



Minimum Guaranteed Income and Basic Income in Portugal

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1. The Portuguese minimum guaranteed income (MGI) scheme

The policy and measures against poverty and social exclusion in Portugal received a major push since the late 1980s, namely with the participation in the Third European Poverty Programme (commonly known as Poverty 3), launched by the European Community in 1989.¹ The projects included in the Programme had to satisfy the basic principles of multidimensionality, participation, and partnership, which provided the opportunity for a new approach to the problem of poverty and exclusion. Due to the dimension of the European programme, Portugal could contribute with only four projects.² However, the projects that applied for inclusion in the European programme totalled around a hundred. These projects were designed according to the rules established by the European Commission for application, and, therefore, followed the criteria mentioned above. Therefore, it was an important decision of the Government to implement with national funding all the projects that had applied and could not benefit from European support. This group of projects constituted the national poverty programme.

The methodology adopted by the European Commission to monitor and evaluate the projects and the programme as a whole, fostered considerable progress in the understanding of poverty and in the way of tackling the problem.

¹ The Third European Poverty Programme brought together 41 projects: 29 “model actions” and 12 “innovative initiatives”. Model actions were broad and multidimensional programmes that comprised different forms of poverty and emphasized the multidimensional nature of poverty and of the action needed to combat it. The Innovative Initiatives were focussed on types of poverty that are sufficiently complex to demand specific action (e.g., homelessness). The aim of the Programme was not to solve poverty, but to “support innovation, promote an exchange of views on methods and policies to combat poverty, and to contribute, thereby, to a public debate on possible policies to be developed in the future” (Quintin, Odile, *Foreword*, in Animation et Recherche (1993), *Poverty 3 - Directory of the Projects*, Lille).

² Three were Model Actions (*The Transformation of a Rural Environment*, that covered the whole rural municipality of Almeida - Centre-East of Portugal; *Mountain Villages bet in Development*, comprising four villages in the municipality of Covilhã – Centre-East of Portugal; and *Social and physical rehabilitation of the Historic Zone of Porto*), and one Innovative Initiative (*Street Children in Lisbon*). Cf. Animation et Recherche (1993), *Poverty 3 - Directory of the Projects*, Lille.

The approach was extended to the Portuguese national programme that, at the time, comprised more than hundred projects.

The Third European Poverty Programme ended in 1994, and, the Council did not approve the following programme, prepared in the meanwhile by the European Commission. The formal justification for this circumstance was the reinforcement of a certain understanding of the principle of subsidiarity, according to which the fight against poverty and exclusion should be a responsibility of the member-States and not of the European Community as a whole. Admittedly, financial reasons might also have underlain the decision, since new social and economic problems were rising in the aftermath of the reunification of Germany and the fall of the Berlin Wall. Since then (1994), the European Union had no other specific poverty programme.³ The Treaty of Amsterdam opened the way for a Community competence in the social area, but it was later, in the European Summit of Lisbon that poverty and social exclusion regained the status of a European concern. The National Action Plans for Social Inclusion (NAPincl) launched in 2001 seem an attempt to recover, though very gradually, the practice of having poverty and exclusion in the European political agenda.

In October 1995, general legislative elections were held in Portugal. During the electoral campaign, the Socialist Party announced that, in case of victory, the respective Government would establish a minimum guaranteed scheme. The issue was subject to debate between the parties, and raised some suspicion from the civil society. The three main doubts were the risk of dependency, the possibility of fraud and the rise of public expenditure, in a context of financial constraints that both the State, in general, and the social security system, in particular, had to face. However, the minimum guaranteed income did not attract much attention in the debate held during the electoral campaign.

³ It should be noted, however, that various other European programmes were launched, especially related to unemployment and to urban rehabilitation, which had strong, direct and indirect, links with the problem of poverty.

At that time, the main concern about the social protection system was its global sustainability. Some voices foresaw a medium-term financial rupture, while others expected it later. The debate was focussed on what should be done in the immediate future and in the long run, to avoid the collapse of the system.

The Socialist Party was the most voted party in the 1995 elections, and, although did not achieve an absolute majority in the Parliament, formed Government and about six months later launched the scheme.

In the meanwhile, the Government decided also to study the problem of the sustainability of the social security system in a comprehensive perspective by setting up a Commission to prepare a White Paper on Social Security. The Commission was considerably pluralistic in its composition. Having studied the various aspects of the problem, the Commission approved, by majority, a final report, that was published. The report contained a diagnosis of the situation, as well as proposals with regard to future changes. The four members who voted against the report were given the right to include their dissenting opinion, which was done in one single text that was published by the authors and came to be known as the Report of the Minority. The political impact of the proposals made in the White Paper was not relevant.

The Minimum Guaranteed Income scheme was not a major issue in the debate in the White Paper Commission. Neither did the civil society give to the scheme much attention. Thus, there was no need of promoting an especial debate about a measure that possibly raised more doubts than opposition. Indeed, dependency and fraud could be avoided or limited, and the financial burden was not significant. The Government, therefore, succeeded in launching the scheme without resistance. Furthermore, the low level of the established financial benefit and the adoption of an experimental phase reduced any potential opposition. Some months later, the scheme was considered, almost unanimously, as a success. This was clear when, in debates on the achievements and failures of the Government, the opposition accused the Government of mentioning the Minimum Guaranteed Income scheme too often, as if it had no other point of success. Implicitly,

therefore, the opposition was recognising that the scheme could be considered as successful.

The Portuguese scheme of the Minimum Guaranteed Income (MGI) (*Rendimento Mínimo Garantido*) represents a step forward in the policy to combat poverty and exclusion. The basic features of the scheme are described below. Nevertheless, some of its positive aspects may be summarized here.

Firstly, the scheme covers everyone above the age of 17 years, who satisfies the means test. Secondly, it is defined as a right, and hence is not subject to discretionary decisions about entitlement, the amount of the benefit, reduction of the benefit or cancellation. Thirdly, it is based on a multidimensional approach to poverty, hence the obligatory character of a “social insertion contract”. The social insertion contract includes all the instruments that may help the beneficiary and the family to gain their social and economic autonomy (occupation training, finding a job, job creation, sending children to school, etc.). Fourthly, the scheme set up a network of partners to promote the social inclusion of the beneficiaries (social labour market, involvement of NGOs, etc.). Fifth, the monitoring system includes institutions at the national level, as well as local monitoring commissions. Thus, the actual situation of the candidates can be better assessed, the changes better followed and fraud reduced.

1.1 Basic features

The MGI was established by Law n° 19-A/96, of 29 June 1996, and Decree-Law n° 196/97, of 31 July 1997.

The scheme covers all persons and families in situation of “serious economic want”, which is understood as encompassing the following conditions:

§ income of the person lower than the Social Pension.⁴

§ income of the household lower than the sum of the following values:

⁴ Social Pension is the pension of the social security non-contributory sub-system. Since December 2001, its amount is • 138.60 monthly.

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- 100 per cent of the value of the Social Pension per adult, up to two adults;
 - 70 per cent of the value of the Social Pension per adult, from the third onwards;
 - 50 per cent of the value of the Social Pension per child.

Other conditions of eligibility:

- § age of 18 years or above;⁵
- § if below the age of 18 (see footnote 2), the person should be economically independent and in one of the following situations:
 - § be emancipated by marriage;
 - § have children under his or her exclusive economic dependence or under the exclusive dependence of his or her household;
 - § be pregnant;
 - § legal residence in Portugal;
 - § acceptance of the obligation of signing and implementing a social insertion programme (agreed upon in the social insertion contract, mentioned above), namely by an active availability to work or to undertake actions of occupational training or integration;
 - § be willing to apply for social security benefits to which he or she may be entitled, and exercise the right of appeal to recover possible credits or for the recognition of the right to alimony;
 - § provide the means of proof needed to verify the situation of economic want.

⁵ The new Government that recently came into power (following the election held in March 2002) already announced the intention of raising the minimum age of eligibility to 25 years (see below).

1.2 The benefits

The scheme has two components:

- § a non-contributory monetary benefit; and
- § a social insertion programme.

