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# The politics of social policies in Portugal: Different responses in times of crises

**Jorge Caleiras** | **Renato Miguel Carmo**

Centre for Research and Studies in Sociology, CIES_ISCTE – University Institute of Lisbon, Lisbon, Portugal

**Correspondence**
Jorge Caleiras, Centre for Research and Studies in Sociology, CIES_ISCTE – University Institute of Lisbon, Edifício ISCTE-IUL, Avenida das Forças Armadas, Lisbon 1649-026, Portugal.
Email: jorge.caleiras@iscte-iul.pt

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## Abstract

Portugal has been confronted with a succession of crises in recent years. This article explores the differences in the way that, in Portugal, the welfare regime tackled the Great Recession context (financial, euro, sovereign debt, structural adjustment crises) and COVID-19 crisis through very different policy responses. The fact that the governments in office acted differently when faced with realities that were close in time but very distinct, generates a paired comparative scenario, without forgetting the interim period. Supported by a plural methodological approach that gathers information from various sources, the outcomes reveal important aspects about the policy direction of changes and in terms of socio-economic indicators. First, policy responses have followed three dynamics in tension: Retrenchment, Mitigation, and Expansion. Second, the policies make a difference, producing distinct outcomes in terms of socioeconomic indicators (unemployment, inequality, poverty). Third, the responses to crises induced more "radical" measures (towards Retrenchment or Expansion), which are not consistent with interim situations. Finally, while the austeritarian response was part of the government in office's program, this was not the case during the pandemic, when the response was involuntary and unprogrammed. This means that, in being a provisional and dated response, there is a high risk that in the near future there will be a resumption of Mitigation or even Retrenchment policies.

**KEYWORDS**
crises, employment measures, social policy, vulnerabilities, welfare regimes

## 1 | INTRODUCTION: THE POINT OF A REVIEW OF THE PORTUGUESE CASE

Just as the world was recovering from the socioeconomic shocks of the Great Recession, it was confronted with an extremely disruptive blow: the COVID-19 pandemic. In response to the global crisis, a series of interventionist policies were implemented by public authorities, aimed at ensuring economic stability, guaranteeing employment and minimum levels of social wellbeing. This took place in diverse geographies, various national contexts and at the European Union (EU) level. This indisputably represented a profound change of trend compared to the reaction to the Great Recession. In the spring of 2020, Portugal was harshly afflicted by the crisis triggered by the pandemic. This was the second crisis in a decade, after the financial crisis, but exacerbated by the eurozone and sovereign debt crisis and Troika[1] intervention (2011–2014), which affected the country disproportionately, leaving a negative deadweight that is still felt today and constrains response capacities.

In this article, we explore the differences in the way that, in Portugal, the welfare regime tackled these crises through very different policy responses. The crises in themselves do not determine policy responses. There are crises in which some responses are restrictive and others expansionary, according to the orientation of the actors (political parties, governments, unions, employer organizations), their ideas, preferences, and positions, in the policy space of the European welfare state, characterized by complex multidimensionality of configurations. This makes the processes (and results) highly contingent.[2] The fact that the recent governments in office acted differently when faced by realities that are close in time, but very distinct, generates a comparative scenario. In the interim period, the country benefited from a period of economic recovery, coincident with a singular and innovative political solution, which caught the attention of the international scene due to its successful "reversal" of austerity, while maintaining the State's financial balance. It was known as the "*governo da geringonça*" [contraption government]. This was a relevant specificity of the Portuguese case that has not been sufficiently studied in terms of the reorientation of social policy.

We aim to contribute to understanding the Portuguese welfare system's capacity to react to the challenges faced in times of crisis and focused on the Great Recession and COVID-19 pandemic crisis, looking at the differences in the way that the welfare system tackled them (Moreira & Hick, 2021).[3] Taking the knowledge on welfare regimes (Esping-Andersen, 1990; Ferrera, 1996; Hemerijck, 2013; Palier, 2010; Pierson, 2001, among others) as a broader reference, the specific theoretical framework is based on the analytical model conceptualized by Häusermann (2012) to characterize these differences, periodizing the analysis according to political cycles.

With the necessary adaptations to the Portuguese context, we consider the classic distinction between "new" and "old" social policy instruments, and the way that they are combined and articulate between one another. The use of the model not only enables contextualizing the evolution of the Portuguese welfare regime, but also, highlighting its capacity to adapt over a short and intense space of time, as was this last decade, particularly acute, in terms of challenges, recalibration and tension in social policy directionality between new and classic social risks.

In order to understand the extent to which the model manages, or not, to frame the situations of change, we propose two hypotheses: (i) over the last decade, different policy responses were implemented, some in antagonistic directions, portraying three dynamics in tension: Retrenchment, Mitigation and Expansion; (ii) with the response to the COVID-19 crisis having been more effective when compared to the previous economic-financial crisis (Great Recession), having mitigated the growth of unemployment. A plural methodological strategy, which diagnoses the heterogeneity of information, was adopted to test these hypotheses. We use a variety of sources, including statistical data, and a qualitative approach based on content analysis of consulted documents.

Without forgetting the importance of the "European external factor", we argue that the policy orientation shapes the responses, demonstrating that, even when facing very distinct crises, ideological beliefs play a crucial role in government decisions, influencing the priorities and values reflected in the response measures taken.

The article is structured as follows: Section 2 considers the state of the art, covering the theoretical framework, and includes a brief historical contextualization of the welfare regime in Portugal, preceding the main review focused on the last decade; Section 3 describes the methodology used in this review; Section 4 presents the results achieved for three particular periods; Section 5 discusses the dominant responses in light of the hypotheses advanced; and Section 6 presents conclusions.

# 2 | THEORETICAL FRAMEWORK

## 2.1 | Adaptation, social investment, and the European scenario

The regulatory changes made to the different types of European welfare states have frequently been inspired by the social investment paradigm, framed in the perspective of recalibration. The transversal idea is that social policies should not be restricted to passively offsetting problems. Rather, they should be proactive in order to prevent inactivity in the labor market and endorse a life-long learning perspective to promote equality and economic growth. Incentives to remain in the labor market offer a higher level of social security and improve the welfare state's long-term financial sustainability.

