WP9 – Resilient Households and Welfare State Institutions

Portuguese National Report

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1. A brief view of the Welfare State in Portugal

The welfare state is a recent development in Portugal, just as it is in many other Southern and Eastern European countries. Portugal's late industrialisation resulted in the beginnings of protection against social risks being sketched out during the First Republic (1910-26), when laws were passed establishing this protection along Bismarckian lines; however, these laws were never enforced. The social protection that did exist consisted of a network of local and professional mutualist associations covering a very limited range of risks while paying out very low benefits (Pereira M. H., 2012).

The dictatorship that took power in 1926 persecuted and weakened this mutualist network – both in terms of its size and its operations (Garrido, 2016). The New State (Estado Novo 1926-74) sought to impose a social protection policy based on the corporatist model of the relationship between labour and capital (Pereira P. T., 2016). The new regime introduced a system of protection based on corporatist welfare institutions to replace the mutualist network. This system changed very little over the years. However, its institutions provided cover to less than one-fifth of the working population, and only those employed in the more structured industrial enterprises (which only became a significant economic force following the Industrial Development Plan produced at the beginning of the 1960s), in commerce and by the state, were covered by social protection schemes that covered old age or disability risks (Capucha, 2005) (Pereirinha, 2009). The health and education sectors remained underdeveloped until after the 1974 revolution.

In the context of an underdeveloped economy dominated by subsistence-level agriculture, the absence of socially-directed public policies and the repression and coercion of political and press freedoms, around one-third of Portuguese households lived in poverty on the eve of the revolution (Silva M. , 1982). This situation, which was aggravated by the colonial wars in Africa (1961-74), resulted in a wave of mass emigration from the late 1950s, with an estimated 1.5 million Portuguese leaving the country between 1957 and 1974,[1] the majority illegally (Pereira V. , 2012). This wave of emigration flowed towards the more industrialised countries of Europe (with France the preferred destination, although many also left for Germany, the United Kingdom, Belgium, Luxembourg and Switzerland), with a smaller number heading for the United States, Brazil and Africa. Emigration and the war were responsible for one of the

[1]For some idea of the scale of the exodus, Portugal's population in 1960 was 8.9 million.

most durable features of Portuguese employment: the large number of women in the workforce (Almeida, Costa, & Machado, 1994; Almeida, Guerreiro, Lobo, Torres, & Wall, 1998).

The industrial development plans that were drawn up from the beginning of the 1950s, in the aftermath of Portugal's limited and reluctant involvement in the Marshall Plan (Rollo, 1994), made way for a series of investment in heavy industries such as metallurgy, shipbuilding and chemicals. Traditional industries, such as glass, footwear, furniture, textiles and clothing, all grew as agriculture stagnated. In the service sector only tourism emerged as a modernising dynamic. This moderate industrialisation and some of the large investments in infrastructure (one example of which was the first bridge over the Tagus at Lisbon) provided work for the men and women who remained in the country and for the growing influx of migrants from Africa (mainly from Cape Verde) (Laíns, 1994).

The revolution of 25 April 1974 brought an end to 48 years of dictatorship and unleashed a wave of social energy that evolved into an 18-month period during which there was a confrontation between two models for the future of the country: one that looked towards the Soviet Union; another that looked to Europe. The 1975 elections to the Constituent Assembly – the first free elections to be held in the country in 50 years – gave a clear majority to those looking to Europe, and that same year Portugal applied for membership of the European Economic Community (EEC). Its aims were twofold: to ensure peace and democracy; and promote economic development and welfare. The more developed countries of Europe were to be the model for Portugal's main political forces (Lobo & Magalhães, 2001).

During the post-revolutionary a series of policies that were precursors of the welfare state were introduced, including a state pension (the first non-contributory and universal social security measure), a national minimum wage and the institutionalisation of industrial relations between the employers' organisation and the trade unions (Capucha, 2005).

A number of important changes to the country's social and economic structures took place over the following years, including a sharp decline in emigration, which became of a more temporary in nature. However, immigration continued to increase, with around 500,000 arriving from the newly-independent former colonies in just over a year (1974-75) (Pires, Maranhão, Quintela, Moniz, & Pisco, 1984). What was first thought to be a shock that could undermine both the institutions and the social balance turned into a story of the successful integration of a group of immigrants who were generally young and educated into Portuguese society (Pires R. P., 2003).

