

# Intergenerational Policy Evaluation

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# Why Think About Intergenerational Policy Evaluation?

Public policies are usually designed for the short-term for several reasons:

- Citizens below 18 years old and the unborn do not vote;
- Political cycles usually last 4/5 years.

An intergenerational policy evaluation will permit to:

- Identify the existing imbalances between generations;
- Develop ways to prevent imbalances in the future;
- Promote long-term policies that are fair to all generations.
- This initiative can make an important contribution to reflecting on the country's major future challenges, helping to define the long-term strategic options that Portugal must take to respond to them.

**Thinking about tomorrow's generations means thinking about a fairer society where all generations have the same human dignity.**

# Intergenerational Policy Fairness

We evaluate several policies from an intergenerational fairness point of view.

We departed from the methodology “[Framework for Intergenerational Fairness](#)” developed by SOIF and Gulbenkian and made several changes to make it more quantitative and objective.

A policy is fair to all generations if:

- It allows people of all ages to meet their needs;
- Meet the needs of the present without compromising the ability of future generations to meet their own needs,
- Permits to correct existing/future intergenerational inequalities.

A policy is considered unfair if it satisfies at least one of the following conditions:

- Increases inequality between generations;
- Increases intragenerational inequality;
- Strengths the transmission of inequality through generations;
- Restricts the choices of future generations.

# Intergenerational Policy Fairness

	<b>Intergenerationally fair</b>	<b>Intergenerationally unfair</b>
<b>Effective</b>	The policy permits to reach the objectives and it is intergenerationally fair, considering the answers given to the intergenerational questions.	The policy permits to reach the objectives but it is not intergenerationally fair, considering the answers given to the intergenerational questions.
<b>Not effective</b>	The policy does not permit to reach the objectives, but the policy is intergenerationally fair.	The policy does not permit to reach the objectives and it is intergenerationally unfair, considering the answers given to the intergenerational questions.

# Methodology

The methodology includes five flexible stages:

- 1. Diagnostic:** Captures key information about the policy, evaluates its fairness, and builds a timeline of short, medium and long-term effects.
- 2. Impact:** Explores chains of intended and unintended impacts on generations over time, using available quantitative data.
- 3. Scenarios:** Tests the baseline evaluation against alternative scenarios.
- 4. Process:** Examines how the policy was designed and enacted, namely if intergenerational issues were considered.
- 5. Conclusions:** Summarises the findings and recommendations.

**1 - DIAGNÓSTICO**

**FASE 1.1 - FICHA INFORMATIVA SOBRE A POLÍTICA**

Referência da política e título

Descrição breve

O problema que a política pretende resolver

Objetivos da política

Horizonte temporal da implementação

**População afetada** (por exemplo: por idade, localização geográfica, tipo de emprego, género, etnia. Considere em particular se alguma população é afetada de maneira diferente.)

Áreas ecológicas afetadas

Descreva quaisquer restrições que limitem os objetivos da política

Existem aspetos do problema que não são abordados por esta política? Considere:

- Diferentes populações ou áreas ecológicas

- Períodos de tempo

- Outros aspetos do problema

**FASE 2 - IMPACTOS**

Descrever a metodologia utilizada para estimar os impactos

**FASE 2.1 - AVALIAÇÃO DE IMPACTO**

Domínio do Homem

Comida

Saúde

Educação

Rendimento e trabalho

Água potável e saneamento

Energia

Capital social

Infraestruturas

Habituação

Igualdade de género

Igualdade social

Participação política

Segurança nacional e justiça

Segurança internacional

Segurança marítima

**FASE 3 - CENÁRIOS**

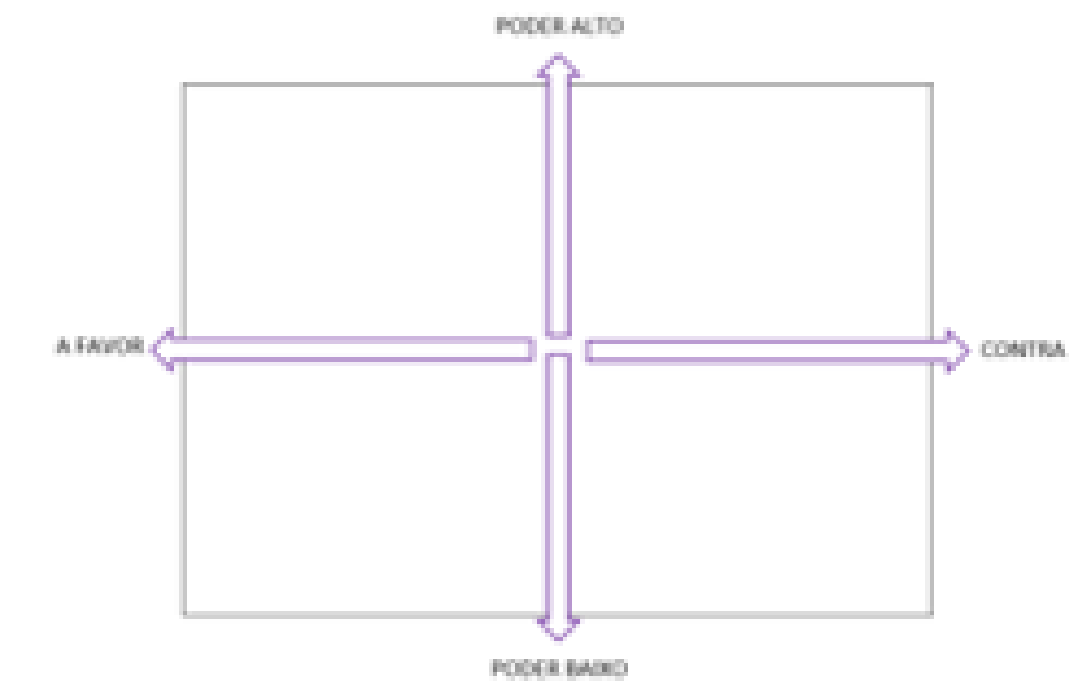


Matriz de avaliação dos cenários

	Positiva	Negativa	Neutra
Resumo de cenário			

**FASE 4 - PROCESSO**

**FASE 4.1 - POWER GRID DOS STAKEHOLDERS**




**FASE 4.2 - INQUÉRITO ONLINE**

Descrição dos resultados do inquérito online

	A	B	C	D
1	<b>De Hoje para Amanhã: Avaliação de Política numa Perspetiva de Justiça Intergeracional</b>			
2	<b>Diagnóstico Parte 1: Ficha informativa sobre a política</b>			
3	<b>Objetivo: Descrever informações importantes sobre a política</b>			
4				
5	<b>Passo 1: Descrever informação sobre a política e o seu contexto</b>			
6				
7	<b>Descrever informação sobre a política</b>			
8			<b>Comentários</b>	
9	<b>Referência da política e título</b>			
10	<b>Descrição breve</b>		<a href="#">Methodology_word.docx#Descrição_política</a>	
11	<b>O problema que a política pretende resolver</b>		<a href="#">Methodology_word.docx#Problema</a>	
12	<b>Objetivos da política</b>		<a href="#">Methodology_word.docx#Objetivos</a>	



