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Welfare Cuts and Insecurity under the Rule of Austerity: the Impact of the Crisis on Portuguese Social Services

PEDRO HESPANHA*
SÍLVIA PORTUGAL*

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Abstract

This paper discusses the impact of austerity on social services in Portugal. The highly complex process of changes to public services launched by anti-crisis programmes needs to be analysed from different perspectives. On the supply side, the impacts are associated with reducing expenditure in social areas in different ways: reducing benefits by axing services, cutting staff costs, dismissing public sector workers and centralizing procurement; privatizing public management; blind cuts to the current expenses budget. On the demand side, the impacts are associated with reductions to the disposable income of families by cutting entitlements to healthcare, education, housing, social security and other benefits, cutting public sector pay, taxing pensions, and introducing or increasing restrictions on access to public services.

Key words

Social services; crisis; austerity; privatization; citizens alternatives

Resumen

Este artículo analiza el impacto de la austeridad en los servicios sociales de Portugal. El proceso de cambio en las políticas públicas tan complejo que se produjo como consecuencia de los programas anti-crisis requieren un análisis desde diferentes perspectivas. En el lado de la oferta, los impactos se asocian con la reducción del gasto social de diferentes formas: reduciendo beneficios por el recorte en servicios, recortando los costes de personal, despidiendo a trabajadores del sector público y centralizando las adquisiciones; privatizando la gestión pública; recortes ocultos en el presupuesto de gastos vigente. En el lado de la demanda, los

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* Sociologist. Professor at the School of Economics, University of Coimbra. Researcher at the Center for Social Studies, University of Coimbra. Colégio de São Jerónimo, Largo D. Dinis, Apartado 3087, 3000-995 Coimbra, Portugal. hespanha@fe.uc.pt
* Sociologist. Professor at the School of Economics, University of Coimbra. Researcher at the Center for Social Studies, University of Coimbra. Colégio de São Jerónimo, Largo D. Dinis, Apartado 3087, 3000-995 Coimbra, Portugal. sp@fe.uc.pt

impactos se asocian con la reducción de la renta de las familias mediante la reducción de derechos sanitarios, educación, vivienda, seguridad social y otros beneficios, recortando los salarios del sector público, gravando las pensiones e introduciendo o aumentando las restricciones en el acceso a servicios públicos.

Palabras clave

Social services, crisis, austerity, privatization, citizens alternatives, Servicios sociales, crisis, austeridad, privatización, alternativas ciudadanas

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1. Introduction

The aim of this paper is to present an initial assessment of the impact of the current (financial, economic, sovereign debt, legitimation) crises on social services and, from a broader perspective, on the reconfiguration of welfare states in countries subjected to neo-liberal structural adjustments since 2008 to combat the crisis. Portugal will be examined as an example of a country in which anti-crisis programmes, together with a blind neo-liberal ideology, have significantly reformulated the model for public social provision and seriously compromised the positive image of public services in different areas such as education, healthcare and social security.

Social policy trends and changes will be analysed in different institutional contexts in which the impact of the reforms has been most significant. From the perspective of citizens, the most common forms of coping with adversity, viewed either as the loss or reduction of family income or as reduced access to public services, will be analysed. Taking into account citizens' capacities, opportunities and scope for manoeuvre, certain alternatives can be identified that are emerging to counter the trend towards increasing privatization and individualization of welfare provision and may help support a creative rebuilding of the welfare mix.

A mixed methodology has been used which includes both quantitative analysis, based on official statistics for measuring budgetary changes to welfare services and family income, together with qualitative analysis (mostly through in-depth interviews, case studies, observation and media analysis), to provide an insight into the specific ways in which actors construct their coping strategies to deal with the crisis.

In order to explore the complexities of the current process of adjustment affecting social services, three issues will be discussed: i. residualization of public social protection, ii. the risk of deterioration of services; iii. the scope for manoeuvre available to citizens.

2. From neo-liberal reformism to the crisis in the welfare state

In the last fifteen years, social protection systems have been undermined in many countries by an insidious convergence of neo-liberal ideas and increasing financial and political constraints arising from the crisis. At almost every opportunity, neo-liberal structural adjustments have been implemented (Jessop 2012a). This neo-liberalization, implying increasing privatization of the provision, financing and governance of social protection, is endangering the foundations of both the welfare state and the welfare society, namely the ideals of shared responsibility and the common good.

Neo-liberalism is not pursued in the same way around the world (Jessop 2013). Most European countries have not experienced systemic changes, merely adjustments to their policies to safeguard the main achievements of the welfare state. However, there is a risk that an accumulation of such adjustments will generate a decidedly neo-liberal institutional framework for social welfare. Looking back, it can be seen that the urge to discredit social protection systems as an obstacle to economic growth has led to a review of the idea of the welfare state as a tool for economic growth, paving the way for the increasing acceptance of neo-liberal criteria by institutions, agents and even citizens (Midgley and Tang 2001, Hespanha 2007, 2008, Hudson and Kühner 2009). Within the various types of welfare state (Esping-Andersen 1990), this path is pursued in different ways which are continuing to change under the influence of globalization and crisis: the state is restricting social rights in response to an increasingly competitive global economy or the Eurozone crisis (Esping-Andersen 1996, Streeck 2010, Jessop 2012b). The currently emerging hypothesis regarding the nature of neo-liberalization under structural adjustment in Portugal is that we may be facing not merely a neo-liberal adjustment, but a change to the system, as has happened in other parts of the world subjected to structural adjustment programmes imposed by the IMF and World Bank.

The historical alliance between the "market economy", "welfare state" and "democracy" that laid the foundations of the modern nation state seems to be dissolving in this era of global capitalism. However, the welfare state still has strong public support and it cannot be said that a fully privatized and individualistic ideology has permeated the values and expectations of Europeans. In fact, the state itself reflects the tensions between the idea of privatising social services and the idea of the public provision of welfare for all (Bourdieu 1998, Wacquant 2009, 2012).