At around this time the first European funds began to arrive, enabling work to begin on the construction of typical welfare state institutions. This was the framework in which the modern European-style national health and social security systems were created, followed by the education, vocational training and employment systems, alongside social concertation structures (Mozzicafreddo, 1997).

The costs of implementing these systems in such a short space of time, added to the effects of the revolutionary period (capital flight, strikes and business strife, low productivity, etc.) created a difficult financial situation that eventually led to two interventions by the International Monetary Fund (IMF) and the imposition of austerity programmes in 1977 and 1983.

The distress caused by the implementation of these plans damaged the Socialist Party (PS – Partido Socialista) that governed from 1976 to 1985 and contributed to them losing the 1985 election and being replaced by the Christian-democratic People's Democratic Party/Social Democratic Party (PPD/PSD). The mandate of the new government led by Aníbal Cavaco Silva, who was in office as prime minister for 10 years (and who later served as President of the Republic), coincided with a new period of development in the welfare state and accelerated convergence with Europe.

Portugal joined the EEC in 1986, which brought in increasing European funds designed to help with professional development, employment and infrastructure (highways, hospitals, health centres, schools, etc.). European money also brought institutional innovation and the development of public administrations skills, including those concerned with planning and evaluation. With the devaluation of the US dollar and the fall in the price of oil, the international economic context became very favourable, and led to a reduction in Portugal's public and private external debt burden.

Real average annual GDP growth reached 5.3% from 1986-92, while unemployment fell to 4.1% in 1992 and 1993. However, this was also a time of large-scale deindustrialisation, with the metallurgy, shipbuilding and the chemical sectors becoming less important. Subsistence agriculture, which had dominated the economy just 20 years earlier, had almost disappeared as a main economic activity, with double-employment (in small farming and salaried work in industry and services) and multi-income (self-consumption, salaries and pensions) emerging as strategies for helping households increase their income, escape poverty and invest in their children's education. The abrupt fall in the birth-rate – from 20‰ in 1976 to 11.7‰ in 1990 – was a consequence of these strategies. The economy was dominated by traditional labour-intensive industries (such as textiles and footwear) and services (retail, hotel and tourism and public services), while at the same time civil engineering and business services – particularly financial services – became more important, despite their limitations and small size compared to those in the more developed countries of Europe.

In this new economic environment the government seized an opportunity to increase the generosity of the yet immature pension, education and health systems. Specific anti-poverty policies also entered the public policy agenda at this time, with policies that sought to replicate across the country those community development projects that incorporated the aims of those financed by the European Union Poverty 2 and Poverty 3 initiatives. The increase in household incomes (the result of labour, multiple incomes and pensions), greater mobility as a result of a better-educated younger generation and, to a lesser extent, these anti-poverty projects, had a positive impact on indicators of poverty and inequality, despite Portugal remaining at the rear of Europe (Capucha, 2005).

This modernisation process impacted very unequally across state, economic and social sectors. It was, and still is, possible to find side by side modernized and atavic companies, social organizations and state institutions. Nevertheless, the period prior to the 1993 economic crisis was undoubtedly one of convergence with Europe, in spite of a kind of “unfinished modernity” that characterized the country (Machado & Costa, 1998). Unemployment began to rise as a result of this crisis, reaching 7.2% in 1995, just as the aspirations that had previously been encouraged began giving way to stagnation. Discontent with and opposition to the government and its economic and political model grew to return the PS to power in the 1995 election, inaugurating a new political cycle that was to last until 2002.

The new government’s priority was education, and from the moment of its election low skills were considered the main stumbling block hindering the development and modernisation of the country, as much in the economic as in the political and civic plan – and particularly in combating poverty. Expanding pre-school and higher education were the priority; however, school drop-out rates continued at an extremely high level throughout the decade, never falling below 40%. In 1996, as part of the battle against poverty, the government introduced the Guaranteed Minimum Income (some years late, renamed by another government as “Social Integration Income”), in association with European development policies and the evolution of the social and employment market (Matsaganis, Ferrera, Capucha, & Moreno, 2003).

