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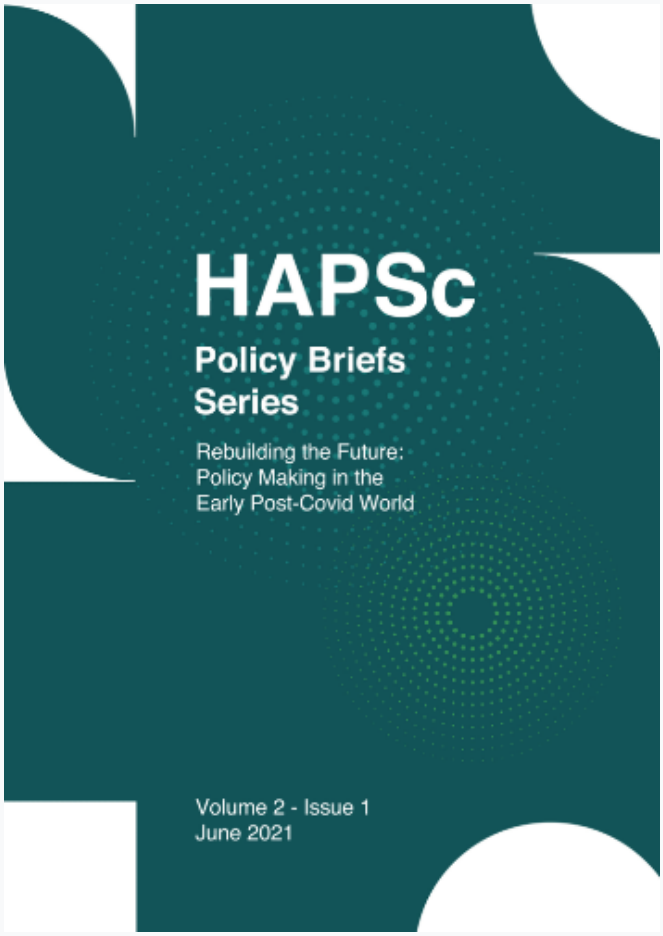

Employment and Social Protection: Lessons from the Portuguese Response to the Pandemic

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Employment and Social Protection: Lessons from the Portuguese Response to the Pandemic[1]

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Abstract[4]

This policy brief examines the emergency measures enacted by the Portuguese government as a response to the COVID-19 pandemic crisis in the fields of employment and social protection. During the pandemic several changes were introduced to the existing policies and new emergency programmes were created to prevent job loss and support families. While these emergency measures were essential to contain the negative effects of the crisis, they are also insufficient in what concerns their coverage and their scope. This study points to the need of a different approach in the design of future employment and social protection measures.

Keywords: Portugal; Employment; Social Protection; Emergency Measures; Pandemic Crisis.

Introduction

In Portugal, the first case of infection by the novel coronavirus was identified in early March 2020. Immediately after, the population voluntarily diminished its participation in outside activities and prepared for lockdown, which was effectively announced by the Portuguese government and implemented at the national level in mid-March. It was only in the beginning of May that restrictions started to be progressively lifted and that the country moved from a state of emergency to the state of calamity (a lower level of alert). The return to higher levels of mobility and activity coupled with the dynamics of the pandemic gave way to a second wave and the national health system became under intense pressure. As the third wave of the virus hit, Portugal ceased to be pointed as a 'success case' in the control of the pandemic, to be considered the worst country in what concerns the rates of new infections and deaths. The need to rapidly reverse this scenario led the government to adopt a second general lockdown that lasted between mid-January and mid-March 2021, when again the restrictions started to be lifted at a slow pace.

Throughout this period, the government implemented several emergency measures designed to respond to the pandemic. While this crisis has generated the need to reorganise numerous policy

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sectors, this policy brief specifically looks at the fields of employment and social protection. The policy brief starts by examining the initial package adopted to counter the negative socioeconomic effects of the pandemic. It then moves to discuss how these measures evolved and to the analysis of the additional actions that were implemented over time. The last section debates the lessons learnt and puts forward recommendations to strengthen the policy sectors under analysis.

Portugal's first response to the pandemic in the fields of employment and social protection

The pandemic and the strategies enacted to control the spread of the virus, namely the two general lockdowns and social distancing, have produced negative socioeconomic effects that are likely to continue to be felt in the near future. Unemployment, poverty, and inequality are some of the several indicators affected in times of crises (Caldas et al., 2020). In order to reduce the effects, the Portuguese government implemented several emergency measures to support the good functioning of the labour market and to protect the families - social protection measures to support those who were not part of the labour market (previously to the pandemic or as a result of it) and those who were experiencing a reduction of income. A first group of measures was announced during the first lockdown (Governo de Portugal (n/d)):

1) Remote work was strongly recommended, whenever possible.
2) Businesses facing decreasing turnovers might resort to the simplified layoff mechanism. Employees who were in temporary layoff received only ⅔ of their original gross monthly salary, 70% of which was supported by the State. This funding was conditional, since the company could not fire the laid-off employees for a period of 60 days counting from the end of the measure. However, this does not prevent the company from ceasing temporary and short-term contracts and from dismissing independent workers and those still under probation.
3) Employer's contributions to social security were altered: while ⅓ of the contribution's amount had to be paid normally, the remaining could be delayed. Moreover, companies who had resorted to the layoff mechanism and were getting back to their activities were exempted from contributing to social security for a period.
4) Quick reinforcement of the existing social protection benefits and of their coverage: access to social benefits was guaranteed to all individuals already receiving them - i.e., unemployment benefit. Changes were also made to the eligibility criteria to facilitate access to benefits during the pandemic - those who lost their jobs during the lockdown

period were required lower levels of contributions to social security to be eligible for the unemployment benefit.