The institutional analysis of social protection schemes emphasises the relevance of the historical paths of policies in each society to account for the enduring power of these systems and their resistance to change (Pierson 2001). Crouch (2005, 2009) points out that contradictory or non-coherent elements in specific institutional contexts make more than one trajectory possible, at least in a latent form. It is possible that the current crisis, in its various manifestations and degrees of severity, favours the creation of an environment conducive to changes in the arrangements for social protection in various European countries (Palier and Martin 2012).

Austerity policies, such as reducing public spending in order to tackle the financial crisis, are leading to changes in the functioning of public services, as well as the way in which individuals and families provide for their needs in various areas and organize their daily life to prevent deterioration in their quality of life.

Public social services are attempting to incorporate the rules of austerity by adjusting their resources to the increased demand and anticipating the reactions of citizens. The combined effect of the pressure to provide for more people in need and simultaneously reduce budgets requires them to restructure internally in different ways, by reducing staff, narrowing the range of services and saving as much as possible in managing their resources. If they are unable to do so, citizens will be forced to pay more for services through increased user charges and consumption taxes.

Within Europe, Portugal appears to be one of the countries in which the institutionalization of social rights and welfare policies occurred relatively late and was more problematic. This is related to the historical circumstances that influenced the evolution of Portuguese society throughout, but mainly in the second half of, the 20th century.

It was only after the establishment of the democratic regime in 1974 that the first systematic programmes designed to construct a modern welfare state were developed. This was reflected in the marked increase in public spending on welfare. However, this was launched in the midst of an international economic crisis, at precisely the time when the more developed welfare states were beginning to confront the need to adopt more restrictive measures.

As a consequence, after a short period of expansion of welfare provision and expenditure during the 1970s, budget restraint became the rule of thumb for governments, thus preventing Portugal from achieving the same levels of welfare state provision as northern Europe (Santos 1987, 1992, Mozzicafreddo 1992). In addition to low state expenditure on social areas, the social programmes had a weak range and were relatively inefficient. However, the frailties of this Portuguese “semi-welfare state” (Santos 1993) have been partially compensated by the actions of a civil society rich in community ties. This "welfare society" operates parallel to the state and market systems and constitutes one of the fundamental elements of the prevailing welfare model in Portuguese society (Santos 1993).

On the eve of the current crisis, Portugal was characterized by a high level of social and economic inequality, combined with the low impact of social policies designed to reduce this. “Several government policies have effective anti-poverty components (as evidenced by the significant increase in social transfers in terms of GDP since the 1990s), including above-inflation increases in the minimum wage, relatively generous unemployment benefits and a preferential tax regime for pensions (e.g. even low-income pensions saw above-inflation increases). This commitment to fighting poverty is also reflected in the share of the population’s ‘at-risk-of-poverty rate after social transfers.’ Even after the very significant increase in unemployment since the early 2000s, this rate has remained stable. In 2005, it stood at 20 percent, which is admittedly higher than the EU-25 average of 16 percent. At the same time, however, there have been increases in social disparities in Portugal (…). Thus, Portugal remains one of the EU countries with a higher level of social and economic inequality” (SGI 2009).

The social situation in Portugal in 2007, as described in the Joint Report on Social Protection and Social Inclusion (EC 2007), was the result of a combination of structural weaknesses, both economic and non-economic: “the average GDP growth rate in the period 2001-2006 was below 1% per year (0.4% in 2005). The overall employment rate decreased from 68.4% in 2000 to 67.5% in 2005. (...) Unemployment increased from 4% in 2000 to 7.6% in 2005, with a significant impact on youth and long-term unemployment. In 2005, the proportion of early school leavers remained extremely high at 38.6%, and the youth educational attainment level very low (48.4%). These two education indicators are very far below the EU averages. The at-risk-of-poverty rate after social transfers (20% in 2004) and inequality of income distribution (ratio 8.2 in 2004) are among the highest in the EU. Children and the elderly are most at risk of poverty” (EC 2007, p. 347).

3. The impact of the crisis on social services

The government strategy for fighting the crisis has changed over time, but two distinct periods, from the point of view of objectives and priorities, can be clearly identified.

For a short period (2008-2010), the priority was clearly to ease the burden of the crisis for the most vulnerable sectors of the population, in particular the unemployed and low-income people, even at the expense of an increase in public spending. Additionally, the Government assumed the role of stimulating investment and employment. This option was in line with the strategy recommended by the EU in its Recovery Plan for Growth and Jobs, designed to boost demand and restore confidence in the European economy (EC 2008, 2009).

The measures taken on behalf of vulnerable households included the following: extending the coverage of the Senior Citizen Pension Supplement; strengthening social protection for disability; extending eligibility for education grants; raising the family allowance for the most vulnerable; creating a transport pass for young people aged 4-18; introducing a set of specific measures for indebted families related to the acquisition of dwellings (reduction of the Municipal Property Tax (IMI) and extension of the exemption period; introduction of income tax deductions associated with housing costs; funds for renting dwellings; increased tax savings for households selling their own permanent residence). Simultaneously, other measures were taken to stimulate economic entrepreneurship amongst the unemployed.

Focussing on economic recovery, the Government launched the ‘Investment and Employment Initiative’ in 2009, a programme with five structural objectives: the modernisation and competitiveness of the Portuguese economy, improving the qualifications of the workforce, energy efficiency and self-sufficiency, environmental sustainability and social cohesion[1].