Unemployment and employment also became a government priority. It modernised the public employment services and introduced a new generation of socially-active policies that did not seek to reduce rights (which were and remain very ungenerous compared to the European standard), but rather to promote qualifications and improve individuals, institutions and companies performance and capabilities. The aim of the "new generation" of active social policies was, thus, activating individuals promoting their capabilities and activating institutions and policy systems making them accessible and more effective.

Portugal played a very active role in the European Employment Strategy and in launching the European Strategy for Combating Poverty and Social Exclusion and Sustainability of Pension Systems (Rodrigues, 2013). It also adopted reforms that raised the level of pensions and which, had it not been for the crisis of 2007-2008, would have guaranteed the system's sustainability for decades to come (Silva & Pereira, 2015). All the reforms introduced were supported by agreements with social partners, which created a new impulse for labour and concertation policies and which ensured poverty and inequality continued to decline (Capucha, 2005). The infrastructure investment policy was carried through with the support of FEDER (leading to the construction of the Alqueva dam, the second bridge over the Tagus at Lisbon, new highways, expansion of the network of social facilities, among others – of which, because of its impact on the poorest households, we highlight PER – the programme to remove the slums from the Lisbon and Porto metropolitan areas). Driven by these policies, unemployment fell to a record low of 3.9% in 2000, while the economy grew by an average of 4.1% per annum between 1997 and 2000.

However, the 2002-2003 crisis brought this cycle of growth cycle to a halt. The Portuguese economy found itself under the three-fold pressure of joining a strong single currency (the euro), increased international trade liberalisation, with China's decision to join the World Trade Organisation (WTO) in 2001 being a key moment – and the eastwards expansion of the EU.

These changes aggravated old problems: the extremely low skills of the Portuguese compared to those of other EU member states; and the organisation of Portugal's economy, which was still dominated by small businesses in mainly low-technology sectors and employing obsolete methods of labour organisation (Mamede, 2014).

The political response was inconsistent. Durão Barroso's short-lived coalition of the PSD and the conservative Social and Democratic Centre-Popular Party (CDS-PP) had nothing to offer except in education, where it made great efforts to promote adult education and vocational training in particular.

The PS won an absolute majority in the 2005 elections held some months after Durão Barroso moved to Brussels. The new government's main policy was concerned with the so-called "technological shock", one of the main components of which was concerned, once again, with raising educational attainment. Its New Opportunities programme promoted a massive adults "return to school" with activities to improve educational qualifications and vocational skills. This programme reaching more than 1.5 million people between 2007 and June 2011 – 700,000 of whom completed a degree of schooling (Capucha, 2013). Vocational training was offered across the entire public network of schools, and not just in private colleges as had been the case before. This led to a decline in drop-out rates from 38.3% in 2005 to just 13.7% in 2015. Investment in education was completed with investment in science, which turned Portugal into an exporter of brainpower and led to the creation of scientific research centres of excellence that were completely integrated into international scientific networks (Martins & Conceição, 2015).

Other projects included the creation of an optical fibre network and making it easier for all people over the age of six to have access to laptop computers. Simultaneously, investment was made in innovative renewable energy, which reduced considerably the country's dependence on imported energy. The government also adopted a more rigorous budget policy that led to the state deficit falling to 2.7% of GDP, the lowest level in democratic Portugal's history.

Two social measures are worth noting. The Solidarity Supplement for the Elderly provides income support for the elderly poor and has had a significant impact on this problem, while the level of child poverty – which has declined only very slightly – has become a growing concern. The second measure was the reform of the social security system with the introduction of a factor linked to average life expectancy into the pension calculation. This has helped make the system more sustainable.

However, the economic development of Portugal's social state, which was converging with the EU, was hit badly by the international financial crash of 2007-2008. This was the beginning of hard times that have lasted until the present.

In a first phase, and with the agreement of the European Council, the Portuguese government introduced "automatic stabilisers" to support the unemployed and those businesses weakened by the crisis. Then – and still in compliance with European decisions – it began bailing out the banking system. This policy led to an extraordinary increase in the level of public debt – while in 2007 it amounted to 68.4% of GDP, by 2011 it had reached 111.4%. This increase took place in the context of extremely high levels of private debt, with non-finance sector private company debt in the order of 155.7% of GDP. Worse still, from mid-2010 European economic policy began giving complete priority to guaranteeing the macro-economic balances associated with the single currency.