The subsequent modifications have implied reconfigurations in welfare state designs on two main fronts. The first concerns the traditional welfare state and classic social risks, which are under pressure to contain expenditure. The second is the need to adapt the systems of protection against new social risks (NSR), arising from changes in the family sphere and problems in the labor market.

Since the last quarter of the 20th century, social and economic transformations have generated a series of NSR to which the traditional welfare state is unable to offer a sufficient response.

The debates surrounding the challenges facing the welfare state in advanced capitalist societies are a multifaceted and dynamic field of study. Crucial issues arise in the discussion on ageing and the financial sustainability of welfare systems, socio-economic inequality, and the need to adapt social protection systems to a more "flexible" workforce and to automation. Globalization and crises, such as the COVID-19 pandemic, also generate discussions about the capacity of the welfare state to deal with unexpected shocks and technological innovation. In addition, other aspects related to migration, integration processes or environmental sustainability broaden the scope of these debates, highlighting the need for more comprehensive and adaptable policies that guarantee social justice in rapidly changing contexts (Alba & Foner, 2015; Brynjolfsson & McAfee, 2014; Piketty, 2013; Standing, 2011, among others). In terms of causality for the way welfare regimes respond to crisis or external shocks several factors could be thought of as the way external influences (e.g., global markets, European governance, energy prices, pandemics) are filtered by domestic political dynamics and institutions within the opportunities and constrains of policy legacies.

An important factor, which helps to explain the differences in responses to crises (in contents and outcomes) is the "European external factor", whose influence has shifted from "domestic devaluation" to what some more recently refer to as a "social turn" in European Governance (Kubera & Morozowski, 2020). The change of directionality of the "European factor" extends from the austeritarian neoliberal responses to the Great Recession up to the more inclusive European Pillar of Social Rights, various Community directives (e.g., on an adequate minimum wage) and the responses of the Next Generation EU to the pandemic crisis (Huguenot-Noël & Corti, 2023;

Kilpatrick, 2023; Pereirinha & Pereira, 2023).[4] Recent literature has addressed how, at the EU level, there was a different response to accommodate the effects of the COVID-19 pandemic (e.g., protecting individuals' jobs, in particular those whose attachment to the labor market was more fragile, and businesses) (OECD, 2021; Eurofound, 2023; Burroni et al., 2022).

In the 21st century, citizen wellbeing in European States has continued to be under strong pressure. The hardships of the Great Recession and then of the pandemic exerted substantial pressure towards the welfare state's "reform". However, its redesign is encountering strong resistance to change. If, on the one hand, the modest economic growth precludes its expansion, on the other hand, its popularity generates political disincentives against its contraction. In an illustrative image, the welfare state has become a "frozen landscape" (Pierson, 2001, 2011).

Despite showing a certain aversion to change, the different welfare regimes are not static; they change in diverse ways over time (Hemerijck, 2013). They update and adapt to the contemporary social, economic, and political circumstances, to which they seek to respond (Häusermann, 2010). Concerning the direction taken by these changes, one line of the literature stresses the reduction of the "old" welfare state (income, job protection), while another highlights the promotion of "new" policies (activation, social investment) to combat the NSR (Bonoli & Natali, 2012; Clasen & Mascaro, 2022; Nolan, 2017; Pierson, 2001).

Silja Häusermann classifies these changes by taking into account the distinction between "new" and "old" social policy instruments, and the way that they are combined and articulate between one another. This implies that the "reforms" with specific configurations, defined in each particular context, may follow four directions: (i) Expansion (expansionary direction of both instruments); (ii) Retrenchment (restrictive direction of both instruments, "freezing"); (iii) Flexicurity/Welfare readjustment (restrictive direction of the "old" instruments and expansionary direction of the "new", involving mixtures, package deals, trade-offs and issue-linkage); (iv) Welfare protectionism (direction of preservation of the "old" instruments and "resistance", or low investment, in new instruments, also involving different mixtures, package deals, trade-offs and issue-linkage) (Häusermann, 2012: 112).

## 2.2 | Welfare regimes in times of crises

The role of welfare regimes intensifies in crises, when they act to protect individuals and households experiencing the impact of declining income due to the adverse economic situation (Dolls et al., 2012; O'Donoghue et al., 2022). The governments in office can mitigate the effects of a more or less severe and prolonged recession on individuals and households. Firstly, the pre-existing automatic stabilizers are activated by the shock on employment, cushioning income reductions, through the welfare benefit system. Nevertheless, the automatic stabilizers' ability to mitigate the impacts of crises on income depends on their design and that of the protection systems, which vary between countries (Alari & Tasseva, 2020).

Countries with liberal systems (Anglo-Saxon) tend to focus on low-income individuals and social assistance benefits, while unemployment benefits tend to be fixed and limited in generosity. Countries with protection systems of the social-democrat (Scandinavian) and mainland Europe type, have unemployment benefits based on insurance, with social assistance benefits providing a last resort safety net (Salgado et al., 2014). In southern European countries, the automatic stabilizers are relatively heterogeneous, and the benefits of social protection systems tend to be substantially lower in terms of generosity, in addition to leaving many individuals outside, as happens in Portugal (Carmo et al., 2021).

Governments can also implement exceptional measures to protect employment and/or soften drops in purchasing power at critical times. Here, there are also differences in "extra" policy measures to overcome the consequences of crises. The responses, although subordinated to external contexts such as the EU, depend on domestic political and social environments (national, local) and options considered priority (Hale et al., 2020). These, as in any policy action, always depend on the governments' capacity to bear higher costs (availability of budgetary resources to increase expenditure, ability to raise debt). In the context of the Great Recession and ensuing austerity, State robustness was submitted to fiscal consolidation measures aimed at reducing the provision of welfare and increasing taxes, which did not happen during the pandemic crisis.

