

# Portugal: new COVID-19 related benefit for workers and the unemployed most affected by the pandemic

ESPN Flash Report 2021/10

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JANUARY 2021

*In January 2021, the Portuguese government approved a new COVID-19 related benefit to be in place in 2021. The measure is the subject of significant political consensus and makes it possible to provide continuing support to the workers and unemployed most affected by the pandemic. It replaces and combines a set of measures in place in 2020 into one single measure, which increases its complexity.*



## Description

In January 2021, following the approval of the 2021 State budget, the Portuguese government adopted new COVID-19 related support for workers and unemployed for the entire year 2021. The new benefit replaces and combines in one single measure a set of measures that were in place in 2020. It varies in amount and duration, and may not be cumulated with other benefits linked to unemployment or to a reduction or suspension of activity. It is means-tested and capped at €501.16, and has a maximum duration of six (not necessarily consecutive) months; but there are exceptions. The Decree related to the new measure is expected to be published by the end of January.

The new benefit targets six different groups.

The first group consists of former employees, former self-employed and former members of Boards of administrators who have become unemployed and whose unemployment benefit/ assistance ends after 1 January 2021. For former employees, the benefit is not means-tested for the first six months and should correspond to the amount of the unemployment benefit the person was receiving.

The second group comprises former employees, former economically dependent self-employed and former members of Boards of administrators who are not eligible for unemployment benefit/assistance. They must have become unemployed for reasons which cannot be attributed to them and should have a contributory record of at least

three months in the 12 months prior to unemployment. For former employees, the monthly amount is based on the differential between the benefit reference figure (€501.16) and the monthly average household income per equivalent adult (using an equivalence scale that assigns a weight of one to the first adult, 0.7 to each subsequent adult and 0.5 to children below the age of 18). The amount cannot be higher than the net income from the prior reference salary of the unemployed person.

For both these groups, the benefit may last up to 12 months. For the self-employed in both groups, the monthly amount should correspond to the drop in the relevant average monthly income between the last quarterly declaration issued and the relevant average monthly income in 2019.

The third group targeted by the measure are self-employed and domestic workers with daily or hourly working arrangements. They should cumulatively have a contributory record of at least three months in the 12 months prior to the application, have suffered a fall in relevant average monthly income of more than 40% in the period between March and December 2020, compared to their relevant average monthly income in 2019, and a fall in income of more than 40% between the last quarterly income declaration available and their relevant average monthly income in 2019. For these recipients, the amount of the benefit should correspond to 2 thirds of the decrease in the relevant average monthly income between the last quarterly declaration issued and their relevant average monthly income in 2019.

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The fourth target group are economically vulnerable workers, not included in previous categories, who are registered as self-employed with the social security and who maintain this link while receiving the support and for the 30 following months. Employees in this group receive the same benefit as employees in the second target group. The self-employed in this group receive the same amount as those in the third target group.

The fifth group consists of people in professional traineeships who have become unemployed after the end of a traineeship. The complete range of rules that will be applied to this group is still unclear at this stage.

Finally, the sixth group includes managers of micro and small companies (i.e. companies with less than 10 and 50 workers, respectively), sole proprietors (i.e. individual employers) and members of statutory bodies (e.g. Board of administrators, Board of trustees, etc.) of foundations, associations or cooperatives. These beneficiaries should have a contributory record of at least three consecutive months or six non-consecutive months in the 12 months prior to the requirement, and should be working in an entity or sector demonstrably affected by COVID-19 related suspension of activity. Alternatively, recipients in this sixth group should demonstrate, through both a self-declaration and a certificate issued by a certified accountant, a fall of at least 40% of invoicing in the 30 days prior to the application, compared to the monthly average of the two previous months or the equivalent period in 2020. For entities set up less than 12 months before, the reference used should be the average of the whole period of activity. For these recipients, the benefit is not means-tested for the first six months and its amount corresponds to the remuneration registered as the contribution base

if that amount is lower than 1.5 times the IAS (Indexante dos Apoios Sociais [the social support index]), i.e. lower than €658.22 (1.5\*€438.81) in 2021, or to 2 thirds of the remuneration registered as the contribution base if that amount is equal to or higher than 1.5 IAS. The cap in these cases is 3 times the monthly minimum wage, i.e. €1,995 (3\*€665) in 2021.

Overall, i.e. considering the specific rules that apply to each of the six groups, the minimum monthly amount of the benefit is €50 when income loss is lower than 0.5 IAS. When income loss ranges between 0.5 IAS and 1 IAS, the minimum should correspond to 50% of the loss. When income loss is higher than 1 IAS, the minimum is 0.5 IAS.



## Outlook and commentary

The new benefit has gained increased relevance as, with a view to limiting the spread of the pandemic and protecting public health, a new general lockdown applying to the whole of Continental Portugal has come into force on 15 January and is expected to last for at least one month.

Compared to 2020 and the benefits replaced by this measure, the government anticipates an increase in the number of recipients from 170 thousand to over 250 thousand, and of the financial burden from €450 million to over €600 million in 2021. One major reason for this is the extension of support to a wider range of beneficiaries, including managing partners and workers with shorter contributory records.

The reference figure for the measure (€501.16/month) is linked to the poverty threshold. According to the latest Eurostat figure, the 2019 at-risk-of-poverty threshold (income reference year 2018) was

€6,014/year, i.e. €501.17/month. This linkage can help respond to criticisms from left-wing opposition parties and notably the Left-Wing Bloc (BE), claiming that this type of measure tends to provide financial support that does not lift people above the poverty threshold.

There is general political consensus on this new benefit. Although overall it supported the measure, the BE abstained regarding a number of points of the proposal and expressed serious criticisms. Most notably, it described the benefit as another time-bound extraordinary benefit rather than a new social benefit as originally announced. It also considered that the means-testing is very restrictive, even more so than for the benefits in place in 2020, thus excluding a large number of vulnerable people.

The Confederation of Portuguese Workers (CGTP-IN) welcomed the intentions behind the measure but considered that it should have been integrated into a wider coherent framework. It also considered the measure to be very complex, with multiple beneficiaries, multiple and complex access conditions and different amounts and durations. Moreover, it considered that the stringent access conditions and the low amounts of the benefit fail to meet the basic needs of all the workers most affected by the pandemic.

### Further reading

República Portuguesa (2020), [Lei No. 75-B/2020](#), Diário da República No. 253/2020, 1º Suplemento, Série I de 2020-12-31 [*Law approving the 2021 State budget – only in Portuguese*].

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Quoting this report: Peristo, P. (2021). *Portugal: new COVID-19 related benefit for workers and the unemployed most affected by the pandemic*, ESPN Flash Report 2021/10, European Social Policy Network (ESPN), Brussels: European Commission.