The EU forced Portugal to introduce a series of austerity measures legitimated by a discourse that blamed the crisis on "profligacy" and "living beyond one's means" – a highly moralistic discourse that is without any empirical foundation. In Portugal labour is cheaper, household incomes and expenses are lower, people work longer hours and the welfare state accounts for a smaller proportion of the economy than the average for Europe (Capucha, Estêvão, Calado, & Capucha, 2014). Nevertheless, this discourse was extremely effective and created the conditions for the bailout request leading to the signing of a Memorandum of Understanding (MoU) between the Portuguese government and the Troika (IMF, the European Central Bank (ECB) and the European Commission (EC)) in June 2011.

Following the resignation of the PS government, it fell to the newly-elected PSD/CDS-PP coalition to carry out the plans agreed in the MoU. However, the government seized on austerity as a political and ideological project, and often went beyond (in the prime minister's words "doubling") the measures that had been agreed, including: public sector wage cuts, even for the already low-paid (the monthly minimum wage in Portugal in 2011 was €480, while the average monthly wage that year was €811);[2] cuts to even the lowest pensions; cuts to anti-poverty measures, such as the Solidarity Supplement for the Elderly and Social Integration Income; the phasing out of education and adult training policies (Pedroso, 2014).

These measures did not prevent the crisis from worsening, with Portugal experiencing three consecutive years of negative GDP growth between 2011 and 2013 and GDP in constant prices even lower at 4.7% in 2010. Unemployment increased rapidly, reaching a record high 16.2% in 2013, with youth unemployment that year reaching 38.1%.

The combined effect of high unemployment and cuts to wages and benefits led to a strong deterioration in living conditions and the proportion of the population at risk of falling into poverty reaching 27.5% in 2013 and 2014, with a number of middle-class workers also

[2] Note that the effect of these cuts went beyond the public sector, given that in Portugal public sector wages are used as a main reference in private sector collective bargaining.

beginning to fall into this category. Emigration also increased dramatically, with a total of 263,500 people permanently leaving the country between 2010 and 2014.[3] The total number of emigrants in each of the years 2012, 2013 and 2014 – 121,400, 128,100 and 134,600, respectively – was larger than the peak emigration year of 1966.

Despite this, there was no sign of any improvement in either the budgetary or the financial situation – the latter of which in the meantime suffered several scandals and the discovery of a number of cases of fraud within the banking system.

The governing coalition lost its overall majority in the general election of October 2015, and for the first time in their history the left-wing parties represented in parliament – PS, the Communist Party (PCP) and the Left Bloc (BE) – came to an agreement enabling the PS to form a government on the basis of a programme of economic growth and reversing the more damaging effects of austerity. However, this programme has encountered some difficulties: the financial situation is still critical, with public debt at 128% of GDP in 2015 and the scope for pursuing stimulus and public investment policies within the framework of the budget treaty and the euro remain extremely limited. And more than this, the European institutions insist in pressing the Portuguese government to go on with an austerity policy, in name of financial interests, menacing Portugal with sanctions that are being received by citizens and political leaders as an unfair and unjustifiable action against the interests of Portugal and also of a real Union. Anyway, even in case this European policy fails, it damages the economic growth objectives as it affects negatively the market's confidence in Portuguese economy.

To summarise, the crisis interrupted the progress of Portugal's political and economic convergence with the EU, a process that had been going forward at different speeds and at different times over a 40 year period. With less well consolidated welfare state institutions than those in other countries and with structural weaknesses that have remained unresolved, despite the progress, the effects of the crisis in Portugal have been hard, for the economy and the society as a whole, but especially for the more disadvantaged social groups.

[3] To put these figures into perspective, a total of 172,200 emigrated from Portugal during the 18 years between 1992 and 2009 was 172,200.

2. Local Welfare Institutions

Apart from the Atlantic archipelagos of Azores and Madeira, there are no separate political regions in Portugal. In addition to the central government, there are two levels of administration with their own powers. The Municipal Councils govern territorial units (municipalities) that range in size from 3,000 to 500,000 inhabitants, below which are the Parish Councils, responsible for territorial subunits (parishes) within each municipality. Parish Councils have no social policy responsibilities other than those delegated to them by the Municipal Councils. From time to time, some parishes do make their own decisions. Nevertheless, these rarely extend further than occasional charitable (distributing food) or housing (isolated cases of offering houses to disadvantaged households) measures.