## 2.3 | The Portuguese social protection system dynamics and the welfare regime

In order to illustrate and explain the specificities and structural imbalances that characterize the Portuguese case and how recent, very challenging circumstances (related, though not exclusively, to the periods of crises) have been addressed, it is possible to identify three phases corresponding to the different periods for policy transformation: the democratic transition (1974–1985), the European integration (1986–2008) and, after that, the incorporation of global crises into policies (Caleiras & Carmo, 2022). When compared with other European scenarios, Portugal could be classified as a *quasi-welfare-state*, which has always depended on a strong welfare-society (Santos, 1990). It has always been ungenerous in its coverage of old social risks and has difficulties in adapting to the NSR, just as other southern European countries (Hemerijck, 2012; Taylor-Gooby, 2004). After the Revolution of 25 of April, there were changes, not always virtuous, in employment policies also involving social protection policy reforms, relevant for the analysis of the role of the welfare system in times of crisis and adaptation of the existing policies to new circumstances (Caleiras & Carmo, 2022).

The first phase of the democratic period was regulatory and protectionist. Despite the difficult socioeconomic context, with two oil shocks (1973 and 1979) and two International Monetary Fund (IMF) interventions (1977 and 1983), there was significant progress in social and labor rights. However, the first signs of crisis gave rise to deregulatory pressures. The process of accession to the EU, including monetary integration, implied a profound change in policy agendas, which benefited from the impetus given by the structural funds. Regulation began to go arm in arm with activation. The European Employment Strategy is a prime example of the influence exerted by European policy. Active labor market policies (ALMPs) became institutionalized, through various emblematic measures.[5]

But the ideological expansion of neoliberal outlooks soon placed that regulation in conflict with the development of market-centered approaches. Another indelible mark in the European momentum was the institutionalization of social concertation, which led to center-based policy agendas, in which the governments, a trade union confederation (UGT)[6] and an employers' organizations (CIP)[7] were key players. This centrality of social dialogue is important both in relation to the previous period, when there was greater confrontation, and in relation to the subsequent period, when concertation gradually lost steam and was replaced by the dynamics of the relationship between government and parties in parliament. The reduction of the public deficit marked a new market impetus, characterized by deregulating reforms in labor laws (Labor Code) and regressive reforms in social security.

In the mid-2000s the economy was slowing down and clearly required a policy to boost its growth. Alongside the pressure of European institutions towards flexicurity, employment qualification programs were implemented to make work "a factor of immunity against poverty" (Program of the XVII Government, 2005: 59). With the onset of the financial crisis in Europe, the situation changed. European economic policy, which had started to follow a countercyclical and expansionary response strategy, subsequently turned around, moving towards a strategy of retraction and cuts.

In the response to the 2008 financial and economic crisis, which had major effects on the Portuguese economy mainly after 2010/11, after the anti-cyclical policy responses in 2009, that were suspended in the second semester of 2010, Portugal reached the scenario of "permanent austerity" (Pierson, 2001), steeped in dilemmas of retreat or recalibration to manage the tension between social support for the welfare state and the pressure for austerity. The externally driven austerity in Troika period, which required conditionality on economic and social policies, acted as a constraint to public policies. The sovereign debt crisis originated a period of austerity-driven policy changes initiated in May 2011.

Up to the end of the Sovereign Debt Crisis (2011–2014), governments pursued policies to deregulate the labor market and contain the growth of social expenditure. The focus on deregulation and cost-containment was, however, punctuated by some efforts to expand, in a very targeted way, and recalibrate social protection. The policy reversals after 2015 represented a break from the domestic devaluation agenda pursued during the Troika years. But, this process of institutional change, shaped by dynamics of partisan and governance to left, do not necessarily mean a new model of social protection (Glatzer & Moreira, 2022).

The debate has greatly focused on what has been called the freezing of the welfare state, the attempt to contain its expansion, interspersed with offensives in the direction of retrenchment. But the transitions in digitalization, the environment, demographics, and the re-emergence of business models based on the precariousness of work, along with intense social deregulation phenomena, disproportionately affecting young people, have led this debate to emerge, and it is one of the axes of the current phase of social policy, especially since COVID-19 pandemic crisis.

## 3 | METHODOLOGICAL APPROACH AND CHALLENGES

Our research question implies the identification of critical moments, which stand out from large 'business as usual' periods. Portugal was affected by a succession of crises (financial, euro, and pandemic). The negative situation resulting from the financial crisis of 2008 was aggravated by the sovereign debt crisis (2010–2014). Then the pandemic crisis hit Portugal between March 2020 and late 2021. Yet, amidst these turbulent times, there was a singular phase, characterized by an innovative political-governmental solution (dubbed 'Geringonça'), that resulted in the reduction of economic and political tension and was perceived as 'normal'.

It is not easy to compare such different crises which happened and were tackled by governments with rather different political orientations, in different political cycles. So, methodological challenges arise in the comparison of the two crises, and we pay closer attention to disentangling both effects: the specific characteristics of each crisis and the different political cycles.

Why was there immediate and robust welfare policy to respond to the COVID-19 pandemic but not similar types of responses in the Great Recession? Why was there more political willingness to protect in one case than in the other? We argue that the variety of the crises and the characteristics of each one led to different responses, both at a European and national level. This is an obvious argument; however, we maintain that there are other under-considered reasons that explain, in part, the type of responses applied in each period. The political cycles and ideologies must be considered, particularly the programmatic or ideological differences between the conservative government during the Great Recession and the subsequent left-wing governments.

Accordingly, first, we consider the chronology of the different parliamentary terms, which correspond to successive governments with distinct political orientations (see Table 1).

Second, we followed a plural methodological strategy that was based on content analyses from multiple qualitative sources consulted: government programs that define policy proposals; legislation that creates, regulates or amends policies; strategic documents of social partners. And third, we use statistical data to contextualize specific trends.