The objective consists in ensuring individuals and their families' means that may contribute to meet minimum needs and foster a progressive social and occupational insertion. Accordingly, the GMI guarantees, on the one hand, the minimum means of subsistence to all those who lack resources, and, represents also, on the other, an instrument of social insertion. Indeed, as a counterpart to the financial benefit, the beneficiaries must accept a social contract aimed at enhancing the possibilities of their respective social and economic autonomy.

The amount of the benefit is equal to the difference between the amount of the MGI that would correspond to the composition of the household (in the assumption of zero income) and the income actually earned by the household. Furthermore, when the housing (or dwelling) expenditures exceed 25 per cent of the MGI that corresponds to the household, the benefit is increased by an amount that varies with the size (number of members) of the household.

The social insertion programme establishes the following items:

- § type of action;
- § responsible institutions;
- § support provided to the beneficiaries;
- § obligations of the beneficiaries.

The programme is established by agreement between the Local Monitoring Commissions and the members of the household concerned.

In order to enhance the feasibility of the social insertion component, some complementary measures were taken, such as:

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- § the establishment of a fund for financial support of the creation of small and easily installable self-employment activities aimed at meeting local needs and interests;
 - § special programmes of occupational training for beneficiaries in the situation of long-term unemployment;
 - § a programme aimed at establishing Personal Employment Plans, tailored for the individual needs of each beneficiary and supported by personalised help. This programme includes the following active measures:
 - direct placement in the labour market;
 - creation of one's own job;
 - insertion enterprises;
 - support to job creation in existing firms; and
 - the "Insertion-Employment" programme.

1.3 Institutions of management and control

1.3.1 Regional Social Security Centres (CRSS).

The application for the benefits of the MGI may be submitted to the Regional Social Security Centre of the area of residence, to the attendance offices defined by the Local Monitoring Commissions (CLA, see below), and should be presented in the proper form, together with the required documents of proof.

The decision on the concession of the monetary benefit belongs to the CRSS. The Local Monitoring Commissions take the decisions that concern the insertion programmes.

1.3.2 Local Monitoring Commissions (CLA)

These commissions are based in the municipality. However, when justified, the respective area may be reduced to the level of the civil parish. The CLA include the local representatives of public institutions in the domains of social security, employment, occupational training, education and health. Wherever

necessary, the CLA may also include representatives of other relevant public institutions, of local authorities, local NGOs and other non-profit organizations, namely the trade unions and employers' associations that belong to the respective geographical area and are available for this purpose. Each CLA is co-ordinated by the representative of the social security sector, unless its members unanimously elect another co-ordinator.

1.3.3 National Minimum Income Commission (CNRM)

The implementation of the scheme is monitored by this Commission, which is appointed directly by the Minister of Solidarity and Social Security. The CNRM includes representatives of the following ministries: Education, Health, Qualification and Employment, and Solidarity and Social Security.⁶ It also comprises representatives of the local authorities, of NGOs and of trade union and employers' confederations. The functions of the Commission focus mainly on monitoring, support, evaluation and proposal for the improvement of the legal framework of the scheme.

1.4 Financing

The scheme - including the financial benefit, the insertion programmes and the administrative costs - is totally financed by the Government Budget (general taxation), as the other non-contributory schemes.

2. How far has the Minimum Guaranteed Income (MGI) succeeded in combating poverty in Portugal?

2.1 Overall assessment

In a document drawn in the context of an overall evaluation of the MGI, one may read, "The implementation of the Minimum Guaranteed Income brought

⁶ The names of some of the Ministries have changed in the meanwhile.

about innovative aspects in relation to the traditional social protection policies”.⁷
And it mentions the three main changes introduced by the scheme:

- § the right to minimum subsistence income to all persons without resources, irrespective of the reason underlying the want and of having, or not, paid contributions to the social security system;
- § this right goes along with the condition of an effort towards social insertion;
- § the adoption of a model of partnership that widens the engagement and the collective responsibility of social actors in combating poverty and social exclusion.

Before analysing the implementation of the MGI, in an evaluative perspective, it should be stressed that the measure was designed to cover only the most severe forms of poverty and exclusion. Indeed, leaving aside the general European, if not world wide, debate on the poverty thresholds currently used to quantify poverty, it may be estimated that when the MGI was launched, the poverty rate in Portugal was of about 20 per cent. The population covered by the scheme is less than 4 per cent of the total population,⁸ given the particularly low level of the baseline defined for entitlement to the scheme, as will be seen below. This means that the “target group” of the MGI scheme did not exceed the poorest fifth of the poor. The effectiveness of the scheme in combating poverty can only be assessed within these limits and limitations. In other words, one should not expect from the MGI scheme more than what it can offer or achieve.

The indicator that Eurostat calls the “poverty risk rate”⁹ fell between 1997 and 1998 from 24 per cent to 20 per cent. At first sight, one could infer that this progress was partly due to the MGI scheme, although there are more than 100

⁷ UPE/DIC (2002), *Resultados do Inquérito por Questionário aos Técnicos que fazem acompanhamento directo às famílias RMG, Doc. de Trabalho, Janeiro 2002*, Lisboa, p. 4.

⁸ Data from IDS-CNRM (2001), *Estudo de Avaliação de Impactes - Inquérito aos Beneficiários RMG, Dezembro 2000-Março 2001*, Lisboa.

⁹ Threshold at 60 per cent of the median equivalized income per person.

other local projects also aimed at combating poverty. Such an assumption would seem to be confirmed by the numbers of beneficiaries that have left the scheme for having achieved a level of income above the established baseline for entitlement to the MGI. However, given the low level of that baseline, moving out of the scheme does not necessarily mean overcoming poverty. What it certainly implies is the narrowing of the poverty gap. Nonetheless, in some cases, it may have led to moving out of poverty, although the question remains about the sustainability of such progress.

Using a different poverty line,¹⁰ Rodrigues (2001) estimates that the threshold applied to data from the Household Budget Survey 1994/95 leads to poverty rates (individuals) of 18.1 per cent and 17.8 per cent, before and after transfers from MGI, respectively. Besides what was stated above about the proportion of the poor covered by the scheme, it should be noted that the value of the social pension (baseline for the MGI) represents only 34 per cent of the poverty line used by Rodrigues. Furthermore, the data on income in the HBS include non-monetary forms of income, which are not considered by the estimates adopted by the GMI scheme.

The impact of a programme on poverty cannot be measured only in terms of the reduction of the poverty rate. Measures like the intensity and the severity of poverty are also relevant. The same study shows that, as a result of the income transfers from the MGI scheme, the intensity of poverty fell by 14.5 per cent and the severity by 29.5 per cent. Thus, it may be concluded that the programme had a considerable role in reducing the hardship of the families and the individuals covered.

It should be recalled that the overall effect of the scheme on poverty is larger than the effect only due to income transfers. Its ultimate objective consists in leading the beneficiaries to a sustainable situation of income self-sufficiency, in which they no longer need income transfers. We will see below the extent to which the scheme may have succeeded in achieving this objective.

¹⁰ Rodrigues (2001), p. 11. Equivalent poverty line at 60 per cent of the median disposable income.

2.2 Social and demographic characteristics of the beneficiaries of the GMI¹¹

The population entitled to the MGI scheme is predominantly female (71 per cent). Men represent less than a third (29 per cent) of that population. It is mainly women who represent the households in the application for the MGI in most of the regions of the country. It seems, therefore, that women are more active in searching for support that may enable them to meet the needs of the family. Women also make up the majority of the beneficiaries, though to a lesser degree (53 per cent).¹²

The most frequent types of family among the beneficiaries are the nuclear family with children (33 per cent), female-single-parent families (19 per cent), extended family (16 per cent) and women living alone (14 per cent). Nuclear families without children represent 10 per cent and men living alone 8 per cent.

Persons living alone (men and women) account for 22 per cent of the beneficiaries. This proportion reflects the specific vulnerability of these persons to poverty and exclusion.

With regard to the dimension of the households, one notes that about 61% of the households that benefit from the RMI comprise between one and three individuals. However, about 33 per cent of the households have between four and six members, while those that comprise more than seven individuals represent around 5 per cent. These proportions confirm the figures on poverty in general, which show that poverty in Portugal is basically explained by low incomes, rather than by the size of the household.