The social responsibilities of the Municipal Councils are also limited, restricted to managing school teaching staff, primary school provision, minor repairs to secondary schools and the organisation of primary school extracurricular or curricular enrichment activities. There has been a debate – and an experiment in some of the more than 400 municipalities – around the transfer of broader education responsibilities, affecting teacher recruitment and the curriculum, but as yet there no firm policy, largely due to opposition from the unions and school and teacher associations.

Municipalities also provide land for the construction of schools, hospitals, health centres and other social facilities.

One area where municipalities have been effective in the field of social action is in the implementation of the "social network" introduced by António Guterres' PS government (1995-2001) as a way to establish improved connections and coordination between all actors operating in the field of social action and the struggle against poverty within each municipality. The municipal council is responsible for coordinating the Local Social Action Committee that incorporates (i) decentralised state services in the areas of social protection and social action, child protection, education and health; (ii) non-governmental organisations involved in managing social facilities and promoting anti-poverty and social development projects; (iii) the parish councils. The social network is based on the principle of subsidiarity, through which existing problems are resolved locally and holistically. Higher level action is only required when local resources prove insufficient.

Each municipality defines a Social Development Plan that is based on a frequently updated document known as the Social Diagnosis. These documents are produced by each social network and guide the activities of all agents – both public and private – at the municipal level. The larger municipalities also have Parish Social Commissions. While existing studies of this policy reveal significant differences in the effectiveness of social network activities between municipalities – with the extent of a municipality's involvement in social network activities being a key element in this respect – they also demonstrate that the effectiveness of social action has improved considerably with this policy measure, and in particular the early detection of vulnerability and the implementation of measures such as the Social Integration Income and charitable activities such as the provision of foodbanks (Alves, 2011).

Private Social Solidarity Institutions (IPSS) also play an important role in the Portuguese welfare system. There are more than 4,000 IPSS in Portugal, most of which emerged from groups and bodies connected to the Catholic Church. In 2008 they were responsible for 1.7% of the Gross Value Added, 2.1% of wages and 2.4% of consumption in the Portuguese economy (Sousa, 2012). Federally structured at the regional and national level and forming part of the Social and Economic Council, they are important partners with the state on matters of social action.

One of the peculiarities of the Portuguese welfare system is that it is historically designed to promote services and support facilities for disadvantaged households and groups trough social economy institutions and not by the state. This development is not the result of the social protection privatisation logic seen in many other countries after 1990, but rather of the decision to establish a partnership between the state and civil society organisations – which have a powerful presence on the ground – as the most effective means of extending a minimally-efficient network of services and support throughout the country.

In this model, it is these organisations, the IPSS, which are responsible for developing social support networks. However, the state is responsible for funding the social component of the overall cost: that is to say, the services offered to vulnerable of poor groups, households and individuals. They provide services to people with different financial resources, with those with higher income paying for all or a proportion of the services they receive, while those with fewer means are supported via state per capita reimbursements, calculated according to a table agreed between the government and the IPSS federal structures.

These institutions provide such social responses as: crèches and nursery schools (in this case sharing provision with public schools); day and evening centres for the elderly; care homes; home care and integrated support services for the elderly; rehabilitation centres for the disabled; supported employment services and occupational activities; training centres and employment support for vulnerable and excluded people; centres for the prevention of drug addiction and the treatment and rehabilitation of addicts; support centres for ex-offenders; community development centres; long-term care units and refuges for women and children who are victims of domestic violence.

Some IPSS's are coming under pressure to re-evaluate the services they provide as a result of the ageing population, by reducing the amount of funds aimed towards children and the young while increasing those dedicated to the elderly and dependent persons – and this is creating some tension within the system. Nevertheless, the main source of tension is the result of the effects of the crisis. While state transfers to the IPSS is one of the few items ring-fenced in all austerity budgets, other dynamics have emerged that are capable of creating unknown difficulties.