In the same year, other measures were announced to alleviate the negative consequences of the economic crisis, including: extending unemployment benefits; free school meals and higher income support for students in basic and secondary education with one parent unemployed for at least three months; a 100% subsidy on generic medicines for the elderly with pensions totalling less than the minimum wage; a moratorium on mortgages for families with owner-occupied housing expenses in which one of the spouses had been unemployed for more than three months; a credit mediator to help with housing loan commitments.

As public spending increased dramatically, the debt crisis, coupled with pressure from both the EC and the financial rating agencies to reduce the deficit, forced a change in strategy, thus completely reversing the priorities. Thereafter the highest priority was to reduce the state deficit by focusing on reducing public spending, a strategy commonly referred to as austerity.

In March 2010, the Government launched the "Stability and Growth Programme 2010-2013" (Governo da República 2010), which included phasing out the temporary measures adopted to safeguard employment and strengthen social protection, a 10% reduction in staff costs by 2013, greater control over admission to the public administration through stricter implementation of the recruitment rule of only one new public employee for a minimum of every two leaving, strong wage restraints, expenditure ceilings for social benefits in the non-contributory Social Security scheme, in particular the income support allowance (RSI), speeding up the convergence of the civil servant pension scheme (CGA) and the general Social Security scheme, changes to the unemployment benefit scheme to promote a speedier return to work, and rationalisation and control of health expenditure to ensure the financial sustainability of the National Health Service (NHS).

However, the European Union found these measures insufficient and in May 2010 the government presented a second version of the Stability Pact, based on the establishment of an additional set of fiscal and social measures.

The minority government had to negotiate a financial assistance programme with the Troika (the EC, ECB and IMF) that would establish stricter austerity rules for public spending (Governo da República *et al*. 2011). It resigned immediately afterwards, paving the way for a new right-wing coalition government.

The provisions in the Memorandum that would have the greatest impact on the functioning of public social services included the reorganisation of local government and central administration services [1.7.3.]; reducing education costs [1.8.]; limiting admissions to public administration [1.9.]; reducing the number of municipalities and parishes [3.43.]; reducing the number of local branches of ministries [3.46.]; reducing hospital operational costs [3.71.]; reducing the maximum duration of unemployment benefits and capping social unemployment benefits [4.1]; liberalization of the regime for individual dismissals [4.5. iv.].

[1] It included: a schools modernisation programme, aimed at the renovation and technological modernisation of more than one hundred state schools throughout the country during the period 2009-2011; a programme to promote the use of renewable energies, energy efficiency and energy transmission infrastructures; a technological infrastructures modernisation programme based on the new generation of broadband networks; special measures to support economic activity, exports and SMEs (the SME credit facility, the industrial restructuring fund, support for export credit insurance mechanisms, support for promotion abroad, support for private investment projects in agriculture and agro-industry, the creation of credit facilities for agriculture and agro-industry exports and competitiveness, tax credits for investment, reduction of the VAT reimbursement threshold, and reduction of the advance tax payment); measures to protect employment and strengthen social protection, driven by four key mechanisms: protecting employment, supporting young people in access to employment, supporting the return to work, and expanding social protection.

Since approval of the Memorandum, the options for austerity and cutting public spending have been reinforced by new programmes, despite increasing popular protests in the streets and the tight supervision of the Constitutional Court. They include the following: cutting the 2011 Christmas pay for civil servants to 50% (June 30, 2011); suspending the 2012 holiday and Christmas pay for civil servants and pensioners (October 13, 2011)[2]; a 7% increase in the integrated Social Security contribution (TSU) paid by workers in the private sector and a 5.75% reduction in the same tax paid by employers (September 7, 2012)[3]; a set of measures designed to compensate for the negative decision delivered by the Constitutional Court in 2013 on raising personal income tax (IRS), the creation of an extraordinary solidarity tax on pensions above 1,350€, suspension of holiday pay for pensioners and civil servants, higher flat-rate user fees for healthcare and reduction of unemployed benefits (October 3, 2012) (Jornal de Negócios 2013).

Despite the austerity policy, public social spending continued to increase in Portugal. From an analysis of public social expenditure between 2008 and 2012 it is possible to evaluate the weighting of austerity policies in the state accounts and thus estimate their impact on services and benefits. It also reveals the change in government the anti-crisis strategy, from initially prioritizing aid to families and economic recovery to focussing almost exclusively on reducing the public deficit. The analysis uses data on social security, an area of social spending for which the State General Accounts provides more information.

It appears that even in the second phase of anti-crisis measures, defined by the objectives of the Memorandum policies, increased spending could not be avoided (see Table 1). There are various reasons for this: the ageing population, the deterioration in the social situation created by the deepening recession, the strength of public opinion against austerity measures, and the unconstitutionality of some of the measures adopted by the government.

[2] This suspension of subsidies was declared unconstitutional on July 5, 2012, although the effects were deferred until 2013.
[3] The immediate public opposition, in the form of one of the largest demonstrations ever seen in the major cities of the country, forced the Government to retreat.

Table 1. Effective social security expenses (in millions of Euros)

