minor starting from the 3rd;
 - e) In case the entitled individual (if it is a woman), his spouse or person living in *de facto* union with him is pregnant, the amount stated in a) is increased by 30 during pregnancy and by 50% during the child's first year of life.

For SII purposes the calculation of the household income results from the sum of all the income sources (gross income) in the 12 months previous to the requirement, excluding the housing subsidy, family benefits and scholarships. In addition only 80% of labour income after deduction of the contributions to social security is considered to that purpose. Finally, if the entitled individual or a member of his/her family starts a new job during the receipt of the SII, only 50% of that job income is considered for the calculation of the SII benefit amount after deduction of contributions to social security. The resultant income is weighted according to the month order by reference to the date of request, as shown in the following table:

Income month order relating to the date of benefit request	Weight
1 st month prior to request	8
2 nd month prior to request	4
3 rd month prior to request	2
From the 4 th to the 12 th month prior to request	1

The amount of the benefit equals the difference between the individuals/household income and the amount of the SII, calculated according the rules above described. The amount of the benefit must never be inferior to 5% of the welfare pension.

For entitlement it is required legal residency in Portugal, the subscription and fulfilment of the Insertion Programme established, to provide evidence for the situation of great economic need and to have at least 18 years of age. There are exceptions to the age condition: if there are dependant minors or in case the entitled individual is pregnant. The beneficiary can re-apply to the SII without interruption by making prove of the necessary conditions until two months prior to the end of the benefit and having complied with the insertion programme.

5. Housing benefits

This subsidy is granted within the scope of the *Secretaria de Estado da Habitação*.

There is a scheme of means-tested housing benefits forming an addition to social assistance type benefits. It is only available to people in sudden need. This can be a result of unemployment. The general eligibility condition is a 30 per cent loss of gross income or an income at the level of the non-contributory social pension (equal to EUR 143.80 per month from 1st Dec 2002 to 30th May 2003, EUR 146 per month from 1st June 2003 to 30th November and EUR 151.84 in December).

Note: Housing benefits are not included in the calculations because there is no data available on the rules for the calculation of benefit. However, the total expenditure on housing benefits is low in Portugal.

6. Family benefits

6.1 Conditions of receipt

There are allowances within the scope of the General Scheme (contributory) and of the non-contributory Scheme.

- Requirements for the allowance within the general scheme (contributory): existence of a register of the remuneration in name of the beneficiary during the 12 months preceding the 2nd month before the date of presentation of the application or of the checking of the fact which determines the allowance.
- Requirements for the allowance within the non-contributory scheme: the allowances are granted to children and youth who have: 1) monthly gross incomes which are equal or lower than 40 per cent of the national minimum wages provided that the income of the respective household is not higher than 1.5 times that wage – General Resources Requirement; or 2) a household with an income per person not higher than 30 per cent the national minimum wage and in situation of risk or social disruption – Special Resources Requirement.

 From 1st October onwards the family allowance was changed within the scope of the Family Protection Subsystem (see 12.1 Policy changes introduced in the last year):

- Requirements for entitlement: national or foreign, refugees or stateless children resident in Portugal; with no professional occupation; whose household has reference earnings below the maximum income level; and until the following ages:
 - 16 years old;
 - Or to the maximum of 24 years of age if enrolled in the school, university, professional training or other training periods, or in case of handicapped children receiving social benefits (this limit may be extended for 3 years in case of accident or disease hampering the school performance of the beneficiary);

6.2 Calculation of benefit amount

Until October 2003 the rules were as follows. There were two age groups for the dependent children with different benefit amounts (equal and less than 12 months and more than 12 months) and also 4 levels of income (related to the minimum wage). The benefit was paid on a monthly basis.

The first level concerned the incomes equal or less than 1.5 the minimum wage. The second level was applied for incomes above 1.5 the minimum wage up to 4 minimum wages. The third level concerned the incomes above 4 minimum wages up to 8 minimum wages. The fourth level concerned the incomes higher than 8 minimum wages. These values were reported to annual values (14 months).

The ‘income level’ was evaluated on gross earned income, self-employment income, capital and real estate income, pensions, and any other benefit aiming to replace lost income from work granted by the Solidarity or Insurance Subsystem (including UI, USA, and SII). Any social benefit granted by the Family Protection Subsystem was not considered.

From 1st October onwards the family allowance maintained the two age groups for the dependent children with different benefit amounts (equal and less than 12 months and more than 12 months), however there are now 6 levels of income (related to the minimum wage):

Income Level	Reference remunerations related to the minimum wage
First	≤ 0,5 NMW
Second	> 0,5 NMW to ≤ 1 NMW
Third	> 1 NMW to ≤ 1,5 NMW
Fourth	> 1,5 NMW to ≤ 2,5NMW
Fifth	> 2,5 NMW to ≤ 5 NMW
Sixth	> 5 NMW

The family allowance is paid on a monthly basis. Children who are between 6-16 years old during the civil year and belong to the first income level receive a 13th benefit during the month of September (to compensate for schooling expenses) as long as they are enrolled in school. Exceptionally in 2003 this 13th benefit will be paid in the month in which the family came into effect - October.