5) The existing benefit to support families with dependents who needed to be taken care of by a working adult therefore unable to work was redesigned to include workers unable to perform their normal work activities as a result of being in charge of children up to 12 in isolation or sick due to COVID-19.

6) As schools were closed, an emergency benefit was created to support families with children up to 12 years old. Individuals taking care of children and therefore unable to perform their normal work activities, could benefit from this measure. Only one parent/responsible per household was eligible and the amount transferred corresponded to ⅔ of the gross monthly wage, half of which was supported by the State and the other half by the employer.

7) For those who were independent workers and had to provide care to their children, a similar measure was enacted, but the value transferred was only ⅓ of their average earnings for the previous 12 months.

8) Support was also provided to those who had to be in isolation (for contracting the virus or for suspecting it) and therefore were unable to work. The benefit amounted to the same value of the beneficiary's salary and could be paid for a period up to 28 days.

Additional measures to counter the effects of the pandemic crisis

At the beginning of the pandemic, there was a high level of uncertainty regarding its possible duration. As the crisis unfolded, it became clear that it was going to extend longer than initially anticipated and that additional measures had to be taken not only in the field of public health, but also to mitigate the growing adverse socioeconomic effects. As mentioned above, a first battery of measures was announced by the Portuguese government shortly after imposing the first lockdown (Governo de Portugal, n/d; Caldas et al., 2020). However, these measures were still insufficient and changes to them were implemented, as well as new programmes targeting groups that had not been left behind in the first round.

In April 2020, only a few weeks after the announcement of the first set of measures and still during the first lockdown, new emergency benefits were created to cover several groups (Governo de Portugal, n/d):

A) Domestic workers unable to work were to receive ⅔ of their original daily/monthly salary and the State funded ⅓ of that amount.

B) Support was provided to managers and small businesses owners facing a reduction of at least 40% of the turnover during lockdown. The value transferred was based on the average income received in the 12 months prior to the pandemic.

C) Independent and informal workers with precarious or non-existing labour-dependent social protection were also covered by a new benefit. In order to be eligible for a six-month transfer, these individuals had to be integrated into the system and agree to make contributions to it for at least 6 months.

In June 2020, as the first set of restrictions was slowly being lifted, the government announced a new Economic and Social Stabilization Programme (Governo de Portugal, 2020). This strategy included several changes to the employment and social policy:

A) Two major alterations were introduced to the layoff programme - the amounts paid to beneficiary employees were increased, while the State's participation is reduced.

B) Additional support was provided to companies who had resorted to layoff - the government committed to transfer an amount equivalent to the minimum wage per worker in the first month or twice the value in case the company opted to receive the money within six months.

C) Workers who had been placed in layoff and whose wages amounted to less than two minimum salaries received a one-time benefit to compensate for their loss (payments were due in July and September).

D) Further support was provided to independent workers.

Over the following months, additional changes were also gradually introduced to various social security benefits, such as the unemployment benefit and family allowances, in order to facilitate access and to expand coverage and maximize their impacts (Governo de Portugal, n/d). These changes concern the eligibility criteria, the formulas used to calculate the amounts of money to be received, the duration of the benefit - i.e., the unemployment benefit was automatically extended for everyone who was already receiving it until the end of the year.

The negotiation of the State's budget for the year of 2021 was marked by an intense debate regarding the possibility of creating new social benefits. The beginning of the year 2021 witnessed the creation of a new emergency benefit that was designed to support those who were unprotected as a result of the end of previous benefits - some of which had already been extended, namely the unemployment benefit - or because they did not meet the eligibility criteria defined to access any other programme (Manso et al., 2021). This "umbrella" programme targets different groups: unemployed individuals

whose benefit can no longer be extended; recent unemployed individuals (job loss occurred during the pandemic crisis) who do not meet the criteria required to be integrated in other programmes; independent workers, domestic workers, and managers and small business owners whose income was severely reduced as a result of the crisis; all who need income support and cannot be included in any other available programmes, under the condition of integrating the social security system and committing to future contributions for the period of 30 months[5].

Final remarks

The socioeconomic effects of lockdown measures to tackle the spread of Covid-19 in Portugal have pressured the Portuguese Government towards a progressively more inclusive social policy design. Still, the reduction of economic activities, the loose eligibility criteria imposed to firms recurring to layoff measures and the low amounts of emergency social transfers have left a large proportion of the working population struggling to make ends meet. The Covid-19 pandemic has thus revealed that decades of labour market deregulation have produced deep-rooted social vulnerabilities that the exceptional institutional framework built during the pandemic is not able to overcome.

Recent research shows that further policy intervention is thus needed to reduce the exposure of workers to market risks and increase primary, labour dependent, social protection (Caldas et al., 2020). As the main source of social vulnerability is the high dissemination of loose work arrangements, such as temporary, short-term contracts, bogus and informal self-employment, the provision of protection to all workers requires public policies summoning up various institutional domains: labour law, in order to strengthen employment relations; civil and commercial legal fields, in which actions to restrict the regulatory gaps that enable increasing putting-out systems of labour deployment are needed; and a less segmented, more inclusive social security system.

As already mentioned, the examination of the Portuguese case points to the need to adopt a different approach towards employment and social protection policies - one that understands that these two policies are intertwined and that envisages more robust and inclusive measures. Further discussion is needed on how to conceive, design and implement such strategies. Moreover, additional investigation is required to understand to which extent these patterns can be found in other countries, to assess whether this is perceived as a problem that needs to be solved and to analyse any propositions that might be under discussion to respond to this matter.

[5] For additional information on this benefit: Manso, L. et al. (2021). Apoio Extraordinário ao rendimento dos trabalhadores. WP 5 - Políticas em Análise. Lisboa: CoLABOR.

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