	2008	2009	2010	2011	2012
Current expenses	20 010,5	22 249,3	23 164,4	23 107,4	23 763,5
Pensions	12 818,2	13 464,7	14 011,9	14 448,7	14 427,6
• Surviving spouse pension	1 838,2	1 954,4	2 027,7	1 955,10	2 002,3
• Disability pension	1 421,60	1 417,7	1 407,7	1 395,5	1 373,6
• Old-age pension	9 532,4	10 068,6	10 547,3	11 063,8	11 524,1
Family allowance	823,3	1 000,0	968,2	674,4	663,9
Sickness benefit	429,0	450,8	446,9	450,5	414,3
Unemployment benefit and other support measures	1 566,6	2 045,2	2 221,1	2 103,8	2 593,0
Senior Citizen Pension Supplement	110,5	227,2	265,2	272,7	305,7
Other benefits	661,5	790,2	837,4	873,1	804,2
Social Assistance	1 479,8	1 616,6	1 611,4	1 548,9	1 534,7
Income support allowance (RSI)	425,7	507,7	519,9	414,4	387,9
Administration	409,5	393,8	375,7	337,6	284,1
Other current expenses	702,4	743,4	700,9	596,1	591,8
• including: social transfers and current benefits	700,0	740,6	698,9	596,1	591,8
Vocational training measures	584,0	1 009,7	1 205,6	1 387,1	1 240,2
• including: those with ESF support	468,7	790,6	982,4	1 159,5	1 083,3
Capital expenses	54,0	44,4	33,1	30,1	30,9
PIDDAC (Central Government Development Expenditure and Investment Programme)	31,8	20,8	18,6	2,6	2,8
Other	22,2	23,6	14,5	27,5	28,1
Effective expenses	20 038,5	22 269,8	23 168,3	23 103,2	23 760,8

Source: Social Security 2008-2012, Ministry of Finance, State Accounting (CGE).

The spending cuts were particularly significant in certain areas (such as family allowance, sickness benefits, income support allowance, administration and investment) due to the effect of the measures adopted by the government or by Parliament which were, in general, included in the Memorandum as commitments of the Portuguese government or incorporated into successive State Budget parliamentary laws.

In general, spending on social security increased by 19% in the five-year period, for various reasons directly or indirectly related to the crisis. By area, the biggest increase was concentrated on old-age pensions (21%)[4], the Senior Citizen Pension Supplement (146%) and unemployment benefits and employment support (67%)[5].

Another relevant finding is that staff costs have always been at the centre of the government's austerity strategy. In analyzing the variations in expenditure per economic classification in the Ministries of Health and of Education (Tables 2 and 3), the most obvious similarity is the substantial reduction in personnel expenses: 27.1% in Health and 5.2% in Education (15.3% if the cuts from 2011 to 2012 are included).

Table 2. 2010-2014: Healthcare effective and budgeted expenses (in millions of Euros)

	CGE 2010	**CGE 2011**	**CGE 2012**	**var. CGE 2010/12 (%)**	**OE 2013**	**OE 2014**
Current Expense	9 389,1	8 731,1	9 740,6	3,7	8 275,0	8 142,7
Personnel expenses	1 253,7	1 121,1	913,6	-27,1	1 032,9	964,1
- Exp. Personnel/Total Exp. (%)	*13,2*	*12,7*	*9,3*		*12,4*	*11,8*
Acquisition of goods and services	8 036,6	7 533,1	8 767,0	9,1	7 177,5	7 126,6
Current Transfers	81,5	70,9	45,7	-43,9	51,6	42,4
Other Current Expenses	15,2	6,0	14,4	-5,3	11,9	9,3
Capital Expenses	134,2	125,7	97,5	-27,3	69,3	61,2
Acquisition of Capital	94,0	99,9	78,3	-16,7	57,0	52,5
Capital Transfers	40,2	25,8	19,3	-52,0	12,3	8,7
TOTAL EXPENSES	9 523,3	8 856,8	9 838,1	3,3	8 344,3	8 203,9

Source: Ministry of Finance, State Accounting (CGE) and Assembly of Republic, State Budget (OGE).

With regard to Ministry of Health expenses, the amount is greatly influenced by the initial “acquisition of goods and services” (86.3% on average), which fell 11.3% in five years. Between 2010 and 2012, current expenditure rose slightly (3.7%), despite the sharp decline in wages (and also in "current transfers": -43.9%) due to increased spending on "acquisition of goods and services" (9.1%). In addition there was a significant reduction in “capital expenses” (-27.3%; -54.4% from 2010 to 2014).

[4] The increase in expenditure on old-age pensions is consistent over the five years, partly as a result of demographic factors and partly due to the updating of the lowest pensions since 2010 and the incorporation of pension funds from a nationalised bank since January 2012. Conversely, the suspension of the early retirement scheme since 2009 and the total or partial suspension of holiday and Christmas bonus payments in 2012 contributed towards a reduction in social security expenses.

[5] This reflects the growing unemployment figures and, in the initial phase (the first semester of 2010), the impact of the extraordinary measures introduced in 2010 to support the unemployed. However, in 2011 spending on unemployment benefits and measures to support employment felt by 5%, due to: i. changes in the rules for granting benefits, ii. the elimination of the extraordinary measures mentioned above and also the application of new rules for entitlement to non-contributory social benefits, which affected unemployment benefits (under social assistance). In 2012, expenditure in this area increased again due to the dramatic rise in unemployment.

Table 3. 2010-2014: Education expenses and budgeted expenses (in million Euros)

	CGE 2010	CGE 2011	CGE 2012	var. CGE 2010/12 (%)	OE 2013	OE 2014
Current Expenses	6 955,6	8 575,2	7 360,2	5,8	7531,3	7375,7
Personnel expenses	5 491,8	6 149,0	5 207,0	-5,2	5202,9	5015,4
- Exp. Personnel/Total Exp. (%)	*77,1*	*69,0*	*63,3*		*64,1*	*63,0*
Acquisition of goods and services	94,9	338,2	426,9	349,8	430,3	432,9
Current Transfers	997,7	1 572,2	1 251,0	25,4	1239,5	1186,2
Other Current Expenses	371,2	515,5	442,3	19,2	625,4	709,6
Capital Expenses	170,3	333,4	859,3	404,6	582,3	581,6
Acquisition of Capital	75,0	134,3	601,4	701,9	362	310,9
Capital Transfers	95,3	185,4	132,3	38,8	142,9	146,1
TOTAL EXPENSES	7 125,9	8 908,6	8 219,5	15,3	8113,6	7957,3

Source: Ministry of Finance, State Accounting (CGE) and Assembly of Republic, State Budget (OGE).