# Publications



**Sustainable Employment Commitment**



**Non-Adjustment of the Pensions  
According to Law 53-B/2006**



**More Housing**



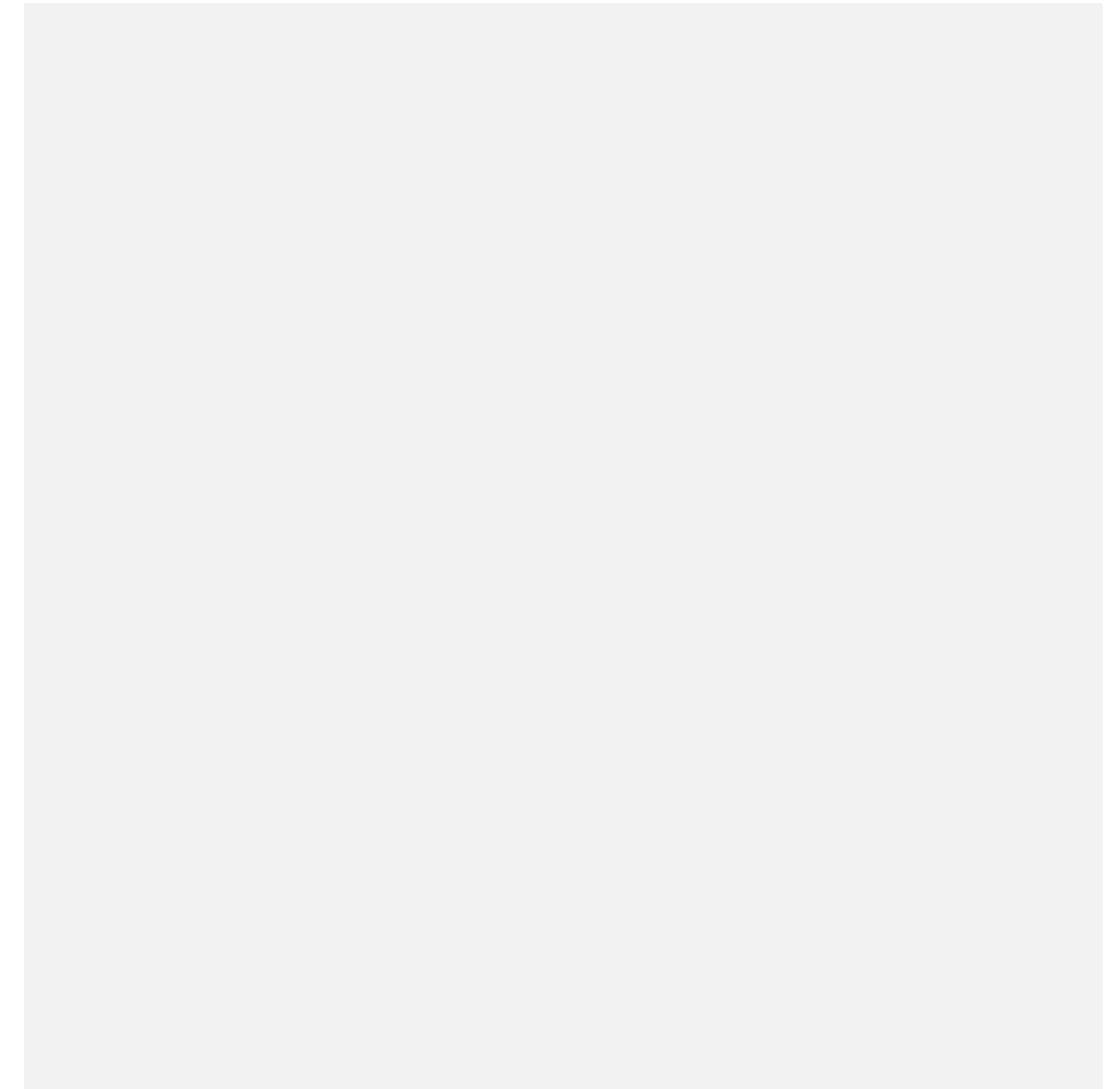
# Publications



**Restoring Teachers' Total Service Time**



**European Union Pact on Migration and Asylum**



**IRS Jovem**

# More Housing

Housing is a problem of intergenerational justice.

