

PORUGAL
2002

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. There are universal family benefits. 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 2002 AW earning level is estimated at EUR 13 322.

2. Unemployment insurance

2.1 Conditions for receipt

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

2.1.1 Employment conditions

A 540 day employment record in the last 24 months is needed to be eligible for UI payments. There are, however, exceptional measures of conjuncture in specific legislation.

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 if this one is lower than that wage. The NMW amount in 2002 was EUR 348.01 per month (PTE 69 770).

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 25 per cent and 75 per cent of the normal work week, the benefit is equal to the difference between 1.25 times the unemployment benefit and the value of part-time work earnings.

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.

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.

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 attributed after finishing the full length of entitlement to the 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 to earn less than 80 per cent of NMW by each element of the household.

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 the earned incomes.

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

Idem 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 Guaranteed Minimum Income is focused to support individuals or families in situations of great economic need. The Guaranteed Minimum Income (GMI) is both a benefit, part of the Social Welfare and Citizenship sub-system of the 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.

The great economic need is recognized in the following situations:

- Individuals whose income is inferior to 100 per cent of the welfare pension (in 2002 the welfare pension amounted to EUR 138.27).
- Households whose income is inferior to the sum of the following amounts:
 - a) 100 per cent of the welfare pension for each adult until the 2nd.
 - b) 70 per cent of the welfare pension for each adult starting from the 3rd.
 - c) 50 per cent of the welfare pension for each minor.

For GMI purposes the calculation of the household income results from the sum of all the income sources in the 12 months previous to the requirement, excluding the housing subsidy, family benefits and 20 per cent of scholarships. In addition only 80 per cent of labour income after deduction of compulsory contributions to social security are considered to that purpose. The same applies to paid occupational training. Finally, if the entitled individual or a member of his/her family starts a new job during the receipt of the GMI, then during the first 12 months of work only 50 per cent of that job income (after deduction of compulsory contributions to social security) is considered for the calculation of the GMI benefit amount. The amount of the benefit equals the difference between the individuals/household income and the amount of the GMI, calculated according to the rules above described.

For entitlement it is required legal residency in Portugal, the subscription and fulfillment 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.

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 138.27 per month).

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.

6.2 *Calculation of benefit amount*

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

6.2.1 *Calculation of gross benefit*

Yearly Amounts per child – 2001-2002

In EUR

Income level	Age ≤ 12 months		Age > 12 months	
	1 or 2 children	3 or more children	1 or 2 children	3 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

6.2.2 *Income and earnings disregards*

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

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.

Elegibility 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)

	2001	2002	2003	2004
Until 14 years of age	557,88	585,96	597,72	612,72
From 14 until 18 years of age	812,88	853,56	870,6	892,32
From 18 to 24 years of age	1088,16	1142,64	1165,44	1194,6

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 2002. 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 174.01 for each partner in a couple.
 - EUR 208.81 for a single.
 - EUR 278.41 for dependant child in case of lone parent.
 - EUR 139.20 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 – 4 100.12	12	0
4 100.12 – 6 201.42	14	82.00
6 201.42 – 15 375.45	24	702.14
15 375.45 – 35 363.52	34	2 239.70
35 363.52 – 51 251.48	38	3 654.22
51 251.48 and over	40	4 679.26

Tax liability is calculated using family type specific formulae:

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

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

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 chose between a compulsory scheme paying 25.4% and an extended scheme paying 32%.

11. Part time work

11.1 Special benefit rules for part-time work

There are specific requirements regarding working days.

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

None.

12. Policy developments

12.1 Policy changes introduced in the last year

Due to political changes it was approved a new Framework Law (32/2002). The new Law does not reverse the achievements of the previous one (Framework Law 17/2000), but goes beyond the latter in several subjects, namely in the field of Supplementary Pensions Schemes through the development of the 2nd and 3rd Pillars and the introduction of a contributory ceiling to the social contribution rate fraction related to pensions.

The State Budget of 2003 started a four-year program regarding the indexation of the minimum pensions of the Social Insurance Sub-system towards the minimum national wage. This program contains a mechanism of positive differentiation related to length of the contributory career, favouring the beneficiaries with longer record of social contributions.

12.2 Policy changes announced

In order to respond adequately to the difficult economic conjuncture, the government has approved recently (March 2003) a special program named Employment and Social Protection Program (Programa de Emprego e Proteção Social – PEPS). This program implements a set of temporary measures targeted to counteract with the weak performance of the labour market, namely the unemployment rise, through the improvement of the effectiveness of Social Protection towards specific groups such as:

1. The older long term unemployed, through a reduction of the legal age of early retirement without reduction of the value of the pension received.

*If the beneficiary is 55 years of age or more at the date of the unemployment, the age of entitlement to the old age pension is anticipated to 58 years of age provided that:
i) the beneficiary has completed 30 civil years of contributory career at the age of 55;
ii) at that date the beneficiary has received the unemployment insurance (or the initial unemployment assistance) for at least 30 months. In this case the statutory pension amount is not reduced.*

2. The part-time unemployed, by rising the amount of the 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.

3. The general unemployed, mainly through three measures:

- i. Reduction in the duration of the unemployment record necessary to receive the UI:

Reduction from (the former) 540 days employment record in the last 24 months to (the actual) 270 days employment record in the last 12 months - eligibility condition for UI payments.

- ii. A benefit that partially supports expenses in social services like nursery, nannies, pre-school education and spare-times ateliers.
- iii. A complement to the UI and the USA to the beneficiaries eligible to receive the Child and Youth Benefit.

The Guaranteed Minimum Income programme was replaced by the Social Insertion Income (May 2003) which reinforced the positive differentiation principle, namely towards the families with more children and during pregnancy.

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs
Country chapter - Benefits and Wages (www.oecd.org/els/social/workingincentives)