The average number of children of the beneficiaries (average age of 14 years) is of 2.2.

¹¹ Unless stated otherwise, the data used in this section draws from IDS-CNRM (2002), *Estudo de Avaliação de Impactes - Inquérito aos Beneficiários RMG, Dezembro 2000-Março 2001*, Versão de Março de 2002, Lisboa. Not yet published.

¹² Persons *entitled* (or *recipients*) are those who apply for the benefit and receive it. *Beneficiaries* include the entitled and their respective households.

Data on the marital status of the persons who are entitled to the scheme show that 44 per cent are married, most of which living in nuclear families with children. Single persons, the divorced and widow (er)s represent, respectively 24.3 per cent, and 12.4 per cent and 11.5 per cent.

As shown in Table 1, the persons entitled to the MGI are mainly in the economically active age. Indeed, more than half (54 per cent) are within the age group of 18-44 years, and the groups in the economically active age account for 89 per cent of those entitled to the benefit. As stated earlier, youth below the age of 18 years is eligible only in exceptional circumstances (be marriage, pregnancy or having other dependent children), and therefore their proportion among the entitled population is negligible. The low proportion of the elderly is explained by the fact that they are eligible for other types of benefits (namely the Social Pension). Understandably, the distribution of the beneficiaries shows a higher proportion of the younger cohorts.

Table 1. Persons entitled and beneficiaries, by age groups

Age group	Entitled(%)	Beneficiaries (%)
Less than 18 years	-	35.2
18-24 years	7.1	10.5
25-44 years	46.6	27.4
45-54 years	17.7	9.5
55-64 years	17.9	9.4
Above 64 years	10.8	7.9
Total	100	100

Source: IDS-CNRM (2002).

The Government that recently took office has announced the increase of the minimum age for entitlement from 18 years to 25 years. The change is based not in financial reasons but in the words of the recently appointed Minister of Labour and Social Solidarity, as “a matter of principle”.¹³ As may be seen in Table 1, the

¹³ As the Minister explained in an interview, “The idea is to avoid, as much as possible, delay in the beginning of active life, due to subsidy dependency”. The Minister added that in especial cases (e.g., persons with serious social situations, such as single mothers, young couples with children, or youth

corresponding proportion of persons entitled to the MGI under the age of 25 years little exceeds 7 per cent.

Table 2 shows the situation of the beneficiaries with regard to health problems. The percentages mentioned cannot be added due to double counting. The larger group (21 per cent) suffers from some chronic disease. Physical disability accounts for 8.4 per cent, while drug addiction and alcoholism represent, together, 11 per cent of the beneficiaries. When all the types of the so-called “psychiatric diseases” (drug addiction, alcoholism and mental illness) are added, the proportion is of around 16 per cent. On the other hand, 40 per cent of the households had at least one member with health problems.

Such a picture of the beneficiary population with respect to health may be expected to carry additional problems and difficulties in combating poverty and exclusion. Frequently, such situations are long lasting and, thus, hamper the progress of the poor in overcoming poverty and exclusion.

Table 2. Health problems of the beneficiaries

Health situation	(%)
Chronic disease	21.3
Physical disability	8.4
Drug addiction	6.6
Alcoholism	4.6
Mental disease	4.4
Bed-ridden	2.6
Households with at least 1 member with health problems	40.0

Source: IDS-CNRM (2002).

It should be recalled that Portugal is a country with persistent and long-term poverty. This is a type of poverty that persists along the entire life cycle of the poor, and is transmitted from one generation to another. It is more resistant to any

presently undergoing occupational training or qualification activities, etc.) the MGI would continue to be granted to persons below 25 years of age (*Público*, 27 April 2002).

counteraction than recent or short-term poverty, not only due to the rigidity of its causes, but also due to the viscosity and resilience of its consequences. It should be noted that the large majority (about 86 per cent) of the recipients of the MGI was acquainted with poverty since childhood, in the family of origin. Around 67 per cent faced permanent (or almost) poverty and only 19 per cent occasionally. Only in 11 per cent of the cases, the recipients were undergoing recent poverty¹⁴.

Long-term poverty demands a well-designed, multidimensional and persistent action, which inevitably reduces the immediate effectiveness of the action. Any feasibility study on the introduction of the basic income scheme in Portugal must have this aspect into account. Poverty, defined as a situation of deprivation due to lack of resources (see below), can only be reduced or eradicated by increasing the resources of the poor. However, this necessary condition is not sufficient, mainly when one deals with long-term poverty. Since poverty and social exclusion are multidimensional in nature, a policy to combat those problems can only be efficient if it is also multidimensional. Especially in the case of long-term poverty, the initial cause of deprivation (lack of resources) is only one of the dimensions of the problem. Simultaneously, a specific action is needed for overcoming the obstacles generated by the progressively deeper consequences of poverty (low aspirations, lack of initiative, low self-esteem, lack of self-confidence, specific habits and behaviour, fatalism, cultural bottlenecks, etc.).

One of the structural causes of poverty in Portugal lies on the low educational level of the poor well reflected in the educational profile of the recipients¹⁵ of the MGI (Table 3). About one-fifth is illiterate, more than one-third do not have any diploma, and more than three-quarters have, at most, the primary school (four years of schooling). It should be noted that 74 per cent of the illiterate recipients

¹⁴ Source: IDS-CNRM (2002).

¹⁵ The use of the educational profile of the *recipients* of the MGI avoids that the children (counted among the *beneficiaries*) be considered.

are above 45 years of age and 60 per cent of the recipients with the Basic Second Cycle (six years of schooling) were below 35 years of age.

Table 3. Educational level of recipients of MGI

Level of education	Recipients	
	(%)	Cumulative (%)
Illiterate	19.2	19.2
Read and write	16.1	35.3
Basic 1 st cycle (4 years of schooling)	42.2	77.5
Basic 2 nd cycle (6 years of schooling)	15.2	92.7
Basic 3 rd cycle (9 years of schooling)	4.9	97.6
Secondary education	1.6	99.2
Medium or Higher education	0.7	100
Total	100	

Source: IDS-CNRM (2002).

The above figures show that the solution of the problem of poverty in Portugal is not a mere question of income transfers. The educational profile has its natural consequences on the situation of the individuals with regard to the labour market, reflecting later on the old-age pension. Indeed, 21 per cent of the recipients belonged to the professional group of craftsmanship, construction and mining; another 21 per cent were non-qualified workers in services and commerce; 11 per cent worked in agriculture and fishing; and 11 per cent worked in services or were salespersons. The group of housewives represented more than 29 per cent of the recipients.¹⁶

Still with respect to the recipients, it is useful to analyse the situation in relation to work (Table 4). More than 30 per cent of the recipients are unemployed, of whom 66 per cent are women, 55 per cent are long-term unemployed and 34 per cent never worked. The recently unemployed represent 10 per cent of the unemployed recipients.

¹⁶ The relevance of women among the recipients was stressed above.

Table 4. Recipients: situation in relation to work

Situation in relation to work	Recipients (%)
Unemployed	30.3
Domestic tasks	26.1*
Has a profession	25.6
Pensioner	9.5
Disabled	6.2
Other	2.3
Total	100

(*) 97 per cent are women.

Source: IDS-CNRM (2002).

It should be stressed that more than one-quarter of the recipients has a profession. The very fact that persons in this situation are entitled to the MGI reflects the precariousness of the respective jobs, both in terms of the level of wages as well as of the type of link. In fact, 45 per cent of these workers did not have any type of contract (half had seasonal work), 27 per cent had a fixed-term contract and only 24 per cent had a permanent contract. The great majority (73 per cent) worked on a full-time basis and more than half (52 per cent) were in the respective jobs for more than two years.

As stated earlier, a large majority (about 86 per cent) of the recipients of the MGI experienced poverty since childhood. Around 67 per cent faced permanent (or almost) poverty and 19 per cent occasionally. Only in 11 per cent of the cases, the recipients were undergoing a situation of recent poverty. It should therefore be, once again, underscored that, in such a context, income transfers, though indispensable, only solve a part of the problem. The path towards self-sufficiency requires a multidimensional programme, comprising the income support and a set of other measures and forms of support that are necessary to overcome objective and subjective handicaps and bottlenecks.