In terms of Ministry of Education expenses, only staff costs registered a slight decline between 2010 and 2012 (-5.2%), which became more pronounced in the periods 2011-2012 (-15.3%) and 2011-2014 (-18, 4%).

4. The residualization of public social protection

The process of restructuring and changing the services affected by the crisis and austerity is very complex. On the supply side, the impacts are associated with different kinds of spending cuts in social sectors: reducing social benefits, cutting services, reducing staff (through voluntary dismissal, retirement and mandatory dismissal), gains from centralization, the privatization of public management or blind cuts to current expenditure.

Changing the ways in which social services are delivered, moving from direct state delivery to indirect delivery via public/private partnerships and outsourcing, has become a current option. In fact, it is not a new option, since it emerged in Portugal long before the current crisis (Hespanha 2008), but in recent times the argument of excessive state bureaucracy has been used increasingly as a justification for the government to impose an agenda of transferring responsibilities to the private sector[6].

It is also important to note that there is a growing conflict at the heart of the welfare state between a bureaucratic argument on the one hand, associated with the management and redistribution of resources, which aims for more efficient spending, stricter control over the allocation of resources and continuous auditing and, on the other hand, a solidarity-based argument which seeks to prevent poverty and social exclusion and safeguard the basic rights of citizens through the principles of social justice and positive differentiation. Moreover, and to some extent intensifying this conflict, a political rationale is clearly emerging which deploys the argument of excessive state bureaucracy as a justification for transferring responsibilities to the private sector via a "public-social partnership" and a "commitment based on shared objectives and common interests, as well as shared obligations and responsibilities between the state and the institutions concerned" (MSSS *et al*. 2013)

[6] It is important to note that in the context of state retrenchment, social responses have become an attractive area for economic investment. Between 2000 and 2012, the number of for-profit social services increased 67%, as opposed to 27% for non-profit services (GEP- MSSS 2013, p. 8).

This transfer of responsibilities - a "paradigmatic shift" according to one member of the government (Sanches 2013) - is becoming more and more evident. In order to operationalize this change, the government has created a Local Network for Social Intervention, as a "model of organization and articulated and integrated intervention, bringing together the public or private entities responsible for the development of social assistance" on a contractual basis, governed by the principles of citizenship and proximity. It has yet to be implemented, although in an interview with the media, the Secretary of State has provided some information on the delegation of certain state responsibilities for social assistance to non-profit NGOs (charitable institutions), which will be financed by European funds. This will include the reception and handling of cases concerning the income support allowance (RSI), unemployment benefit and other discretionary benefits. With regard to the responsibilities of the social security departments, professionals will act as "monitoring and evaluation agents" (Sanches 2013). In many respects, this delegation of powers was already in progress - in the management of the RSI, for example - as part of the particular historic mix of welfare regimes in Portugal and the basic ideas of the 1990s Third Way (Ferreira 2010), although it did not involve such a marked withdrawal of the state's direct regulation of welfare.

Another issue related to the trend towards residualization in public social protection is the intention to delegate or share certain services previously provided by the central administration with municipalities, which is already being implemented. To some extent, the crisis has increased the legitimacy for the decentralization of local authorities, although this represents a huge increase in spending and social pressures. In areas such as social assistance, the municipal social services already coordinate social interventions in the territory, in conjunction with the regional Social Security Departments (CDSS), as in the case of the Social Network Programme. In addition, mini job centres[7] have been created by municipalities with the support of the National Employment Service (IEFP).

Viewed from the demand side, the impacts of the economic crises and austerity are basically associated with the reduction in disposable household incomes due to rising unemployment, higher taxation, cuts in wages and pensions, and increased expenditure on healthcare, education, housing, social security and social assistance.

The social impact of austerity affects Portuguese households and individuals unevenly. According to the most recent study published by the European Commission (Avran *et al*. 2013), among the nine EU countries that had large budget deficits following the financial crisis of the late 2000s and a subsequent economic downturn (Estonia, Greece, Spain, Italy, Latvia, Lithuania, Portugal, Romania and the UK), Portugal, Lithuania and Estonia are the only countries where austerity measures have imposed a greater financial burden on the poor than the rich. In the period between 2009 and June 2012, Portugal experienced a regressive distribution resulting from the freeze on means-tested benefits[8], in a country that was already one of the most unequal in the European Union.

A comparative analysis of the effects of austerity policies in the countries most severely affected by the recent financial and economic crisis shows that although

[7] The national employment service (IEFP) provides a network of Professional Integration Offices (GIP) run by local authorities and non-profit private bodies which are designed to provide support for the unemployed seeking to enter the labour market (support in actively seeking for work, personal supervision of those entering or re-entering professional life; guidance on training opportunities; encouragement and support for temporary or voluntary work to help individuals enter the employment market).

[8] Estimates of the distribution of the burden of austerity depend greatly on the analytical choices and assumptions that are considered (e.g. whether to include cuts to aid in-kind (such as wheelchairs, articulated beds, food) and services and the effects of VAT increases on households). This explains why other studies offer a rather specific picture. For Spain, see Navarro (2012), in which Spain is estimated to be the most regressive of the five countries considered Germany, Denmark, Spain, France and the UK.

the range of policy instruments available to governments is limited and does not vary greatly[9], the way in which they are combined and implemented is crucial to explaining the different effects they have in each country. In addition, the implementation of austerity measures may have secondary effects on the behaviour of households, which are very often unexpected and will be examined later with reference to Portugal (Callan 2011, p. 5). These cases may lead to a policy review and the start of a relatively complex and lengthy process of fine tuning.