## 4 | RESULTS: A DIFFERENT INCORPORATION OF CRISES IN POLICY RESPONSES

The socioeconomic costs of the crises are documented: contraction of gross domestic product (GDP), increased unemployment, wage and income loss, impoverishment and rising public debt (Mamede et al., 2020; Moreira et al., 2021; Silva et al., 2017). Despite the severity of the two shocks in terms of employment[8], the response policies were very different (Moreira & Hick, 2021). In the response to the first shock, it was considered priority to rebalance public accounts and fast-track domestic devaluation, deemed the only external deficit adjustment mechanism available to a country that did not have its own currency. This meant a reduction of wages and other corporate costs

**TABLE 1** Government list/Context.

| Constitutional government | Timeframe | Political party/coalition | Context |
|---|---|---|---|
| XVII Presided by José Sócrates | 12/03/2005–26/10/2009 | Socialist Party (PS), with absolute majority<br>PS, without absolute majority | Great Recession/ Global financial crisis (2007–2009) |
| XVIII Presided by José Sócrates | 26/10/2009–20/06/2011 | | Sovereign debt crisis (2009–2010)/ Structural adjustment (2011–2014) |
| XIX Presided by Passos Coelho | 20/06/2011–30/10/2015 | A centre-right post-electoral coalition (Social Democratic Party (PSD)/ CDS – People's Party) | Structural adjustment (2011–2014) |
| XX Presided by Passos Coelho | 30/10/2015–26/11/2015 | PSD/CDS-PP centre-right coalition, which won the elections with a relative majority, had been unable to achieve parliamentary support to take office. Due to being a fleeting government, it is not included in our review. | |
| XXI Presided by António Costa | 26/11/2015–26/10/2019 | "*Governo da geringonça*" [contraption government], a governing solution led by PS<br>Despite not having been the most voted for in the parliamentary elections of 4/10/2015, the PS governed throughout the four years of the parliamentary term, thanks to bilateral written agreements with the parties to its left: The Portuguese Communist Party (PCP), Left Block (BE) and The Greens Ecologist Party (PEV) | 'Post-Troika' |
| XXII Presided by António Costa | 26/10/2019–30/03/2022 | PS (PS failed to re-enacted Geringonça's governing agreement)<br>The PS won the elections with a relative majority on 06/10/2019, but was unable to secure the same support from its former partners to the left, merely tacit support, without guaranteed budgetary approval. This government | Pandemic crisis (2020–2021) |

(Continues)

TABLE 1 (Continued)

| Constitutional government | Timeframe | Political party/coalition | Context |
|---|---|---|---|
| | | took office a few months before the outbreak of the pandemic | |

Source: Elaborated by the authors.

linked to wages, such as the integrated social security contribution. In the second shock, preservation of employment and income was prioritized.

## 4.1 | Policy framework in the great recession

The crisis which swept through Europe from 2008 onwards began in Portugal with the decline of foreign trade, but rapidly spread to a State and bank funding crisis in the eurozone context. This forced a reduction of public expenditure, and the austerity policy was broadly reflected in policy measures. In line with the European Economic Recovery Plan of 2008, at a first stage, the XVII Constitutional Government extended support measures to more vulnerable segments of the population. With the transmutation of the financial crisis into a euro and sovereign debt crisis, the pressure exerted by Brussels and the financial rating agencies to reduce the deficit led to a reversal of strategy and priorities. Parliamentary approval, in March 2010, of the first Stability and Growth Pact (PEC I) embodied a reduction of public expenditure as a priority and introduced budgetary austerity in the public sector. In 2011, due to the growing difficulty of funding itself and strong domestic political pressure, the XVIII Constitutional Government undersigned a “structural adjustment” program with the Troika, aimed at guaranteeing public and bank debt servicing until the re-establishment of access to market funding. This reversal was particularly harsh during the implementation of the bailout programed by the Memorandum of Understanding.

The measures of the Memorandum reflected the principles followed by European institutions: “flexibilisation” of labor relations, deregulation, and activation of unemployed persons. The XIX Constitutional Government program, which applied the Memorandum, prioritized the eradication of the “situation of financial and social emergency”, with assured “strict compliance with the internationally undertaken commitments”. One of the goals was to “reduce the role of the State”, by cutting expenditure related to public administration. Based on the argument of austerity, and under the guise of “streamlining”, responses were deactivated, public service functions were privatized and the social protection of the unemployed was cut. At the same time, the tax burden of households was increased, austerity standards were established in public expenditure and changes leading to imbalance were fostered in the institutions framing labor relations, directed at cutting labor costs. This strategy of domestic devaluation, oriented towards “competitiveness” and rebalance of foreign accounts, implied the reduction of wage costs and relative prices (wage devaluation), making work the “adjustment variable” (Silva et al., 2017).

Aimed at “modernizing the labor market and labor relations”, the laws redirected towards ensuring greater “flexibility”, adjusted to the “specific reality of companies”. The ensuing revision of the Labor Code further imbalanced labor relations. Other measures focused on restricting the operation of the automatic stabilizers, particularly in unemployment benefits. These included restrictive changes in factors that influenced social security coverage: increased contribution requirements, stronger conditionality in access to social benefits, tighter means test, and cuts in the duration of social benefits.

There was a considerable reduction in the protection of the unemployed. Between December 2009 and December 2015, the number of persons receiving unemployment benefit fell from 244 thousand to 204 thousand. In the same period, the number of people receiving social unemployment benefits (which requires a means test) dropped from 119 thousand to 57 thousand. Only 53% of the enrolled unemployed received unemployment benefits. The average values of unemployment benefit also fell. At the end of 2009, the average value of unemployment benefit stood at €570.17 for men and €509.78 for women. By the end of 2015, the average value of unemployment benefit stood at €477.38 for men and €440.26 for women. Instead, public funds for social benefits were channelled to measures of strongly charitable nature (Solidarity Network of Social Canteens). Various support measures were also withdrawn, including in adult training and qualification (New Opportunities Initiative), with the stigmatization of measures aimed at poverty alleviation, such as Social Insertion Income. Wage cuts were made, and exceptional contributions were imposed on pensions to lower their cost. All this led to a reduction in social support measures and services, in social security payments and in public and private sector wages (Hespanha & Caleiras, 2017).