The above analysis seems to justify the conclusion that the vast majority of the recipients and beneficiaries of the MGI scheme were effectively in need of the scheme. The alleged cases of fraud should not be denied a priori, but the actual size of the fraud does not seem to be significant. It may be hypothesized that the knowledge of individual cases of fraud has led to a hasty generalization.

Nevertheless, a closer control of the implementation of the scheme is necessary, not only to measure the relevance of, and eliminate, fraudulent cases but also to rehabilitate the image of the scheme in the perception of the public opinion.

2.3 The impact of the MGI in combating poverty

In December 2001, the total number of recipients of the MGI scheme was of 124,456 recipients and 354,258 beneficiaries. About 65 per cent of the recipients had to leave the scheme because the respective incomes have risen beyond the eligibility baseline. To some extent, this is a global indicator of the effectiveness of the scheme. Approximately 19 per cent of the cases were cancelled, because the recipient failed either to sign or to fulfil the social insertion agreement.¹⁷

The impact of the MGI scheme may be perceived in four different dimensions:

- § improvement of the living conditions of the recipients, mainly due to the regularity of the income;
- § changes in the life style (previously characterized by “adaptation” to poverty and passivity);
- § action towards professional and social insertion (e.g., closer involvement of the parents in the education of children, improvement of the educational levels, improvements in the house, etc.); and
- § critical attitude towards the relation between needs and the direction of the proposed insertion process.

2.3.1. Perception of the recipients

In a survey on the perception of the recipients about the positive outcomes of the scheme, one notes that almost all the recipients mentioned the “regularity of the incomes” as a major factor of improvement of their lifestyles. The other aspects mentioned were the enhancement of self-esteem (32 per cent), access to

¹⁷ Comissão Nacional do Rendimento Mínimo (2001).

medical care (14 per cent), better housing conditions (9 per cent) and better professional insertion (5 per cent).

A closer analysis of the positive effects of the MGI on the basic needs of the beneficiaries leads to the conclusion that the majority succeeded in meeting the respective housing needs, including accommodation, basic facilities (piped water, electricity, sewage, etc.) and equipment (fridge, television, etc.). Nevertheless, 28 per cent of the recipients still mention the housing problem as one that must be solved so that they may have better living conditions. It should also be underscored that the share of the housing expenditure in the total expenditure is very high, just next to food. It should be noted that the housing problem is one of the most serious social problems that affect various socio-economic strata of the Portuguese society, namely young couples.

Another domain in which progress has been registered concerns those who were in arrears and succeeded in normalising their debts, as well as the penalties due to the non-payment of certain bills (house rent, water, electricity, gas, etc.).

The MGI also fostered progress in the educational field, both among children at the basic (compulsory) school age as well as among adults. In general, in 17 per cent of the households covered by the scheme, at least one of the members succeeded in returning to school.

Occupational training seems to be one of the areas with the lowest level of achievement, and certainly one that has to be improved in the future. Indeed, the majority of the recipients declared that they did not follow any such training. About 68 per cent of the latter mention that no training was suggested to them, and about a quarter was not interested in the professional skills related with the courses available.

The job situation of the recipients capable of work (i.e. that were not prevented from working due to health) improved: the employment rate rose from 22 per cent to 40 per cent, between the period of application and the evaluation. The younger age group shows the highest rate of change, though the group of 35-

44 years presents the highest employment rate. Differences may also be observed between changes registered in urban centres and rural areas (Table 5).

Table 5. Recipients employed

Age-groups	Recipients employed (%)	
	At application	At present
18-24 years	12	28
25-34 years	21	40
35-44 years	26	44
45-54 years	23	39
Urban centres	26	38
Rural areas	22	42

Source: IDS-CNRM (2002).

It should be noted that 65 per cent of the recipients who could work (were between 16 and 55 years of age and without any health problem that prevented from working) succeeded in getting a job, and thus achieved their economic autonomy (are no more in need of the income benefit). However, the jobs available to this type of candidates are frequently precarious. Therefore, the need of a stable job persists in some of the cases.

On the other hand, the existence of the MGI scheme seems to have facilitated the take-up and the use of other social protection benefits by the recipients. This is an indirect effect of the scheme that should also be considered. To note that 64 per cent of the recipients of the MGI had never previously received any support from the social protection system.

Finally, the scheme also fostered some improvements in the area of health. The recipients enquired declared that they now have access to occasional economic support for health care, both in goods (medicines, etc.) and health services, as well as in guidance and access to health care. Among the families with deeper health problems, those with problems of drug addiction present greater changes, as a result of actions focused on de-intoxication, insertion in the labour market and recovery of the family social relations.

The majority (65 per cent) of the recipients enquired consider that their life improved since they benefit from the MGI scheme. For 32 per cent there were no meaningful changes, and 4 per cent consider that life is worse.

The survey distinguishes recipients that tend to stay under the scheme for a longer time and those who succeeded in achieving autonomy within a relatively short period of time (Table 6).

Table 6. Dependence and autonomy

Characteristics	Persist in the scheme	Achieved autonomy
Age group	Higher	Relatively young (63% below 44 years).
Education:		
never went to school	17%	-
has no diploma	about 50%	28%
primary school (4 years)	39%	44%
Qualifications	Low (are not a handicap when compared to those who achieved autonomy).	Low.
Health	About 50% have ill health that hampers working conditions.	Lower proportion of persons with health problems.
Reasons for unemployment:		
due to ill health	29,4%	21%
due to age	17,8%	-
need to care for family	14,7%	22%
lack of jobs	-	29,3%
never worked	20% (due to ill health)	-
Type of family	nuclear families without children; persons living alone.	nuclear families with children; single parent families.
		Note: 76% are women.
Duration of unemployment	52,6% long-term; 39% never worked; 8,5% recent unemployment.	- 17%
Expectations	More than half considers that when entitlement to MGI ends, they will need another similar type of support.	In general, optimistic. Tend to perceive the scheme as transitory.

Source: IDS-CNRM (2002).

Age is clearly a relevant factor: younger recipients manage to move out from the MGI scheme than the older. The educational achievement of the former seems

slightly higher, though the professional qualifications do not affect the duration of the dependence. Health also affects positively the insertion process. Indeed, around 50 per cent of those who stayed longer under the scheme suffered from health problems that hampered the capability to work. The health situation is also reflected in the causes of unemployment: about 50 per cent of the latter group got into unemployment due to reasons related with health or had never worked due to ill health. Couples with children and single parent families showed higher social mobility than couples without children and persons living alone. Presumably, this feature is associated with age. The type of unemployment is particularly meaningful: among the unemployed who have more difficulty in moving out of the scheme, 39 per cent never worked and 53 per cent were long-term unemployed. The objective aspects of the situation are compounded by the subjective expectations, which are pessimistic in the longer dependent and optimistic in those who moved out of the scheme.

2.3.2 *The perception of the staff*

A survey covering the technical staff engaged in the implementation of the scheme helps to complement the above analysis with the perception of the staff that followed and was in direct contact with the recipients (Table 7).

In general, it may be said that the evaluation by the staff is not entirely favourable. Less than 60 per cent considers that the MGI scheme reduces but does not solve the problems of the poor. This percentage does seem compatible with the fact that 65 per cent of the recipients left the scheme due to changes in their respective incomes. It should be recalled, however, that the eligibility baseline (about 20 per cent of the median disposable income) of the scheme is below any acceptable poverty line, and, therefore, moving out from the scheme does not necessarily mean moving out from poverty. This is a major and intrinsic shortcoming of the Portuguese MGI scheme itself. On the other hand, it is not clear whether the apparent self-sufficiency acquired by those recipients is persistent.

Table 7. Positive and negative effects of the MGI scheme, according to staff

Effects	Frequency (%)
Positive effects:	
Higher visibility of the problems of poverty and social exclusion	61.0
Attenuation but not solution of the problems of the poor	57.0
Involvement of new actors in the social protection policies	55.0
Need of changes in other social policies	28.0
Fosters innovation in the public services	20.0
Negative effects:	
Generates dissatisfaction in those not covered	32.0
Increases dependency in relation to support from State	31.0

Source: CNRM/IDS (2001).

