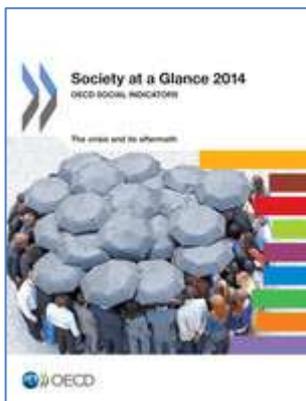


Society at a Glance 2014 Highlights: PORTUGAL The crisis and its aftermath



More than 7 out of 10 Portuguese said in a 2013 survey that social spending should be protected or increased [[Figure 1.2 xls](#)].

But fiscal pressures mean that the government's consolidation efforts are projected to persist.

Careful targeting will be essential to ensure that crucial areas of social spending are protected.

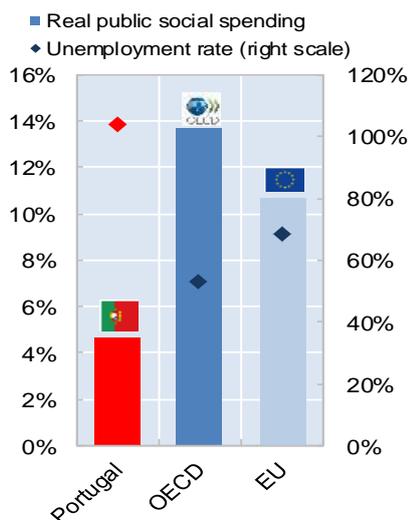
Reforms needed to improve social protection

Deteriorating wellbeing and confidence are symptoms of the ongoing social and economic crisis in Portugal. Unemployment has doubled to just under 16% since the beginning of the crisis and employment levels fell by 700 000 since 2008, a loss of 2 700 jobs per week. 49% out of 850 000 jobseekers are long-term unemployed. Portugal reports one of the lowest levels of life satisfaction across the OECD -- 5.0 on a 0-10 scale, whereas the OECD average stands at 6.6. During the crisis, confidence in the national government and in financial institutions also saw one of the largest declines in the OECD, with the share of people expressing trust in either dropping by more than 30 percentage points since 2007.

The labour-market crisis and resulting income losses were not equally shared, however. Employment fell by more than half among young men and women with below upper-secondary education. In early 2013, youth unemployment exceeded 40% for the first time. It has now fallen but remains at more than twice the OECD average of 16%. 1 out of 6 young adults aged 15-24 is neither in a job, nor preparing for employment. This so-called NEET rate (not in employment, education, or training) is the eight-highest in the OECD. While youth were particularly hard-hit, employment has also fallen among older workers aged over 54. Portugal is relatively unique in that respect; employment of older workers in most other OECD countries has continued to increase during the crisis.

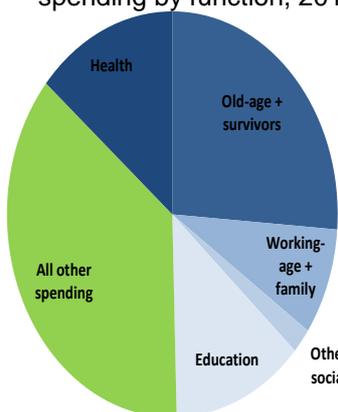
Social protection has initially played a key role in protecting household incomes in the aftermath of the economic downturn. Income losses were smaller than in other hard-hit countries, and relative poverty did not increase up until 2010. But fiscal pressures have subsequently led to consolidation efforts exceeding those of most other EU countries. According to 2013 projections, Portugal was on track to cut budget deficits by some 2.8% of GDP between 2011/12 and 2014, compared to 2% of GDP in the average EU country. As a result, social spending did not increase in line with mounting social and labour-market problems. Even though unemployment grew twice as much in Portugal as in the average OECD country, the additional resources devoted to social support were less than a third of the OECD average.