The reference remunerations comprise the sum of all income from each member of the household divided by the number of children of that household that benefit from the family allowance plus 1. The following sources of income are considered:

- Income from work (employee);
- Professional and business income;
- Capital income;
- Land income;
- Patrimony increase;
- Pensions;
- Any other social benefits that aim to replace the lost income from work granted by the Solidarity or Insurance Subsystem.

6.2.1 Calculation of gross benefit

Yearly Amounts per child – 2001-2002

In EUR

Income level	Age ≤ 12 months		Age > 12 months	
	1 st or 2 nd children	3 rd or more children	1 st or 2 nd children	3 rd or more children
First	1 047.48	1 572.36	314.88	472.32
Second	914.64	1 326.36	245.40	359.76
Third	782.28	1 051.68	210.12	284.88
Fourth	484.20	630.24	184.92	240.60

Note: The amount of the family benefit varies according to the number of children. If the household has 1 or 2 children they are entitled to the amount presented in the table, however if the household has 3 children or more, the first 2 children receive the same amount as if they were in a 2 children household while the 3rd child and onwards receive an increased amount. Example: household from the 1st income level with 3 children over 12 months of age will receive per year = 2 x €314.88 + 1 x €472.32.

The yearly amount (Euros) per child in 2003 were:

Before 1st October

Income level	Age ≤ 12 months		Age > 12 months	
	1 st or 2 nd children	3 rd or more children	1 st or 2 nd children	3 rd or more children
First	1068,48	1603,8	321,12	481,8
Second	932,88	1352,88	250,32	366,96
Third	797,88	1072,68	214,32	290,52
Fourth	493,92	642,84	188,64	245,4

1st October onwards

Income level	Age ≤ 12 months	Age > 12 months
First	1440	360*
Second	1200	300
Third	960	276
Fourth	600	240
Fifth	360	120

Note: (*) The yearly amount in this case may be €390 if the child is entitled to receive the 13th month of benefit.

Those that are included in the 6th income level are not entitled to the benefit.

Note: From 2003 onward, a household with at least one member receiving UI or USA, with income within the first income level of the Family Allowance and with 2 children of 3 and 6 years of age would normally be entitled to receive twice the Family Allowance amount per month.

6.2.2 *Income and earnings disregards*

The effective beneficiaries of the allowances (beneficiaries' relatives) can't accumulate these allowances with earned incomes.

From 1st October onwards the beneficiaries (children) of the family allowance can't accumulate these allowances with earned income.

6.3 *Tax treatment of benefit*

Family benefits are not taxable.

6.4 Treatment of particular groups

6.4.1 Young persons

6.4.2 Older workers

6.4.3 Others if applicable

The family allowance may be increased in case the child is handicapped.

Eligibility conditions for this increased allowance are twofold

- Parents' eligibility conditions (one of the following):
 - Requirements for the allowance within the general scheme (contributory): existence of a register of the remuneration in name of the beneficiary during the 12 months preceding the 2nd month before the date of presentation of the application or of the checking of the fact which determines the allowance.
 - Requirements for the allowance within the non-contributory scheme: the allowances are granted to children and youth who have: 1) monthly gross incomes which are equal or lower than 40 per cent of the national minimum wages provided that the income of the respective household is not higher than 1.5 times that wage – General Resources Requirement; or 2) a household with an income per person not higher than 30 per cent the national minimum wage and in situation of risk or social disruption – Special Resources Requirement.
- Childrens' eligibility conditions: to be handicapped and less than 24 years old and:
 - Be enrolled or qualify for enrolment in a specialized rehabilitation equipment, or;
 - In need of personalized medical or educational support.

The amount added to the family allowance varies according to the age of the child. These are paid on a monthly basis.

Yearly amounts (in euros)

	2003
Until 14 years of age	597,72
From 14 until 18 years of age	870,6
From 18 to 24 years of age	1165,44

7. **Childcare benefits**

None.

8. **Employment–conditional benefits**

None.

9. **Lone–parent benefits**

None.

10. **Tax system**

Portugal has a progressive tax scheme with 6 rates varying between 12 and 40 per cent in 2003. Taxable income and income tax are calculated using the splitting method.

10.1 *Income tax rate schedule*

10.1.1 *Tax allowances and credits*

Tax allowances:

- Basic allowance equals 72 per cent of 12 minimum wages.

Tax credits:

- EUR 178.30 for each partner in a couple.
- EUR 213.96 for a single.
- EUR 285.28 for dependant child in case of lone parent.
- EUR 142.60 for dependant child.