The contribution to enhance the visibility of poverty and social exclusion is, undoubtedly, a global positive, though indirect, effect of the GMI scheme, which benefits not only the present group of beneficiaries but also other poverty programmes, including those of the future. The other three observations - involvement of new actors in the social protection policies, the need of changes in other social policies, and capacity of the scheme to foster innovation in the public services - also point to institutional and policy advantages of the scheme.

The dissatisfaction in those not covered by the scheme concerns those who do not fulfil the criteria of eligibility. Considering the notoriously low level of the income eligibility baseline, clearly lower than any consistent poverty line, it is not surprising that those poor persons who have incomes higher than the mentioned threshold and, nevertheless, live in poverty, are dissatisfied with the scheme.

Finally, criticism about dependency in relation to support from State, together with fraud among the beneficiaries, has been one of the leitmotifs of the centre-right and right parties in the recent campaign for the legislative elections (held in mid-March 2002). Objectively, there seem to be reasons to improve (perhaps substantially) the control and monitoring systems, both in granting the benefit as well as in following the developments that may occur in the situation of the beneficiaries. The discourse against those irregularities has claimed the name of justice. However, it seems grossly biased by an individualistic political

philosophy, a “conservative” notion of social rights, a superficial understanding of poverty and exclusion, and insensitivity towards incomparably deeper and more damaging forms of injustice that stain the Portuguese society, e.g., tax evasion.

It is particularly significant that the perception of the population in general about the beneficiaries of the MGI is particularly negative. As may be seen in Table 8, according to the perception of the staff, the population in general has a sharply negative opinion about the beneficiaries of the MGI. Only according to 5 per cent of the staff, the population considers the beneficiaries really deprived and entitled to the MGI.

Table 8. General perception of the society about beneficiaries of MGI, according to staff

Perception	% of staff
“Adapted” and living (dependent) on the system	57.0
Privileged and without working habits	38.0
Deprived and entitled to the MGI	5.0

Source: CNRM/IDS (2001).

Here lies a particularly relevant bottleneck that has to be taken into account when trying to assess the possibilities of introducing any future basic income programme in Portugal.

Still analysing the perception of the staff, it is useful to examine their assessment of the concrete effects of the MGI on the beneficiaries (Table 9).

A relatively high proportion of the staff perceives that the scheme provided better access to information and to the services. Around 40 per cent mentioned the improvement in the domestic organization brought about by regularity of the income, and the development of personal and school competencies. Other positive effects are the improvement of occupational integration, the development of social and professional competencies, the improvement of health and of housing conditions. One of the relevant aspects that emerge from this perception is the multidimensional character of the MGI scheme. It is clear that the income transfer

is only one of the components of the scheme, included in a multidimensional set of measures that try to face the multidimensional nature of poverty and exclusion.

Table 9. Perception of the staff about positive and negative effects of the MGI scheme on beneficiaries

Effects	%
Positive effects:	
Better access to information/services	62.0
Improvement of domestic organization, due to regularity of incomes	42.0
Development of personal competencies	42.0
Development of school competencies	39.0
Better professional integration	34.0
Development of social competencies	30.0
Improvement of health	29.0
Development of professional competencies	26.0
Improvement of housing conditions	21.0
Easier access to housing	3.0
Negative effects:	
Higher dependency on State support	35.0
Dissatisfaction with regard to social insertion processes	22.0
Foster debt	8.0

Source: CNRM/IDS (2001).

The perception of the staff also revealed the factors that hampered the implementation of the GMI, which correspond to some of the aspects in which the scheme has to be improved: weak participation of the partners, accumulation of functions by the staff, and insufficient resources.

Partnership is a relatively new concept and practice in Portugal. It was practically launched in the late 1980s, fostered by the Third European Poverty Programme 1989-1994. Presently, the principle may be considered as assumed in theory. In practice, however, progress is needed in this field. The other two bottlenecks concern resources (including human resources).

Almost half of the staff covered by the survey (41 per cent) mentioned that they knew persons that satisfied the eligibility criteria but did not apply for the benefit. However, there is no information about the relative size of non-take-up.

The survey also includes some proposals by the staff, for the improvement of the implementation of the MGI scheme. The recommendations with the highest frequency concerns the need to foster and develop new types of action aimed at social insertion, and a better adaptation of the solutions to the needs of the beneficiaries. Two other recommendations refer to a more efficient use of the resources available, and to follow more closely the beneficiaries.¹⁸

Table 9 also shows some negative effects: dependency (already mentioned above), dissatisfaction concerning the social insertion processes, and indebtedness.

3. Reflections on the introduction of a basic income scheme in Portugal

The introduction of a basic income scheme in any society requires a certain number of pre-conditions, both contextual as well as practical, that have to be fulfilled so that the measure may be feasible. It is, therefore, useful to summarize some of the aspects mentioned above about the type of poverty and the MGI scheme, and add some other features of the Portuguese social security system and society that seem relevant in assessing the feasibility of any new scheme.

To begin with, it seems that the idea of a basic income is, in many aspects (cultural, financial, economic, etc.), too far from the thinking of the policy makers and the public opinion in general, to be feasible in the short-term. Furthermore, given the tendency towards the retrenchment of the welfare state all over Europe, and the fact that the reduction of the public deficit has been elected as the primary concern of socio-economic policy, any innovation in this field will need very sound and convincing arguments to be acceptable. In this sense, the exposure of its capability to combat and/or prevent poverty and social exclusion would seem to be important, as a substitute to the minimum guaranteed income.

¹⁸ CNRM/IDS (2001), Estudo de Avaliação de impactes do RMG - Inquérito por questionário aos técnicos que fazem acompanhamento directo às famílias RMG, Lisboa.

In particular, the aspects that seem particularly relevant in this context are related, namely to the following topics:

- § poverty as a multidimensional problem;
- § some specific features of poverty in the Portuguese society;
- § the present debate about the GMI, social security and the role of the State;
- § financial and “developmental” problems of the social security system;
- § the influence of neo-liberal thinking in Portugal and in Europe, competitiveness and globalization.

3.1 Poverty as a multidimensional problem

Poverty is defined as “deprivation due to lack of resources”.¹⁹ This definition has, among others, the virtue of highlighting a crucial aspect of the problem: that poverty comprises two different, though related, problems: deprivation and lack of resources. Deprivation is a state of want, of unmet basic human needs. Usually, it is a state of multiple deprivations. Since it is related with basic needs (food, shelter, health, etc.) it demands emergency measures.

However, action against deprivation, though necessary, is not sufficient to solve the problem of poverty. Indeed, the poor person only moves out of poverty when, having solved the problem of deprivation, also succeeds in achieving self-sufficiency with regard to resources. It should be added that self-sufficiency here means that the person earns his or her income (and other resources) from one of the sources considered as “normal” in the respective society. In the European societies in general, a situation is considered as “normal” only when it flows from the primary distribution, either in the form of labour income or of capital income. Transfers are not considered as a “normal” source of income, except in the case of old age, invalidity or survival pensions. Any other type of transfer usually has a transitory nature (e.g. unemployment benefit, sickness benefit, etc.). Excepting

¹⁹ See, e.g., Townsend, Peter (1979), *Poverty in the United Kingdom*, Penguin, UK.

these cases, redistribution is not considered as a “normal” source of income, especially when the benefit is non-contributory.

The MGI scheme stems from this basic understanding. The monetary benefit is meant to help overcome deprivation and face other expenses until the beneficiary conquers self-sufficiency (e.g. gets a job).

3.2 Some specific features of poverty in the Portuguese society

As mentioned above, in order to tackle poverty in Portugal, one must distinguish recent poverty from long-term poverty. When we are dealing with recent poverty, action normally includes emergency measures to solve deprivation, and measures and policies to tackle the individual and structural causes of lack of resources.

By long-term poverty, we mean persistent poverty along the whole life cycle of the person and often associated with the inter-generational transmission of poverty. It should be recalled that a large majority (about 86 per cent) of the recipients of the MGI was acquainted with poverty since childhood, and that around 67 per cent faced permanent (or almost permanent) poverty. Only in 11 per cent of the cases, the recipients were undergoing recent poverty, and 19 per cent faced poverty occasionally.