Table 4. 2008-2010: The trend towards austerity: main policy changes in four EU countries

PORTUGAL	SPAIN	GREECE	IRELAND
· Increase in income tax rates, introduction of an additional income tax rate for top earners, and reduction of tax credits	· The introduction of additional income tax rates for top earners	· Increase in top income tax rates (partly compensated by decreasing tax rates for lower bands), changes in tax credits and allowances and broadening of the income tax base	· Lowering income tax bands and reduction in tax credits · The introduction of a new income levy · Cuts in all means-tested and universal cash benefits and a freeze in contributory benefits
· Freezing of nearly all insurance benefits and pensions	· Freezing of public pensions	· Cuts in public pensions · The introduction of a one-off additional tax on incomes and a special tax on pensions	· Increased social insurance contributions (employee, self-employed)
· Reduction of means-tested unemployment assistance, family benefit and social assistance.	· Cuts in, and freezing of, cash benefits		
· Increase in the standard rate of VAT	· Increase in the standard rate of VAT	· Increases in the standard and reduced rates of VAT	
· Public sector pay cuts	· Public sector pay cuts	· Public sector pay cuts	· Public sector pay cuts

Source: Adapted from Callan, 2011

Table 4 summarises the measures adopted by four countries in the Eurozone which have been hit particularly severely by the crisis. Without going into great detail, the differences in the way in which the rule of austerity has been applied in these countries are evident, as well as the similarities in the policy instruments used.

Finally, one point which should be stressed is that the negative impact of the Portuguese crisis is gradually spreading to other social groups affected by job insecurity, reductions in income, over-indebtedness, and increases in mental disorders. In general, middle class families, forced to abandon commercial providers when higher prices made them unaffordable, are responsible for adding to the demand for public services (provided by state or non-profit institutions). In addition, in the lower social classes there is strong evidence of growing difficulties in dealing with reductions in social benefits and the lack of alternatives to provide for their needs (Lopes 2013, UNICEF/ICS 2013, Davim 2013).

5. The risk of deteriorating services

In general, the public social services have had to deal with this growing demand without additional resources, due to the austerity rules imposed by governments. This has often resulted in lower quality services, which has taken shape in various ways – failure to offer adequate provision, rationing of means, delays and uncertainty, increased bureaucracy, reduced access, higher charges, and

[9] According to Callan (2011) austerity measures usually combine: (i) reductions in cash benefits and public pensions; (ii) increases in direct taxes and contributions; (iii) increases in indirect taxes; (iv) reductions in public services that have an indirect impact on the welfare of the households using them; (v) reductions in public expenditure that cannot be allocated to households (e.g. pure public goods such as defence spending) and increases in taxes that are not straightforward to allocate to households; (vi) cuts in public sector pay (vii) cuts in public sector employment.

deprofessionalization - which have not only resulted in losses for users but also dissatisfaction amongst professionals.

Since at least 2010, the rules of austerity have included blocking budget funds for certain current expenses associated with regular activities in public services, such as travel expenses (25%), studies, expert reports, projects and consultancy work, acquisition of external services (40%), and payment of overtime, extra pay for unsocial hours (night work, weekend work), communication expenses, legal advice and technical assistance (20%).

The austerity measures became a major concern and a recurring theme in the media, mainly because the blind application of these rules (blind cuts) has predominated, without any concern for the impact this would have on very sensitive areas. There is strong evidence that services have deteriorated since the austerity measures have come into force (Paoletti and Carvalho 2012, Eurofound 2012, Oxfam 2013, Hauban *et al.* 2013). In some cases, the objective of reducing costs is not made explicit. Instead, the need to rationalise services or comply more fully with international standards is presented as a justification, as in the case of creating school groups, closing down emergency services in hospitals and maternity hospitals, prescribing expensive drugs in public hospitals, or "implicit rationing" in the National Health Service[10].

In other cases, the adoption of simplified methods to estimate the income of families who use public services, such as the use of presumptive methods, has led to unacceptable injustices. The new criteria for means testing which came into force in August 2011 is a good example of a new policy designed to place further restrictions on citizens' social rights. In the case of the income support allowance (RSI), tighter control over the process of allocating benefits succeeded in cutting spending on this programme by nearly 25% in just one year (January 2010 - January 2011) (Rodrigues 2012).

One often neglected consequence of state downsizing is the long-term effects on programmes which aim to prevent social illfare, for instance amongst children, the unemployed and dependent people. Inability to respond to the growing demand led the government to increase the supply by creating additional vacancies in certain services (schools, kindergartens, nursing homes) far beyond the recommended limits intended to ensure a reasonable level of quality. In the case of nursing homes, where ten thousand additional beds were created, this means that "a room previously occupied by one person will be occupied by two, and three elderly people will now sleep in a room previously occupied by two" (Almeida 2012). In schools, the maximum number of students per class was also increased for all age groups (Leiria 2012). According to the teachers' unions, "the measure (...) undermines the principles of demand and merit, equality and quality in education. The Ministry of Education is using the old recipe of not considering the means, whatever the cost, but of saving money" (SPZC 2012). As for day care, the government declared at the launch of the National Emergency Plan (August 2011) that it "also aims to increase the number of places in kindergartens from eight to ten children per room for infants, from ten to 14 for children aged up to 24 months and from 15 to 18 for children aged up to 36 months" (Jornal de Notícias 2011, Neves 2012, LUSA 2013).

Services may also deteriorate as a result of neglecting administrative and technical rules. In active social policy programmes (employment, social inclusion and social reintegration, special education) that require regular follow-ups of users, this risk is higher. In job centres, for example, the increasing numbers of unemployed people, coupled with a lack of staff, has turned the negotiation of individual employment plans into a mass operation with no time to engage with the specific features of

[10] For a more extensive description of cases of deterioration in health services and their increasing inaccessibility to patients, see the Spring Report 2012 published by the Portuguese Observatory on Health Systems (OPSS).

each case. In the Institute of Social Security, a key institution in the fight against poverty and exclusion, regular employees have gradually been replaced by short-term workers (usually contracted for nine months) recruited through temporary employment agencies. Hundreds of workers have been employed, both in areas concerned with administration and with direct intervention, to perform complex tasks that require several years of experience (SNTFP 2010).