On the other hand, with the introduction of more conditionalities, the so-called passive income substitution policies were restricted, hindering access to this income by those most in need and placing in question the actual grounds of that right. Moreover, these policies were also sidelined in favour of ALMPs. There was a significant strengthening of activation measures, through the mobilization of an enormous series of ALMPs: support to hiring workers, to entrepreneurship and company creation, training programs, traineeships, employment-insertion contracts, measures targeting young people, the long-term unemployed and disabled persons. However, they involved a high degree of compulsion, were centered on corporate perspectives rather than on the legitimate interests of the unemployed and their application was inadequate. This was a labyrinthine offer, subject to changes over time and characterized by interventions that were not always coordinated or effective. The expansion of ALMPs opened a neoliberal window in the State's relationship with the unemployed: job search as a unilateral duty of the unemployed, since the employment services only supervised with tighter bureaucracy (mandatory fortnightly visits to job centers of the unemployed); punitive active measures (cuts in benefits), plus a 10% cut in unemployment benefit at the end of the first six months. This was actually a movement of concession to workfare, which generated imbalances in the formerly existing consensus and continuity in the national employment policy (idem).

The strategy that was followed did not effectively respond to the high socioeconomic costs of the crisis. These were enduringly evident: unemployment increased sharply in a prolonged manner. In 2013, the volume of employment fell significantly (to approximately 4.4 million employed persons) and unemployment at its peak reached historic figures above 17%. New unemployed persons swelled the number of "difficult" and vulnerable cases. A large portion of the unemployed became (and continue to be) unshielded by protection mechanisms, in other words, sidelined from any institutional support. Here, two realities stand out immediately: youth unemployment (many of whom emigrated) and long-term unemployment. Employment conditions also deteriorated: precariousness extended its reach, poor quality jobs spread like wildfire, and, likewise, social inequalities and their extreme point, poverty (child poverty). The responses represented a step backwards, with heavy wage and income losses, near paralysis of public services that were unable to respond to the problems, and impoverishment (idem).

## 4.2 | Policy framework in the post-Troika era

In this fairly politicized period, with the reinforced role of parliamentary negotiation, the policies proved decisive. The situation in the country was dramatic, but after this "inevitable step backwards" (Silva et al., 2017), came a time of some alleviation. This corresponded to a change in the political cycle, marked by political innovation brought in by the governance solution found: the "*governo da geringonça*" or contraption government (XXI Constitutional Government). The government program gave priority to turning the page on "austerity policies", to attenuating the effects of the previous steps backwards. The goals were now to search for alternatives, restore policies and income, stimulate domestic demand, indeed, return social progress to its former path aimed at reaching indices at levels at least those prior to the crisis. Although there had been modest signs of improvement since the end of 2013, the agenda for change accelerated, making the most of encouraging signs abroad, primarily in the international context, which boosted domestic confidence and demand.

The measures taken reflected the government program's announced intentions. The 10% cut in unemployment benefit at the end of the first six months was reversed, and, likewise, the mandatory fortnightly visits to job centers of the unemployed, replacing them with personalized follow-up sessions. The 35-h working weekly was resumed in Public Administration (which had formerly been increased to 40 h). In the sphere of adult training, the Qualify Program to some extent restored the previously dismantled New Opportunities Initiative. The minimum wage, frozen between 2011 and 2014, was defrosted in 2015 and, in 2017, so was the Social Support Index,[9] frozen since 2009. Both experienced gradual rises (DGAEP, 2022; DGERT, 2022). Increases were also extended to the value of pensions and other social benefits such as the Family Allowance, Solidarity Supplement for the Elderly and Social Insertion Income, although the situation of the last beneficiaries had deteriorated. Universalist measures were also introduced, such as the reduction of public transport costs (social passes) and provision of school manuals free of charge.

The policies to reduce precarious employment conditions entailed measures to lower the excessive use of fixed-term contracts (including by the actual State) and restrict false self-employment ("false green receipts") and other atypical forms of work. Regulation was strengthened by changing the social security rules for these workers. The ALMPs were regulated towards restricting their errant use (by companies, social institutions and the actual public services). These shifted to focus, on the one hand, on fighting youth and long-term unemployment, stimulating the creation of effective jobs in tradable goods sectors. And, on the other hand, on strengthening the skills and employability of the unemployed with better education qualifications, by stimulating capacity-building and entrepreneurship. A National Program of Support to the Social and Solidarity Economy was also launched.

The results emerged. The country benefited from a period of economic recovery expressed in the widespread improvement of socioeconomic indicators, including public finance, which, in fact, led to a budget surplus in 2019 (OECD, 2020). In that year, the indicators showed a decline in the unemployment rate to 6.5% (the lowest figure since 2003 and less than half the levels experienced during the crisis). The volume of employment returned to levels close to those recorded at the beginning of the century, around 4.9 million, with an employment rate of 55.3%, well above the 49.6% reached during the peak of the crisis in 2013. The downward trend in monetary poverty and income inequalities, embarked on in 2014, accelerated between 2015 and 2019. This led Portugal to progress comparatively in the European context in three key indicators: percentage population at risk of poverty or social exclusion, risk of poverty rate and income distribution inequality (EUROSTAT, 2020).

Portugal's exit from the excessive deficit procedure (25/05/2017) was materialized in an optimistic narrative in relation to the previous crisis. And not without reason, in view of the recovery of income and confidence, the economy and employment, public finance and the country's international credibility. However, the upturn in employment was not generally reflected in a higher volume of quality jobs, meaning greater stability of labor relations. Much of the created employment was precarious, poor jobs, and in high-risk sectors, such as those linked to tourism (restaurants, hospitality). This vulnerability would prove to be fatal with the outbreak of the pandemic. The level of public debt to GDP fell from 131.2% in 2015 to 116.6% in 2019, even so a relatively high figure, but whose downward trajectory would be interrupted by the pandemic. Despite the improvements in society, there was still much to be done for the reversal of austerity to be felt in labor laws, particularly in collective hiring and in employment and unemployment protection, which did not feature in the agenda of priorities (Pedroso, 2020).