Long-term poverty is a much more complex problem than recent poverty. Besides facing deprivation and lack of resources, the long-term poor carry handicaps that are a consequence of poverty, that sometimes affect important aspects of the personality: self-esteem, self-confidence, aspirations, initiative, social identity, values, behaviour, etc. Whatever is the income support available, if such support is not integrated into a multidimensional action programme, the final outcome may be surprisingly different from what was expected.²⁰ From the point of view of combating poverty, therefore, the mere introduction of the basic

²⁰ The example of people who live in bad living conditions and have large bank accounts is an illustration of such “deviations”.

income does not correspond to what is actually needed to solve or reduce the phenomenon. One must envisage complementary forms of interdisciplinary action in order to ensure the effectiveness of the basic income in reducing poverty. Should, as it seems unavoidable, the transfer assume the form of a right in itself, independent from any obligation, it is difficult to imagine how the such a complementary action may be made acceptable to the poor and be implemented.

3.3 The present debate about the MGI, social security and the role of the State

Even before the previous (socialist) Government launched the MGI scheme, in 1996, there was a wave of criticism almost entirely centred upon the possibilities of fraud. Foreseeing difficulties in controlling the veracity of the information provided by the applicants about their respective current situation and the changes that might occur, the critiques were fearful of fraud and of supporting idleness. This main objection to the programme continued practically during the whole implementation period, now with concrete examples of fraudulent cases and examples of “misuse” of the income benefit. Underlying was the idea that the beneficiaries were accountable to society with regard to how (in what) they spent the benefit. Finally, the recent electoral campaign (March 2002) exacerbated the debate, with heavy criticism from the centre and right parties, both in the coalition presently in power. With regard to the former (PSD - the most voted party in the elections), it was not clear whether they advocated the revision or the abolition of the MGI scheme. For the latter (CDS/PP - the only right party), the MGI was a prize for the laziness. As mentioned above, the new Minister of Labour and Solidarity has already announced that the MGI will not be abolished but will undergo changes. One of the changes should be the increase of the minimum age for eligibility, from 18 years to 25 years.

One of the principles that underlie the general attitude of society towards non-contributory benefits to the poor is that such benefits are not unconditional. Since such benefits are financed by general taxation, the beneficiary is deemed accountable to society with regard to a certain number of rules and norms of behaviour, even though, as is the case of the MGI, law does not impose such

obligations. Only in the case of labour or capital incomes is the ethical right to them considered as unconditional. Such an attitude is related to the perception and understanding of poverty and exclusion by the public opinion and the opinion makers. In spite of the considerable progress that has been made in Portugal in the understanding poverty, during the last 15 years, the impact of the scientific findings on politicians and the public opinion has been slow. It is difficult to shift the basic explanatory factor from the responsibility of the poor to the internal logic of the societal arrangements and the economic system.

Such a cultural background explains the lack of proportionality between the effective size of fraud in the MGI scheme and the sanctions suggested (namely the abolition). It should be noted that, in 1999, the total expenditure with the MGI scheme amounted to about 1.4 per cent of the total expenditure of social protection. Furthermore, as mentioned earlier, the baseline for eligibility corresponds to one-third of amount considered by Eurostat as the threshold of the “risk of poverty”.

In such a cultural context, it does not seem too pessimistic to admit that the society in general does not recognize ethical, moral or other grounds for a basic income that would cover equally every citizen in unconditional terms. One should not expect that the universal nature of the scheme would lead the society to ignore that the poor are net receivers, and most of the other social strata net payers.

One of the changes in the social security system announced by the present Government is the introduction of a wage ceiling above which the workers will be given the possibility of opting between public social security and private insurance, for the part that exceeds the ceiling. This opening of the field of protection against risks to the private sector finds similar trends in what concerns the providers of health services. In both cases, the policy seems grounded not only in pragmatic reasons of efficiency and access to a wider range of services (private and public), but also on a political philosophy that defends the reduction of the role of the State and the enhancement of the private sector. Such a trend seems incompatible with the notions of solidarity and of social rights that provide the ethical and political grounds for a basic income scheme.

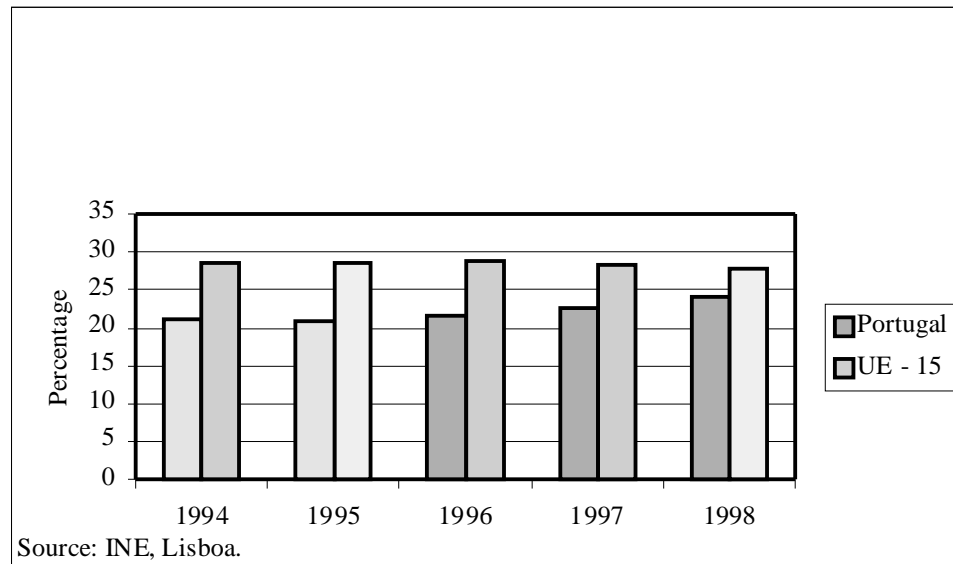
3.4 Financial and “developmental” problems of the social security system. Some features of the labour market

One of the main topics under debate about the “crisis” and the future of social security in Portugal, during the last ten years, has been its financial sustainability. The main limitation of the discussion lies in the fact that social security continues to be conceived basically as a system of solidarity among workers. Except for the non-contributory subsystem, which is totally financed by general taxation, the system is entirely supported by contributions on labour income. Given the major changes that the labour market is undergoing, it seems essential to enlarge the universe of solidarity so that it may comprise the entire society. One of the financial implications of such a broad perspective is that the system should be financed by contributions on all forms of income, including the capital income. Besides the need for major changes in the political philosophy underlying the current understanding of social security, problems related namely with competitiveness, capital mobility and the relations with the general tax system hamper the feasibility of such changes. Furthermore, it seems indispensable that the problem be analysed within wider economic spaces (in the case of Portugal, e.g., the European Union). However, the current trend towards the progressive reduction of the relative weight of human work in the economy seems persistent (at least, such a hypothesis is not negligible). Hence, the widening of the contributory basis seems to be the only path towards ensuring the financial sustainability of the social security system. Until such a change takes place, the system will rest permanently under the threat of insolvency, with the corresponding limitations to further developments of the system.

Indeed, it should be noted that the percentage of social protection expenditures in Portugal have been rising steadily during the second half of the 1990s and are not very far from the EU average as a percentage of the GDP (Figure 1).

Other major aspects related with the sources of income and with changes in the labour market may be necessary in this respect.