The deterioration in the quality of services, as a result of reducing budgets, overburdening professionals or making user access more difficult, undermines the confidence of citizens and makes them more dissatisfied. As Mishra warns, a strategy of attrition that leads to lower quality services can be more effective than a direct attack in the form of a campaign for privatization (Mishra 1995, p. 41).

6. Citizens' scope for manoeuvre

Inadequate or residual social services, together with the way in which the services deal with this situation, affect citizens in very different ways. For those who have seen their income and social benefits reduced parallel to an increase in their living costs, the usual strategy is to delay the payment of fees or try to negotiate a reduction (in the case of day care centres, nursing homes, day centres and cafeterias) (Sousa *et al*. 2012, p. 20). In other cases in which families use private services for their dependents (kindergartens, nursing homes, playgroups, schools) the most common strategy is to move to public services or private services which charge lower fees. In the same vein, after successive delays in payment, families who use public or private services and become unable to pay their fees try to find cheaper alternatives such as informal care, family care or public assistance (Sousa *et al*. 2012, p. 20, GEP-MSS 2013, Silva 2013, Watson 2013). Quite often unemployed people looking for a new job, mainly women, remove their dependents from institutions and take care of them themselves. In other cases, institutions bear the costs of families who cannot afford to pay for dependent relatives.

Stories of households who miss or delay payments to private non-profit institutions (IPSS) and charities ("Misericordias") are increasingly common (Sousa *et al*. 2012, p. 20). Since they are heavily dependent on transfers from the Social Security Department, these institutions are doubly vulnerable: firstly, because of the uncertainty regarding user payments; secondly, because of the delay in transfers from the state.

Therefore, the effects of changes in demand and supply on social services appear to be interconnected and conflicting, but there has been no systematic and comprehensive survey of these situations, in part due to the increasing opacity of the public services.

Some evidence, from sparse studies and press reports, reveals some conflicting effects on the supply side: on the one hand, the growing demand for social services calls for a rise in the number of professionals needed to respond to this increase; on the other hand, budget cuts and the freeze on recruitment lowers the supply of services. A growing demand for social services does not always lead to the recruitment of more staff. Very specific circumstances appear to justify the rigidity of the offer, namely when the service provided does not involve the extensive use of human resources, the increase in demand is seen as temporary, there are strict controls on expenditure or the service sector is not very sensitive to public pressure.

The effects on the demand side may also be conflicting. The loss or reduction of family income (due, for instance, to unemployment, salary or pension cuts or rising living costs) leads to an increased demand for public social services, but conversely families who pay for care services for dependent relatives tend to replace those services with their own labour when they are hit by unemployment. One very common situation is that of families receiving unemployment benefit or RSI being forced to withdraw young or elderly dependents from institutions when they lose their subsidies (Sousa *et al*. 2012, p. 169).

Table 5. Changes in public social services demand and supply

Demand	Supply	impact on the provision	Citizens' scope for
• loss or reduction of family income (due, to unemployment, salary or pension cuts or rising costs of living) • availability for self-provision • collective arrangements for provision • decreasing accessibility/quality of public services	• Supply of social services adjusted to increasing demand (1st phase) • austerity (budget cuts and stricter policy regulation) (2nd phase)	• Social services extended by recruiting additional staff, increasing capital expenses (1st phase) • services' closures, staff cuts, reduced access, delays in attendance, neglecting long term effects of the cuts • increasing privatisation of state provision	• increasing demand for public social services • re-orientation to informal services and self-provision (eg. unemployed, part time employed persons) • collective provision of services • deprivation, overburdened families, diminishing responsiveness of welfare society

To sum up, it may be said that cuts to the welfare state have strong impacts on the welfare society[11] in the form of overburdening, crisis, and changes to the model of assistance. Firstly, welfare cuts overwhelm families, as can be seen in the provision of care for dependent people (children, the elderly, the sick and disabled people), which mostly involves women, or in the emergence of new models for family livelihood (sharing housing, living off the social benefits of the elderly). The crisis in the labour market and the high levels of unemployment amongst the younger generations force young people to live longer with their parents, severely undermining their autonomy (Sanches 2014).

Secondly, the crisis in welfare state provision also creates a crisis in the welfare society, reducing its capacity to respond. Cuts in retirement benefits and pensions reduce the possibility of intergenerational transfers and worsen the social conditions for younger generations, who are dependent, to a large extent, on this solidarity in order to maintain their living standards (Portugal 2014). Postponing the retirement age, for instance, prevents the older generations from providing informal care, namely childcare.

Thirdly, the welfare cuts and the economic crisis change the patterns, resources and operating methods of the welfare society. Loss of income prevents (financial, goods and service) flows from circulating within the family, investment in social mobility becomes increasingly difficult, and cuts in social benefits primarily affect the poorest, meaning that their social networks have even fewer resources.

Lastly, these changes have deep impacts on the social situation of women, who face the serious risk of returning to the domestic sphere. Cuts in social services and a precarious labour market make it increasingly difficult to reconcile paid work in

[11] The term "welfare society" is used to describe the welfare provided within networks based on social relations. In societies such as Portugal, most social protection is established by informal networks, above all families, who establish relationships based on the reciprocal exchange of goods and services, thus ensuring access to resources such as housing, employment, healthcare and care of dependents. The welfare society is defined in terms of its relationship to the welfare state (Portugal 2014).

the labour market with unpaid care work in the domestic sphere. The example of single women with children illustrates the complexity of the interplay between the welfare state and welfare society. Obliged to accept work due to the new conditions for entitlement to unemployment benefits, without childcare services and with less family support, the problems of access to the labour market are increasing. The unprecedented situation of Portuguese women, who have a strong presence in the labour market and sole responsibility for housework and care, is becoming unsustainable and the clearest indicator of this is the drastic reduction in fertility levels. Portugal has the lowest level of fertility in the world - 1.3 children per woman.