### 4.3 | Policy framework in the pandemic crisis

Abruptly interrupted, the recovery movement, albeit partial and insufficient, remained unfinished. The unexpected arrival of COVID-19 had an immediate and profound impact from the second quarter of 2020. Apart from the health consequences, the effects on the economy were severe. The socioeconomic costs have also been documented. GDP, which had grown by 2.2% in 2019, experienced an intense contraction of 7.6% in 2020 (INE, 2021: 1). The labor market was hit immediately and, depending on the sectors, the lockdown measures reduced working hours, increased telework and led to the closing of companies and unemployment. Unemployment dynamics, which had consistently been falling, reversed with numbers suddenly soaring, reaching their peak in a few weeks. This was followed by various fluctuations, according to the lockdown/lifting of lockdown periods. Nonetheless, the figures were surprisingly low (7% in 2020 and 6.6% in 2021), which is partly explained by the employment support measures.

Despite the public policies to support job maintenance and prevent dismissals for economic reasons, the number of employed persons actually fell strongly by approximately 100 thousand. There were losses in wages and income, and the number of people at risk of poverty or social exclusion, which had not risen since 2014, increased by 12.5% in 2020, compared to 2019. The level of public debt rose to 134.9% of GDP in 2020, but subsequently fell to 125.5% in 2021 (de Portugal, 2022).

One of the key features of this crisis was its multidimensionality and the way that the public health, economic and social dimensions were interlinked. Another feature was the visibility it lent to the structural weaknesses of the Portuguese economy and society. In response, the XXII Constitutional Government was forced to adjust its initial program to accommodate the unforeseen consequences. With this exceptional and problematic backdrop, a not entirely new support system was introduced—a system composed of new emergency measures on an ad-hoc basis, but combined with “old” policies, recalibrated and adapted to the circumstances. Due to the specific nature of the crisis, the measures began with imperfections. They were changed, then tweaked, to make them more directed and on-target, in an ongoing learning process. On the other hand, the focus was much less on austerity in comparison with the financial crisis.

In a context of complete uncertainty, the first measures concentrated on the health response, but rapidly support was extended to companies and workers in order to prevent the immediate destruction of jobs in a scenario of paralysis of production activity. The goal was to control the pandemic without “killing” the economy, by introducing temporary restrictions to dismissals. In this aspect, an “old” policy stood out due to its sheer scale and visibility: simplified layoff, which was progressively adjusted throughout the crisis. The pre-existing regime, established in the Labor Code, was streamlined and became the primary job protection measure. It enabled companies to suspend employment contracts or temporarily reduce normal working hours more swiftly. Funded by extraordinary transfers from the State Budget, this measure prevented dismissals for economic reasons and helped to maintain jobs. The numbers are impressive: 109,706 companies and 862,447 workers were covered in 2020, at a cost of €825,632,592 (Social Security Statistics, 2021). Compared to the previous crisis, the highest number of companies that resorted to “traditional” layoff occurred between 2009 and 2013, never surpassing 550 companies, and the highest number of workers covered never exceeded 20 thousand, with a peak in 2009 (Lamelas, 2020). Continuing on the employment protection side, other mechanisms were subsequently introduced to support entrepreneurial and corporate structure liquidity and capitalization: bank loan moratoriums, State-secured credit lines and stabilization measures for workers who had been laid off. This set of measures contributed to prevent a larger growth of unemployment, which had not happened in the previous crisis. However, these measures were unable to prevent the “immediate unemployed”, comprising informal workers and those under more precarious conditions and vulnerable from a contractual point of view.

Aimed at a certain social stabilization, measures were taken to offset household income decline, by strengthening existing support with significant extensions. Mechanisms were introduced for the automatic extension of payable benefits (unemployment benefit, social insertion income, family allowances, benefits for sickness or prophylactic quarantine), increments, household loan moratoriums, support to workers absent from work due to taking care of children under the age of 12 years old as a result of the suspension of face-to-face classes at school. Contract termination procedures (house rental, utilities such as water, electricity, gas, telecommunications) were also suspended, and tax obligations were “given flexibility”. ALMPs included the *Programa Ativar.pt* (strengthened program to support employment and vocational training), and were implemented to fight against extreme poverty, the Operational Program to Support the Most Deprived People (food program) doubled its number of beneficiaries (from 60 thousand to 120 thousand beneficiaries). In the social sector, there was an escalation of cooperation agreements between the State (funding entity) and the social institutions that secured social responses aimed at vulnerable populations (PEES, 2020).

From the perspective of adaptation to circumstances and, perhaps structural adaptation, telework increased strongly in public services, despite the trend towards their deterioration, fast-tracked by the previous crisis.

The urgent need to respond generated a different attitude with respect to the regulation of the labor market and ushered in new support. This attitude is observable in measures that expanded protection in unemployment. This involved the introduction of temporary schemes to expand coverage or lengthen duration, both through enhanced flexibility of eligibility rules (reduction of minimum contribution requirements/shorter guarantee periods), and through the inclusion of groups of workers who had previously been excluded or were poorly covered (self-employed workers, company managing partners, cultural and artistic professionals). In this regard, a further measure stood out: the Extraordinary Support to Workers' Income (AERT), included in the State Budget for 2021.

The measure was designed to cover situations with monthly income below the poverty threshold (€501.16), which implied taking the means test *to determine economic insufficiency*. On the other hand, the measure brought together the most diverse situations of lack of social protection under the same umbrella: self-employed workers, managers of micro and small-sized enterprises, unemployed persons not receiving benefits, informal workers without access to support instruments, and trainees without employment after having done on-the-job training. In 2021, this measure cost more than 85 million euros and involved 73,378 workers (Social Security Statistics, 2021). Nevertheless, the composite nature of this measure raises questions about its complexity and eligibility, degree of efficacy and generosity, or its relationship with other social security and protection system benefits, in particular with social insertion income.