10.1.2 *The definition of taxable income*

Taxable income equals gross earnings minus tax allowances for a single. A couple has a different tax treatment, see 10.1.3.

10.1.3 *The tax schedule*

Taxable income band (EUR)	Tax rate (%)	Deduction (EUR)
0 – 4 182.12	12	0
4 182.12 – 6 325.40	14	83.64
6 325.40 – 15 682.96	24	716.19
15 682.96 – 36 070.79	34	2 284.48
36 070.79 – 52 276.51	38	3 727.32

52 276.51 and over

40

4 772.85

Tax liability is calculated using family type specific formulae:

$$\text{Singles: } I = (R \times T) - K - C$$

$$\text{Married couples: } I = (((R / 2) \times T - K) \times 2) - C$$

(if the earnings of one partner do not exceed 95 per cent of the total gross earnings of the family)

Where:

I = tax liable

R = taxable income after reduction of possible allowances

T = tax rate in appropriate bracket

K = deduction per bracket

C = tax credits

No tax is payable if taxable income is below EUR 1 667.63

10.2 Treatment of family income

The tax unit is the family.

10.3 Social security contribution schedule

The employers pay 23.75% and the employees 11% of the monthly remuneration. The self-employed can choose between a compulsory scheme paying 25.4% and an extended scheme paying 32%.

11. Part time work

11.1 Benefit rules for part-time work

The worker may change from full-time to part-time work for a pre-determined period up to a maximum of 3 years also due to the need to accompany the sons, adopted children or stepson that live with her, during the first 12 years of their lives. In this case only, the period of time spent in part-time work will be taken into consideration as if it was full-time work for the calculation of any benefit under the general regime of the public social security system for private workers.

11.2 Special tax and social security contribution rules for part-time work

When changing from full-time to part-time the worker is entitled to a temporary reduction in the workers social contribution rate: from the standard 11% to 6%. This temporary reduction will be effective throughout the period of the part-time work until a maximum of 36 months.

12. Policy developments

12.1 Policy changes introduced in the last year

In 2003 came into effect a set of measures under the denomination of Employment and Social Protection Programme aimed at improving the social protection and employment opportunities. This Programme includes: reduction of the contributory record necessary to be eligible for Unemployment Insurance; increased amount of the Unemployment Insurance and Social Assistance to be provided to lower income households with children; increased amount of the Partial Unemployment Insurance (accumulation of the Unemployment Insurance with part-time work); and possibility for early retirement without pension reduction at the age of 58 for unemployed individuals that fulfil the eligibility conditions. The measures included in the Employment and Social Protection Programme are intended to be temporary, lasting for a period of 18 months starting from 1st October 2003 and with a possible extension of further 6 months afterwards.

The family allowance was reformulated in order to increase targeting towards lower income households whilst the child herself became the beneficiary of the benefit. This means that the benefit is no longer part of the scope of the contributory scheme (General Regime) or the non-contributory scheme since the eligibility conditions are no longer linked with the parent's contribution record. The family thus became an autonomous benefit within the scope of the Family Protection Subsystem with the child as the beneficiary in her own right. The income levels were reformulated and although the differentiation of the amount according to the number of children no longer applies, the reference remunerations are now calculated using a formula that considers the number of children in the household, thus favouring larger families. The social protection of lower income households was further increased by paying an additional amount of the family allowance in the month of September to those in the lower income level.

The Guaranteed Minimum Income was replaced by the Social Insertion Income (SII) during 2003. As its predecessor the SII aims at supporting and integrating individuals and households in situation of great economic need by providing a twofold approach through the payment of a benefit and an integration programme tailored to the special needs of each beneficiary and his family. The SII improved the activation measures for the beneficiaries and ensured an increased social protection for larger families.

12.2 Policy changes announced

Several changes in the unemployment insurance benefit are announced and presently under discussion. The main modifications refer to:

- a reduction from 540 day employment record in the last 24 months to 270 day employment record in the last 12 months to be eligible for UI payments.;
- the means test for accessing unemployment social allowance and long-term unemployment allowance (which replaces the "subsequent unemployment social allowance"): the household *per capita* income cannot exceed 70% of NMW, except for sole beneficiaries (80% NMW) or mono-parents (with an accrual of 10% per child entitled to family allowance or up to 30% per disabled child);

- the accumulation of part-time and partial unemployment insurance: benefit is equal to the difference between 1.35 (previously 1.25) times the unemployment benefit and the value of part-time work earnings.
- the UI cannot exceed the amount equal to 3 times the NMW and an amount equal to reference remuneration minus the social contribution and taxes (net earning);
- the benefit duration: varies according to the contributory career and age of the beneficiary.

Other policy announcement refers to the revision of the retirement anticipation/posticipation mechanism;