Figure 1. Social protection expenditures as percentage of GDP

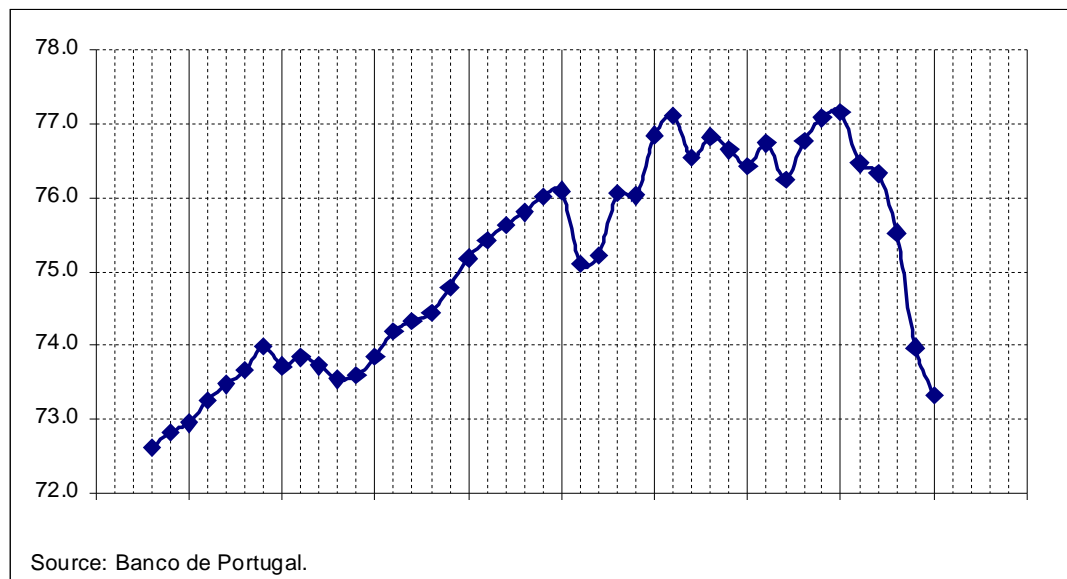


First, the democratization of the access to capital. The dissemination of capital by larger portions of the society, in order to reduce the economic instability of households that are currently entirely dependent upon labour incomes could be an important factor of income stability. Second, the labour market is undergoing so many and so deep changes that it requires a serious reflection on the consequences and durability of those changes. It is true that different scenarios have been presented about the future of work. The most optimistic believe that the changes are transitory and that the apparent excess of labour in some of the societies will be absorbed by the growing new activities. It would be something similar to what happened with the industrial revolution: manpower made redundant in agriculture was ultimately absorbed by Industry. However, less optimistic authors argue with the possibility of other scenarios that assume deeper and more lasting changes in the labour market. It is useful to analyse some of the latter scenarios.

The progressive increase of the relative importance of self-employment is one of such changes. In the *Green Paper: European Social Policy – Options for the Union*, the Commission of the European Community (presently European Commission) (1993) called attention to what it considered a major trend in the

European society: the progressive increase of the proportion of self-employed in total employment. It is not clear that the mentioned tendency is already affecting the Portuguese society. Figure 2 shows the long-term trend of the proportion of employees in total employment. It may be seen that the share of employees increased steadily since the 1950s until the early 1980s, followed by a decrease until 1987. A new increase characterized the second half of the 1980s. Finally a sharper decrease of the proportion of employees occurred during the first half of the 1990s. It is not clear whether the latter trend is persistent. However, it seems advisable that the “warning” of the Green Paper should not be ignored in the analysis.

Figure 2. Employees as percentage of total employment



An increase of self-employment may mean an increase of job instability. Indeed, it is difficult know to what extent the choice of self-employment is a free option or a disguised form of unemployment and/or underemployment. Moreover, there is no information about the degree of stability of the recent forms of self-

employment. Estimates that refer to 1995²¹ show that 33 per cent of the heads of poor households were self-employed.

Second, low-paid jobs are another relevant problem of the Portuguese labour market. According to the above-mentioned estimates, employees represented a considerable proportion (18 per cent) of the heads of poor households. On the other hand, a study published by Eurostat²² shows that “poverty risk index” of a working household²³ is 82 (index 100 corresponds to the average poverty rate).

A third aspect concerns the job stability as reflected by the type of contract. A high percentage (84 per cent) of the contracts in Portugal consist of permanent contracts. However, the proportion of fixed term contracts seems to have steadily risen during the second half of the 1990s (Table 10).

Table 10. Employees by type of contract

	1992	1993	1994	1995	1996	1997	2001
Permanent contract	87.9	89.1	89.4	88.9	87.5	85.8	83.9
Fixed term contract	12.1	10.9	10.6	11.1	12.5	14.2	16.1
Total	100	100	100	100	100	100	100

Source: INE (National Institute of Statistics).

Finally, the changes that have occurred in the labour market seem to suggest that some attention be given to the future developments of the role and importance of human work in the economy. Work is a fundamental dimension of human existence. However, one may question whether it should be so closely related to its function as a source of income. Irrespective of the changes in the nature and relative importance of the factors of production, work will always constitute an essential factor of human fulfilment. The question persists on the extent to which work should mean a paid job and be primarily designed to serve economic objectives. Having in mind the type of work and the working conditions of most

²¹ Data obtained under the project “Family Structures, Labour market Participation and the Dynamics of Social Exclusion”, within TSER programme.

²² Eurostat (2000), *European social statistics - Income, poverty and social exclusion*, Luxembourg.

²³ Working household: households that have at least one member who is working.

of the workers, one may justly ask whether how many workers see in their respective work a means of personal fulfilment. In this context, the introduction of a basic income could be a factor of «liberation». Human beings would then have a certain degree of freedom to choose the type of work that is more rewarding from the point of view of personal fulfilment, and be less forced to accept the first job under the pressure of need of having a means of subsistence.

This suggests a clearer distinction between work and employment. However, this distinction has to be worked out from the point of view of political philosophy and its implementation demands changes in the society and the economy, both cultural and organizational, which can only be envisaged in the long term.

Moreover, the political profile of the Government that recently took office in does not seem compatible with changes aimed at developing and expanding social protection. The approach of the new Government in this field is not yet clear. All that can be inferred is based on the programme submitted by the Government to the Parliament (necessarily vague in many aspects) and some public statements.

In what concerns specifically social security, the programme emphasizes namely the principle of social co-responsibility of the state, the firms and the families in sharing risks; better balance between the solidarity between the economically active and the inactive, on one hand, and obligatory or voluntary self-saving, on the other; positive differentiation in favour of the most vulnerable groups; incentive to work and savings; the indivisibility of social risks; co-ordination of the reform of social security namely with those in the areas of taxes, labour and health.

§ The main general guidelines in the area of social security that may imply changes in the political philosophy and are of interest to our theme seem to be the following:²⁴

²⁴ For more extensive information on the chapter on Social Security of the Programme, see Annex.

-
- § an overall reform of the social security system, aiming at a just balance between social rights and duties, between the public and contractual actions, between social equity, economic efficiency and the freedom of choice, generating the conditions for the intergenerational sustainability of the public social security system;
- § development of the different pillars (public, entrepreneurial, family and individual) of social security. This implies the assumption of the complementarity with:
- the introduction of a contributory ceiling, with the corresponding establishment of stable mechanisms of capitalization, public as well as private and social;
 - better consistency of the tax benefits in order to encourage complementary pensions (public and private);
 - reinforce the supervision of the pension funds and set up mechanisms of guarantee and portability of the complementary pensions;
- § diversification of the sources of financing the social security system, namely reducing the contributions based on labour incomes and aiming at greater economic and fiscal neutrality;
- § articulation of the reform of the social security system with the tax reform and the labour reform, to foster savings, eliminate distortion factors in the economy and enhance the flexibility of the labour market;
- § revision of the minimum guaranteed income, in order to implement a new philosophy based on the following principles of:
- effective control in granting and monitoring;
 - social, professional and community insertion;
 - articulation with active employment and training policies;

-
- positive differentiation in situations of higher social and family gravity; and
 - foster activity and avoid the crystallization of social vices;

§ implementation of the principle of subsidiarity, encouraging, fostering and protecting local, voluntary, private and mutualistic initiatives of social protection;

As in many other European countries, with the exception of the parties at the extremes of the ideological spectrum, the differences are rarely in terms of clear alternatives. Much of the difference lies in the emphasis given to one or other factor. Insofar as the programme indicates the preferences of the Government, one might infer that the basic tendency goes towards reducing the role of the state in social protection and developing the role of firms, families and individuals in this field. This trend goes along with the preferential attitude toward the most vulnerable. Such a perspective does not seem favourable to the introduction of any scheme such as the universal basic income.