Table 2 presents the main policy measures taken in each period, organized by type of measure and impact scope.

## 5 | DISCUSSION: RETRENCHMENT, MITIGATION AND EXPANSION

The main goal of this article was to examine the differences in the way that, in Portugal, the welfare regime faced the financial and pandemic crises, setting in motion very distinct policy responses, without neglecting the interim period characterized by important policy changes. Based on the theoretical framework, the empirical findings confirm that the ensuing changes were underpinned by a differentiated articulation of "old" and "new" instruments. This gave rise to different combinations of offsetting policies directed at employment. Bearing in mind the action of the governments in office, this implied different configurations and movements in the welfare regime in distinct directions, as well as policy responses antagonistic to the financial and pandemic crises. Between them, there was an interim period, corresponding to a particular political configuration, analytically more complex considering the quadrants of the analytical model proposed by Häusermann (2012). Three political dynamics in permanent tension are detected over the last decade—Retrenchment, Mitigation and Expansion–, corroborating the first hypothesis. And it has been possible to confirm the hypothesis that the response to the pandemic crisis was more effective than the response to the financial crisis.

Notwithstanding the previous austerity measures, the XIX Constitutional Government—with its own agenda, although constrained by the weight of the international players in the definition of policy direction through the Memorandum of Understanding—responded to the financial crisis by digging a path of retrenchment. The outcomes point to three explanatory factors. The first was the deterioration of the traditional welfare state through the emaciation of the workers' protection, not offset by family protection policies (social investment). The second factor was the disarticulated and labyrinthine expansion of the activation policies. Through forced forms of demand for employment, these measures gained a compulsory and punitive nature. The results were not positive, contributing to denigrate other forms of protection, particularly to weaken support in unemployment.

Activation policies are an emblematic case. They were mainly put forward by Public Employment Services and eventually used to keep (in particular, the more vulnerable) unemployed individuals occupied and to

**TABLE 2** Main measures taken in response to crises (not exhaustive).

| Period | Measures taken | Type of measure/impact main scope |
|---|---|---|
| Great Recession/ Global financial crisis (2007–2009) | Support measures to more vulnerable segments of the population, in particular the unemployed and people on lower incomes (pensioners, disabled people), in line with the European Economic Recovery Plan of 2008 | Mitigation/Households, Unemployed, Pensioners |
| | Initiative for Investment and Employment | Expansion/Companies |
| Sovereign debt crisis (2009–2010) | Introduction of austerity and cutbacks | Retrenchment/Public sector (public services operating expenses) |
| | Freezing of the IAS—Social Support Index | Retrenchment/Households |
| | Revision of the Labor Code | Retrenchment/Workers, Companies |
| | The Stability and Growth Pact | Retrenchment/Public sector, Households |
| | Reinforcement of means testing | Retrenchment/Households |
| Structural adjustment (2011–2014) | 10% cut in unemployment benefits | Retrenchment/Unemployed |
| | Cutbacks in wages, social benefits and pensions | Retrenchment/Households, Pensioners |
| | Enlargement of the criteria for dismissal | Retrenchment/Workers, Companies |
| | Tax increase | Retrenchment/Households, Companies |
| | Freezing the minimum wage | Retrenchment/Workers, Companies |
| 'Post-Troika' (2015–2019) | End of the fortnightly presentations of the unemployed | Mitigation/Unemployed |
| | End of 10% cut in unemployment benefits | Mitigation/Unemployed |
| | Unfreezing and increases in the value of the IAS | Expansion/Households |
| | Unfreezing and increases in the national minimum wage | Expansion/Workers |
| | Reduction in public transport costs | Expansion/Households |
| | Free textbooks | Expansion/Households |
| | Increases in social benefits and pensions | Expansion/Households, Pensioners |
| Pandemic crisis (2020–2021) | Simplified layoff | Mitigation/Companies, Workers |
| | Moratoria on claims | Mitigation/Companies, Households |
| | Extraordinary and automatic extension of social benefits | Mitigation/Households |
| | Extraordinary Support to Workers' Income (AERT) | Expansion/Self-employed, Precarious, Informal workers |

Source: Elaborated by the authors.

"control" (also for political purposes) the number of officially unemployed people. Its level of efficiency has never been particularly salient, despite the existence of various programs which are, in general, very superficially or insufficiently assessed. Furthermore, a gap remains in ALMPs between policies design and implementation (Hespanha & Caleiras, 2017).

More than a *recalibrating* movement towards *welfare readjustment*, this was actually a movement of concession to *workfare*, which generated imbalances in the formerly existing widespread consensus and continuity in employment policy. The third factor is related to the process of deregulation of labor laws, which had begun in the past. The labor market "flexibilization" policies were neither compensated by the promotion of employment, nor by protection in unemployment. The goal that was achieved was a devaluation of the labor market, supposedly in order to make it more competitive. Work was the downward "adjustment variable", leading to a domestic devaluation.

The XXI Constitutional Government (contraption government) started by reversing liberalizing policies of the previous government: it reversed the cuts in the traditional welfare state benefits and alleviated the punitive nature of the active policies and previous movement towards workfare. It embodied a drive towards welfare protectionism which occasionally went further beyond, following a relatively expansionary line. There was a certain strengthening of the "old" policies of the traditional welfare and legislation directed at the more vulnerable and precarious workers, and at protection against the NSR. If, on the one hand, the economic growth favoured this brief expansionary trajectory, the role of the parties to the left of the Socialist Party (which underpinned the government) and the unions was determinant in the definition of these policies. With the passing of time, and once a significant part of the measures of the Troika period had been reversed, the expansionary movement of protection came to a halt, or at least slowed down, and began shifting towards a line of recalibration, without ever having truly reached it. While not being explicitly contrary to social investment, for the parties to the left of the Socialist Party and the unions, the political priority was the defence of the traditional welfare state. For them, the increment of "new" policies, particularly social investment policies, could not negatively affect the "old" policies.