These dynamics are largely concerned with the "loss" of people supported by the services as a result of the decline in household incomes – a situation that has clearly emerged through the research carried out as part of the RESCuE project, of which this report is a product. Whenever households are obliged to make a contribution towards services – and these contributions are paid even by people on very low incomes – we find that many children are removed from the pre-school and nursery schools that are important for their early-years education. Similarly, many households that have lost work and income have taken their elderly relatives out of care homes and other facilities in order to use their pensions – however small they may be – to supplement their household income. This generally represents a huge loss in the quality of life of these elderly pensioners given that the households are often unprepared and ill-equipped to provide them with the care they require.

The IPSS's were also the main support service for one of the most symbolic social measures introduced by the PSD/CDS-PP coalition: the so-called "social kitchens". These kitchens served free or heavily subsidised meals to individuals or households that have been flagged-up by social network partners as being in economically vulnerable. Those responsible within the IPSS who were interviewed by the RESCuE project were highly critical of this measure, claiming it to be a mere palliative, and also pointing out that those the kitchens were supposed to serve often feel ashamed and avoid using this charity policy. They also complained that they enabled the state and the wider community to escape responsibility for their obligation of solidarity.

The IPSS network covers both urban and rural areas. The ageing of the population and desertification of the country's rural interior and the concentration of immigrant populations in urban areas has resulted in a different emphasis by the services offered in each of these areas. Moreover, in the rural interior, which covers the largest part of the country's territory, with some rare exceptions the IPSS and municipalities tend to be the main employers, providing public services such as education, justice, security and health.

The network of institutions operating at the local level – whether they be government-provided services such as schools, hospitals and health centres, local social action or child protection services, or whether they be provided by the local authorities or charities – play an important role in the lives of the entire population, but in particular of disadvantaged households. Here we outline three arguments supporting this statement, all of which are related to support practices and the framework for supporting poorer members of the community:

a) Before developing active processes for changing their life conditions or adapting to situations of risk, individuals, households and the most vulnerable groups lack the minimum resources for survival – the means that are supplied by these institutions, whether through means-tested payments in the form of money or through goods (access to facilities, food, housing);
b) These institutions offer training and employment opportunities in the third sector without which these disadvantaged groups would be completely excluded from the world of work;
c) These institutions also represent a means of empowerment, particularly through community development projects or, at the very least, through the representation of the interests of these groups and by putting their problems on the political and media map.

To this is added the fact these institutions – in particular those operating in the health services and charities in which the majority of the leading members are volunteers – are the main field for volunteer participation in social action, thereby increasing the basis of social solidarity expressed in Portuguese society. Nevertheless, we should not lose sight of the lack of effectiveness of this type of solidarity when compared with formal public policies, and, consequently, of the complementary way they should be seen against the latter (Hespanha, 2012).

One of the more frequent problems with the implementation of social policy is the stigmatisation of the poor: that is to say, the culture of blaming them for the adversities and disadvantages of which they are victim. This stigma extends into some of the policies for social development and the struggle against poverty (Gans, 1996). In this respect, Portugal is no exception. For example, the Social Integration Income, which was initially supported by most Portuguese,[4] has frequently been described as a “subsidy for laziness”, particularly by those political parties calling for a much smaller welfare state. This kind of stigmatisation leads to non-take-up situations, where those with the right to benefit from a measure choose not to accept it, serving only to exacerbate the disadvantages faced by individuals, households and groups. Schools and charities will often identify problems, which local authorities will then seek to address; however, in many cases this does not happen, which pushes many of the already poor even deeper into poverty.

[4] The survey carried out as part of the first evaluation of the measure showed it had an approval rate of more than 90% (Capucha, et al., 1998).

3. Conclusions

The Portuguese revolution of 1974 was based on three main aims: decolonisation and an end to the colonial war; democracy; and improving the living conditions of the Portuguese people. Since 1976, the means chosen by successive governments to achieve the last of these aims has been through convergence with Europe's more developed countries. Thus, when the country joined the then EEC in 1985, the Portuguese government had a dual objective: consolidation of the representative democratic regime; and ensuring the means of securing the country's social and economic development. The construction of the welfare state was a key part of this project.