The crisis is also leading to a search for alternatives to public services outside the family. Nowadays, solutions can be found within civil society through collective solidarity-based initiatives such as mutual care of dependents, informal childcare, the sharing of transport, housing facilities and schoolbooks, collaborative networks for exchanging products and services, time banks, and medicine banks. These responses have very diverse origins: some emerge spontaneously due to proximity, whilst others are inspired by solidarity, such as solidarity-based economic initiatives, volunteer work or even social entrepreneurship (Laville 2005, 2011, Laville and García Jané 2009, Hespanha and Santos 2012). These experiences and initiatives add new forms to the welfare mix, which need to be identified. It is important to know the origins of the initiatives, as well as to identify the aspects that are crucial to their effectiveness.

7. Conclusion

The welfare state is a central focus for policy makers and has become a major target for austerity policies. Two diverging strategies for combating the crisis have been present in Portugal from the outset. A Neo-Keynesian strategy stressed the need to combine economic recovery policies with stronger social policies to aid those who were suffering most from its effects. Conversely, a neo-liberal strategy put the entire emphasis on financial policies and taxation as a means of reducing the state debt and gigantism. Apart from a short period in which anti-crisis policies seemed to follow the Neo-Keynesian strategy, the latter has clearly prevailed in government policymaking since the signing of the Troika Memorandum. The combination of negative economic growth and high levels of social de-protection resulting from this strategy led to the increasing deterioration of public social services, together with the residualization of the Portuguese welfare state, involving the closing down of services, staff cuts, reduced access to services, delays and less efficient responses, and a failure to address the long-term effects of the cuts. One of the most essential features of the welfare state – the public provision of essential needs – has been completely eroded.

Instead, privatization of services is now the core of the government neo-liberal agenda and the next round of trade liberalization will focus on this. “Many of these services, which now are public services, have an almost infinite market potential. For this to happen without great social disruption it is necessary to undermine the idea of public services. The most effective strategy is to start from false generalizations, taking blind steps and justifying them with populist arguments, such as ‘squandering of taxpayers' money'. This is what is happening to us" (Santos 2002).

The response of citizens to these changes has been varied and is often seen as extremely weak in comparison to other countries in similar situations. Some of the greatest attacks on social rights and the “conquests” of the 1974 Revolution have mobilised large numbers of the population[12], particularly in the major urban

[12] The 2012 Internal Security Annual Report refers to over 3,000 demonstrations in Portugal in 2011, involving 16,672 members of the police force.

centres, in demonstrations such as the ones which took place in September 2012 and March 2013 - the former three days after the government announced new austerity measures and the latter when a delegation from the Troika was present in Lisbon for the seventh evaluation of the Memorandum of Understanding. However, not even this has succeeded in reversing the policies but instead has confronted a political argument that has emphasised the lack of alternatives and therefore legitimises austerity and the state of exception.

Some analysts explain this weak response as the everyday fears of citizens, fuelled by a perception of job insecurity, the rising cost of living, loss of rights, the inability of governments to improve the economy, and a lack of access to reliable information. In Portugal a new way of life is being generated based on subjective fear and insecurity which leads people to tolerate adversity with a certain fatalism and look for solutions by mobilising only the resources that are within their immediate reach (Ferreira 2014, p. 274).

This explains the trend towards returning to family-based models of subsistence which involve sharing economic resources (income, housing) and informal means of social protection which reduce the possibilities of emancipation and foster dependency, a trend which is also evident in other southern European countries (EC 2012, p. 78). It is a strategy that penalises women above all, since they bear the main responsibility for informal welfare provisions. In Portugal, this pivotal role of women has developed within a context of significant female involvement in the employment market and has been based on strong intergenerational solidarity which ensures the continuity of everyday family life and supports self-help networks. Thus, within the context of a crisis in employment, the risk of women returning to the domestic sphere is high.

At the same time, the shrinking state is leading to the expansion of the third sector in areas where there is no institutional provision, such as everyday support services, homecare services or childcare. In Portugal the third sector has played an important role in providing the social services delegated to it by the state, which transfers a high percentage of the budget for these services to non-profit institutions. In recent years the state itself has been handing over the few service establishments which it possesses to these establishments, without any appreciable improvement in terms of organization or quality (Hespanha *et al*. 2000). Despite this, this third sector, which has close ties to the state, sees itself as the best solution for providing for the needs of families, and calls on the state to "reinforce support" (Sousa 2012, p. 25), whilst at the same time, given the lack of public funding, becoming increasingly orientated towards commodification. The sector is facing a dual threat, from both the withdrawal of state responsibility for welfare and from the low and decreasing levels of human social capital, in the form of the low levels of involvement in these organisations.

Finally, it is important to consider the many initiatives that are emerging on all sides from groups that have been particularly badly hit by the crisis and are searching for alternatives to the services which the state should provide. Emerging spontaneously or with very little organisation, this movement or sector, which has been called the solidarity economy, has played a decisive role in relieving the problems created by the crisis and, equally importantly, in the organization of provisions based on collective participation, self-management and solidarity amongst peers. However, unlike the situation in other European countries, these solidarity economy initiatives continue without recognition from the state or any encouragement in the form of public policies designed to provide incentives and support (Hespanha and Santos 2012).

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