This singular period of governance, in a certain manner post-austeritarian, could be classified as a whole as a period of Mitigation, since it essentially consisted of interventions aimed at alleviating, reducing or remedying the harmful socioeconomic impacts left in the wake of the financial crisis and the policy strategy and action followed by the previous government to combat that crisis. To some extent well-founded, an optimistic narrative was instilled in a more or less widespread manner in the country, due to the recovery of policies and income, public finance and the country's international credibility. It was like turning the page on austerity. The recovery of confidence, of the economy and employment levered some positive outcomes and the indicators pointed to an economic and social improvement. However, when the pandemic arrived in Portugal in March 2020, the deadweight left by the previous crisis was still heavy, despite all the mitigation efforts.

In the disruptive context of the pandemic, the XXII Constitutional Government was confronted with a severe public health emergency, which necessarily required a response, firstly, in the health sphere. At the same time, the crisis generated myriad socioeconomic impacts that led to an enormous range of measures. These measures were not, nor could they have been, foreseen in the government program. Clearly different policy options were followed, in the opposite direction and with distinct outcomes, in comparison with those taken in the context of the financial crisis. As was the case in other geographies, the XXII Constitutional Government implemented comprehensive and transitional measures in response to this crisis. But those responses also brought to light weaknesses in the existing social protection model, that was rather ineffective in the sphere of phenomena such as precarious labor conditions and informal work. In order to respond to this, the government advanced with a "new" social policy, the AERT, in a clear acknowledgement of the lack of social protection faced by some segments via precarious forms of employment or its informality.

In order to protect employment and fight, in advance, against the "old" social risk of unemployment, the government resorted to the "old" layoff policy, simplifying the access mechanisms and broadening its field of application. Simplified layoff was certainly emblematic, but the importance of other measures on the side of the "old" policies should not be forgotten, particularly the automatic extensions of social benefits, in a scenario of restrictions to mobility and physical/face-to-face operation of public services. The response given to the pandemic crisis was in line with Expansion. It was processed through an expansionary combination of "old" employment and income protection policies and "new" policies, some concerning activation, but for the most part aimed at social protection, based on the evidence of needs in more penalized and unprotected groups. This Expansion pushed up welfare expenditure, although it is interesting to note that this happened without a show of resistance, and even with the consensual support of sectors traditionally against that tendency.

## 6 | CONCLUSION

The COVID-19 pandemic pushed Portugal into yet another economic crisis in less than a decade. This crisis was very different, but it makes sense, despite the difficulty, to compare how the national welfare measures, in other words, the social protection and labor market measures taken, diverged from those observed in the Great Recession (2008 onward).

Apart from the changes in the European context, the political and ideological orientation of the different governments substantially influenced the choices made. The distinct approaches reflected the governments in office's priorities and values in the management of each crise. During the Great Recession, the governments followed austerity measures, above all with a view to financial stability, and with this generating very negative social impacts (unemployment, inequality and poverty). During the pandemia, a strategy more centered on social protection and stimulating the economy was chosen. This choice, aligned with the ideology of the government of that time, gave rise to relatively rapid and agile responses: direct support measures for companies, workers and more vulnerable citizens, seeking to mitigate the socioeconomic impacts of the health crisis.

Our approach reveals at least five crucial aspects in the Portuguese welfare regime. The first is situated in the long-term. Although the evolutive framework is more marked by continuities that by major disruptions, there are still moments of tension and alternation between policies, both towards greater social progress and social setback. The second is that, in the short-term, the Portuguese welfare regime produced three different responses, two of which are clearly antagonistic (Retrenchment/Expansion) and the other is analytically more complex (Mitigation), raising the question of the elasticity of the welfare state's institutions. Under strong pressure, these institutions reveal a major capacity to adapt, over such a short period of time. The third aspect is that the policies are dependable and make a difference, producing distinct outcomes in terms of socioeconomic indicators (unemployment, inequality, poverty). The fourth is that the responses to crises induced more “radical” measures (towards Retrenchment or Expansion), which are not consistent with interim situations. Finally, the fifth aspect is that, while the austeritarian response was part of the government in office's program, this was not the case during the pandemic, when the response was involuntary and unprogrammed. This means that, in being a provisional and dated response, there is a high risk that in the near future there will be a resumption of Mitigation or even Retrenchment policies, albeit gradually.

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The authors declare no conflict of interest.

### DATA AVAILABILITY STATEMENT

Data sharing not applicable—no new data generated. Data sharing is not applicable to this article as no new data were created or analyzed in this study.

### ORCID

*Jorge Caleiras* https://orcid.org/0000-0002-0697-0513
*Renato Miguel Carmo* https://orcid.org/0000-0002-0052-4387

### ENDNOTES

[1] Troika refers to the single decision group comprising the European Commission, the European Central Bank and the International Monetary Fund (IMF) formed in the wake of the European debt crisis to manage the bailouts of Cyprus, Greece, Ireland and Portugal.

[2] A welfare regime does not only include the intervention of these actors, particularly the government (State) in this case, but also considers other relevant actors, such as family and the market, and how they interrelate. In this article, we focus mainly on the governance aspect.

[3] See Social Policy & Administration, vol. 55, issue 2. Special Issue: Social policy in the face of a global pandemic: Policy responses to the COVID-19 crisis.

[4] See Social Policy & Administration, vol. 57, issue 4. Special Issue: European Pillar of Social Rights.

[5] Guaranteed Minimum Income, Social Employment Market, Social Network, Personal Employment Plan.

[6] União Geral de Trabalhadores, an important trade union centre, although not the most representative of workers.

[7] Confederação Empresarial de Portugal, the largest and most representative companies' association.

[8] In the construction sector in the first crisis, in tourism in the second.

[9] Benchmark for the establishment, calculation and updating of social benefits.

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