The main theme of the public statements has been the minimum guaranteed income. This was, in fact, the first scheme to be revised. The Government sent to the Parliament a new draft law on this subject. The scheme was renamed “Social Insertion Income”, presumably to underscore the relevance of the insertion dimension of the scheme. Some of the main changes in relation to the MGI scheme, described and analysed in the previous sections are the following:²⁵

- § the minimum eligibility age for the new applicants is of 25 years, excepting pregnant women and persons with dependent children. This age limit does not apply to beneficiaries.
- § the elderly, the handicapped and couples or single parents with a child below one year of age will benefit from positive differentiation;

²⁵ The final version of the law will only be known after it is approved by the Parliament and promulgated by the President of the Republic. The present notes are taken from the media.

-
- § the introduction of social vouchers, up to 50 per cent of the monetary benefit, that must be used for paying services provided by NGOs;
 - § revision of the model of partnership, in order to accelerate the social and professional integration of the recipients;
 - § better control and monitoring.

3.5 Influence of neo-liberal thinking in Portugal and in Europe, competitiveness and globalization

The neo-liberal context of the European and world economy is adverse to any major changes towards broadening and deepening the implications of social solidarity. Calls for deregulation are still strong in Portugal and find support in the general trend of the European common policies on competitiveness. The levers that existed at the national policy level (exchange rates, interest rates, public deficit, etc.) have vanished, especially within the Euro zone, to which Portugal belongs. The target of attaining a zero-deficit state budget in the year 2004 is a commitment that binds the Euro zone and small countries, such as Portugal, cannot afford to alter. This is the central objective of the present government, which made unthinkable any policy that might translate into a higher deficit. From the revenue side, any increase in taxes has a negative impact on competitiveness and investment, and fosters capital mobility towards more rewarding countries. Thus, restrictive policies and the “postponement” of social progress appear as prescriptions without alternative.

4. Main conclusions

The Minimum Guaranteed Income scheme introduced in Portugal in 1996 can only be partially evaluated within a period of few years.

The philosophy underlying the scheme consists in recognising the right to a monetary benefit linked to the right-and-duty of a social insertion contract, to all those who have incomes below the established baseline.

Various factors show that the access to the MGI scheme is limited only to extreme forms of poverty, due to the level of the eligibility baseline. Placed at approximately 20 per cent of the median disposable income, the baseline represents one-third of the European “risk of poverty” threshold. Accordingly, the population covered by the MGI does not exceed the poorest fifth of the poor in Portugal.

The analysis of some of the characteristics of the beneficiaries confirms the incipient level of the scheme. In fact, about 40 per cent of the households had, at least, one member with health problems, and 21 per cent of the beneficiaries suffer from chronic disease. Low educational levels and low qualifications are other bottlenecks for rapid progress. Furthermore, about 86 per cent of the recipients were acquainted with poverty since childhood, and around 67 per cent faced permanent (or almost permanent) poverty. Thus, long-term persistent poverty is a dominant feature of the recipients.

Long-term poverty demands a well-designed, multidimensional and persistent action, which inevitably reduces the short-term effectiveness of the action.

The overall assessment of the scheme leads to a positive conclusion about its implementation. About 65 per cent of the recipients moved out of the scheme because the respective incomes increased beyond the eligibility baseline, and various improvements occurred in the living conditions of the beneficiaries. However, given the low level of the baseline, moving out of the scheme does not necessarily mean overcoming poverty, and even in the latter case, the data analysed above do not contain information on the sustainability of the progress achieved.

The evaluation undertaken suggests that the management of the MGI scheme should be improved in various aspects, namely, in a better control of the information provided by the candidates, closer monitoring of the situations, more coherent involvement of the partners, more effective social insertion. Furthermore, the improvement of the image of the scheme, in a cultural context

that is still little sensitive to the social rights of the poor and to the societal causes of poverty, seems essential.

This cultural context seems incompatible with the introduction of the basic income scheme in the near future. Public opinion has to be convinced, *inter alia*, of the ethical grounds for permanent incomes that stem from transfers, beyond old age, invalidity and survivor pensions. Labour income and capital income are the only types of income considered as «normal» for citizens of the economically active age group.

The financial limitations of the social security system – still based mainly on solidarity within the labour market (except for the non-contributory benefits) -, compounded by the constraints related with the commitments of the European monetary union, provide a pragmatic justification to avoid any policies or measures that imply higher public expenditure. The neo-liberal philosophy and economic policies that dominate the European scene and the unregulated global economy are heavy obstacles to the promotion of solidarity. Furthermore, the high degree of interdependence between countries and economies hamper the adoption of major policies at the national level.²⁶

Basic income seems to constitute a potentially powerful instrument to face massive poverty and the growing economic uncertainties that affect the Portuguese society. However, given the factors mentioned above, any progress in this field would require a medium or long-term strategy aimed at promoting a wide public debate on the cultural, political and practical aspects of the scheme.

²⁶ For example, the introduction of the basic income may lead to lower relative wages and, thus, be qualified as a form of “social dumping”.

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Appendix

A SUMMARY OF THE MAIN ORIENTATIONS AND MEASURES FROM:
CHAPTER ON SOCIAL SECURITY,
PROGRAMME OF THE 15TH CONSTITUCIONAL GOVERNMENT OF PORTUGAL
(Programa do XV Governo Constitucional, 16 Abril 2002)

Main guidelines and measures:

- § an overall reform of the social security system, aiming at a just balance between social rights and duties, between the public and contractual actions, between social equity, economic efficiency and the freedom of choice, generating the conditions for the intergenerational sustainability of the public social security system;
- § development of the different pillars (public, entrepreneurial, family and individual) of social security. This implies the assumption of the complementarity with:
 - the introduction of a contributory ceiling, with the corresponding establishment of stable mechanisms of capitalization, public as well as private and social;
 - better consistency of the tax benefits in order to encourage complementary pensions (public and private);
 - reinforce the supervision of the pension funds and set up mechanisms of guarantee and portability of the complementary pensions;
- § priority to the increase of the minimum pension (contributory) and of the social pension (non-contributory);
- § diversification of the sources of financing the social security system, namely reducing the contributions based on labour incomes and aiming at greater economic and fiscal neutrality;
- § articulation of the reform of the social security system with the tax reform and the labour reform, to foster savings, eliminate distortion

factors in the economy and enhance the flexibility of the labour market;

§ reinforce the mechanisms to combat fraud (minimum guaranteed income, sickness benefit, unemployment benefit) and evasion and non-payment of social contributions;

§ revision of the minimum guaranteed income, in order to implement a new philosophy based on the following principles:

- effective control in granting and monitoring;
- social, professional and community insertion that should be associated with the scheme, for its social effectiveness;
- articulation with active employment and training policies;
- positive differentiation in situations of higher social and family gravity;
- foster activity and avoid the crystallization of social vices;

§ implementation of the principle of subsidiarity, encouraging, fostering and protecting local, voluntary, private and mutualistic initiatives of social protection;

§ development and deepening of social “maecenate”;

§ gradual change of direct financing of the NGOs into direct financing of beneficiary families, according to criteria of social equity;

§ support to the more deprived and isolated elderly, to the seriously ill and to citizens with absolute and definitive disability;

§ emphasis on policies for the support of the more serious situations of widowhood, orphan hood and children in a situation of risk;

§ establishment of a differentiated policy for the so-called 4th age, namely fostering the supply of long-term care for the dependent elderly;

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- § establishment and implementation of a programme to support of the elderly, enhancing home care and structures for conviviality and for combating isolation and insecurity, and supporting with positive differentiation the families that host their elderly;
 - § restructure the system of the adoption of children;
 - § revise the Rehabilitation Law;
 - § foster work at distance and domiciliary work for the handicapped;
 - § introduction of new social benefits for the deeply handicapped;
 - § creation of the possibility of partial retirement pensions associated with part-time work;
 - § reinforcement of the mechanisms of capitalization in the social security system, and of its management's financial efficiency;
 - § differentiation within the scheme of sickness benefit, favouring serious and long-term illnesses and "moralising" the concession of the short-term sickness leave;
 - § improvement of protection of work accidents and occupational illnesses;
 - § rationalization of the services of the social security system, in order to make them more efficient and improve the proximity and timely information to whomever may be interested;
 - § solve the pending questions concerning the spoliated from the former Portuguese colonies.