Percentage change in real public social spending and unemployment rate between 2007/08 and 2012/13



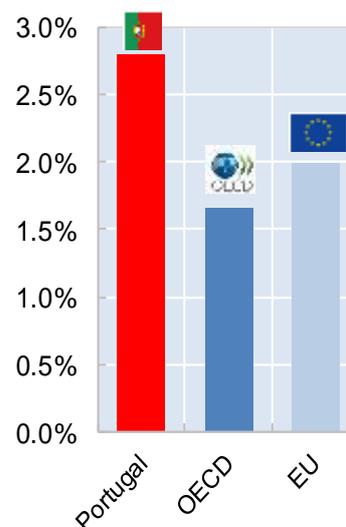
[Figure 1.10.xls]

Social spending tilted towards old-age support
Social spending:
Shares of total government spending by function, 2011



[Data.xls]

Average annual effort to reduce budget-deficit during 2011/12 - 2014, in %GDP



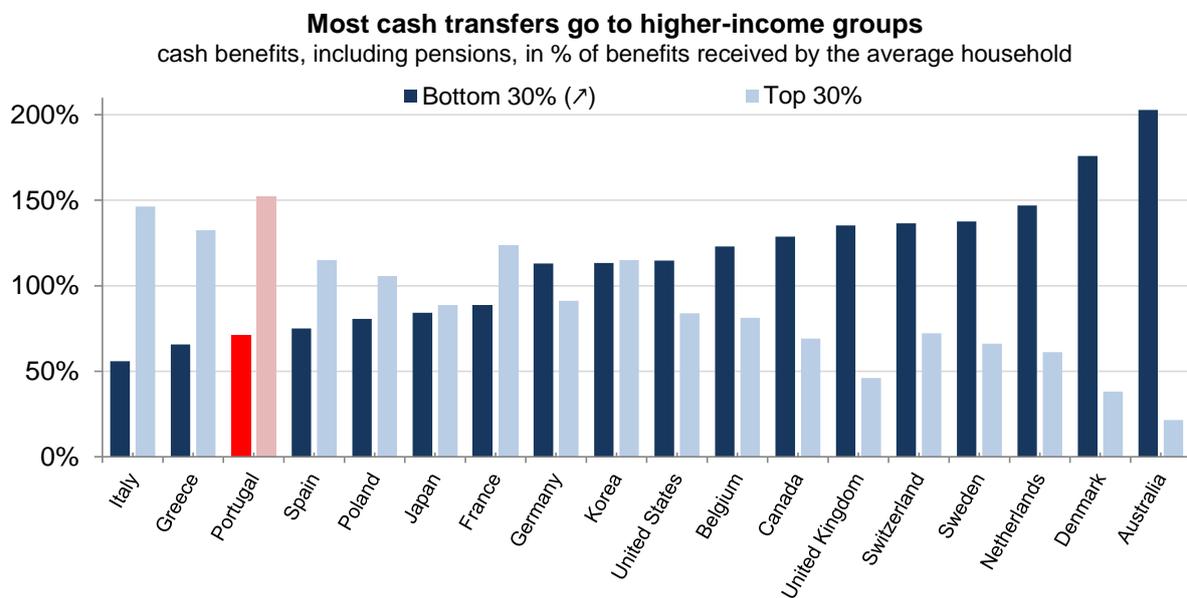
[Figure 1.8.xls]

Resources for the least well-off under pressure

Overall social expenditures remain heavily tilted towards the elderly. Portugal's population is older than in other parts of Europe (median age of 41.9 years compared to 41.2 years for the EU). Partly as a result, Portugal spends 12.5% of its GDP on public pensions, which is the fifth highest in the OECD. Because of low fertility rates and high life expectancy the population will continue to age quickly: there will be around 1.4 people of active age per retiree in 2050 compared to around 3.3 currently.

With the government's firm commitment to future consolidation, there is increasingly a trade-off between maintaining generous pension provisions, and ensuring effective support for those most affected by labour-market difficulties: Despite high unemployment, the share of public spending supporting working-age people and their families is currently far below the OECD average (8.5% versus 14%).