Focusing first on the more general policies of social security, employment, work and industrial relations, education and health, by the mid-1990s the welfare state had turned its attention to anti-poverty measures, particularly through community development projects, the introduction of the minimum income (and later the Solidarity Supplement for the Elderly), promotion of the "social employment market", slum clearance, promoting access to social services and facilities and, more recently, combating failure at school by children from socially disadvantaged backgrounds. Many of these policies have benefited from systemic partnerships between the government, local authorities and IPSS, with the latter playing an important role in the public interest and with support from the state budget.

One consequence of these policies, and of the significant improvement in the education of young people, the rise in salaries and pensions and the national health system, inequality has been on a continuous downward trend, which is also true of the extent and intensity of poverty. For all of these reasons, the welfare state has played an essential role in the as yet incomplete modernisation of the country, by ensuring social cohesion and supporting projects for increasing the social mobility of disadvantaged households.

By the time the 2007-2008 crisis hit, Portugal had taken significant steps towards convergence, albeit with less mature social policy systems and, importantly, less generous benefits than the European average. The country also gave indications differentiating it from the countries of Southern and even of continental Europe: for example, the large number of women in the labour market. Because of this, and despite the progress the country had made, Portugal still has one of Europe's highest levels of poverty and inequality.

Nevertheless, the progress that has been made has been inescapable and profound, and it has been even more impressive given that (i) convergence continued even as Europe also continued to improve across the majority of social indicators, and (2) while Portugal (like the other countries that joined Europe at the same time or since) did not benefit from the extraordinary economic and political conditions that since 1945 had helped the core founding group of EU nations and other European states became the part of the world that created the best living conditions in human history for its citizens. These conditions went into reverse in the wake of the 1973 energy crisis and then with the expansion of neo-liberal policies that acted against improvements in the quality of society.

Portugal, Spain, Italy and Greece have faced many of the same challenges: late transition to democracy (except Italy); a deficit in the development of the welfare state; educational delay, asymmetry between regions and uneven modernisation processes; and an important part of the protection systems being played by civil society, as state institutions show a smaller penetration into society as compared to other European countries. Consequently, some authors believe this group of countries display signs separating them from the welfare regimes found across continental Europe, Scandinavia and the British Isles (Ferrera, 1996). However, other authors believe these so-called Southern European traits are no more than representations of the delay in the process of welfare state construction, and that it is wrong for this reason to talk about a southern model (Andreotti, García, Gómez, Hespanha, & Mingione, 2001). This thesis is strengthened by the significant differences between these four countries – in terms of skills and labour market structures, for example. The Portuguese example seems to better fit this definition than it does the former.

Nevertheless, it can be said that when the 2007-2008 crisis hit, all four were converging with European social and economic standards, despite the persistence of some residual deficits.

All structural deficit recovery process were interrupted by the crisis, which led to a deterioration in indicators for employment and unemployment such as had never been seen before. Social investment was cut back to the levels of 10 or 20 years earlier, the economy was paralysed and poverty and inequality levels returned to the levels of a decade ago.

The rise in poverty and inequality in Portugal is a reflection of the cuts to wages, pensions and social support for even the poorest. It is worth noting that in some of the qualitative changes – particularly in the fact that many households that ran small businesses watched them fail, and suddenly found themselves destitute and without the resources or the means to adapt to their new condition. It has been particularly difficult from them.

It is important to note that, according to many studies, the crisis had this type of negative impact not so much for financial or economic reasons, but for political reasons that are associated with the way in which the particularly harsh and socially-insensitive austerity measures were implemented under the watchful gaze of the Troika.

These measures included the privatisation of public service supply companies, cuts to wages, pensions and social services (particularly health and education), and the privatisation of even these services. These policies caused a number of social problems, with the most disadvantaged being hit the hardest.

Local civil society and state organisations did what they could to protect the poorest, but their reach was very limited as even they were affected by austerity and the social crisis. Budget restrictions placed on local authorities and the abandonment of social services by their users generated inequalities within the non-governmental organisations they managed.

Generally speaking, the state failed precisely when it was most needed. It did not provide any significant new forms of bottom-up solidarity or support for social movements, which always found themselves lacking the resources they needed to grow and which remained inaccessible to them.

Portugal is now trying to reverse this trend, although it is still far too early to say if the efforts being made will be enough to lead to the restoration – even partial – of the processes that were interrupted by the crisis.

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