Poverty avoidance through well-targeted support is a crucial objective of social policy, especially when social budgets are under pressure. Yet, in Portugal, cash transfers to low-income households are currently substantially less generous than for the better-off (see graph). This stands in contrast with a majority of OECD countries, where lower-income groups benefit more from government support. Income inequality in Portugal remains the highest among all European OECD countries – the so-called Gini index is 34.4 compared to 28.8 for the European average. A recent survey indicates that Portuguese citizens do not think the welfare state performs well in terms of addressing inequality and poverty, with a score of -3.5 on a scale from -10 to +10 [Figure 5.9.xls].



[Figure 1.18.xls]

Protecting crucial areas of social spending

The crisis has shown that Portugal needs to consider carefully how to target its social spending, given high pressures on public budgets.

A first priority is to ensure basic support for the most disadvantaged groups. Recent reforms making unemployment benefits more easily available to some self-employed and those with shorter employment histories are welcome. But more needs to be done to close the very large coverage gap, with almost 6 out of 10 unemployed not receiving unemployment benefits [Figure 5.10.xls].

Fall-back support for poor families is low, with income provided by safety-net benefits (Social Integration Income) often amounting to no more than half of the poverty line in 2011 [Figure 5.5.xls]. While several other OECD countries have taken measures to strengthen assistance benefits for the poor, reforms in Portugal since 2010 have actually made these benefits less accessible, resulting in a 30% drop in benefit recipients. The government should carefully monitor whether current benefit levels and coverage are adequate in the context of elevated need for support and high rates of long-term unemployment.

A second priority is helping disadvantaged families benefit quickly from an economic recovery. Jobless households are of particular concern in this respect and it will be important to ensure that work pays for all working-age household members. Likewise, access to employment support, retraining and childcare should be extended for disadvantaged groups in particular. As reemployment measures are, however, more readily delivered to benefit recipients, low benefit coverage presents a continuing challenge for the provision of well-targeted active support.

Scoreboard: selected social indicators

(Click on indicators for full data and information)

	Pre-crisis			Latest year		
	Portugal	EU	OECD	Portugal	EU	OECD
Annual disposable household income						
in national currency, latest year prices						
Average	11 800	..	..	11 600	..	..
Bottom 10%	..	..	..	..	..	..
in USD, latest year PPPs and prices						
Average	16 600	22 900	23 100	16 300	22 900	23 100
Bottom 10%	..	7 900	7 300	..	7 700	7 100
Total Fertility rate	1.37	1.63	1.75	1.36	1.59	1.70
Unemployment rate (%)	8.6	6.6	5.9	17.7	11.1	9.1
Youth neither in employment, education nor training, NEET rate (%)	13.8	10.7	11.5	15.3	12.7	12.6
Income inequality:						
Gini coefficient	0.361	0.288	0.313	0.344	0.291	0.313
Gap between richest and poorest 10%	10.3	6.9	9.2	9.3	7.4	9.5
Relative poverty (%)	13.6	9.2	11.2	11.4	9.4	11.3
Share of people reporting not enough money to buy food (%)	10.5	9.5	11.2	10.2	11.5	13.2
Public social spending (% GDP)	22.9	22.5	19.6	25.7	25.1	21.9
Suicide rates, per 100 000 population	8.9	12.5	12.5	8.5	12.2	12.4
Health expenditure per capita (latest year USD PPPs)	2 600	3 100	3 100	2 600	3 200	3 300
Confidence in national government (%)	57	50	49	26	41	43
Confidence in financial institutions (%)	75	65	63	40	43	46

Unweighted average of the 21 EU and 34 OECD countries.

[from OECD Employment database](#)

[from OECD Income Distribution Database](#)

[from OECD Social Expenditure Database \(SOCX\)](#)

[from OECD Health Data](#)

See also:

- How does your country compare: [data visualization](#)
- Executive summary: in your [language](#)