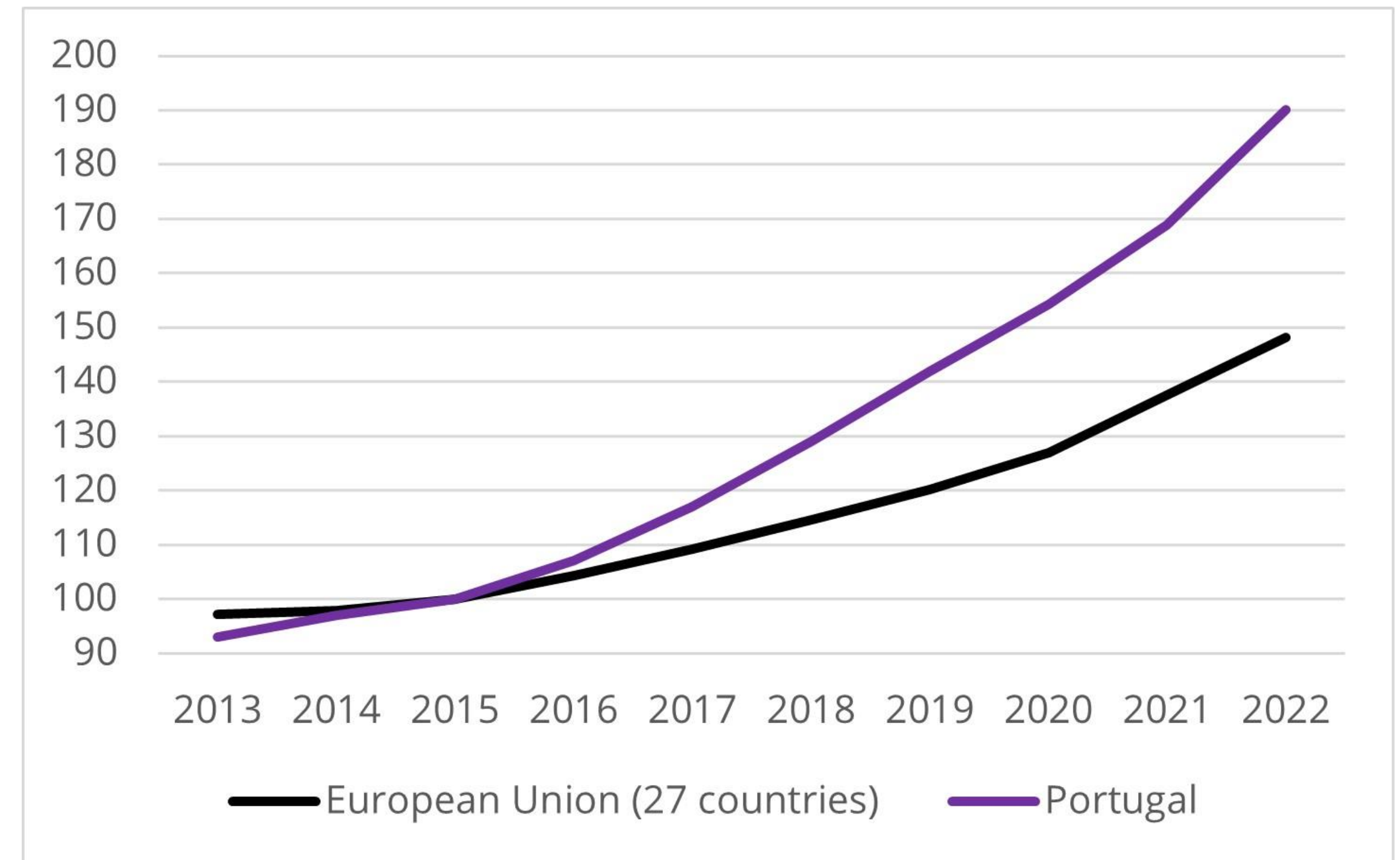
- Younger generations who do not yet own a home are adversely impacted by rising house prices.
- Homeowners, who usually belong to older generations, can benefit from rising house prices, as they can sell them at a higher price or increase rents.

The “Mais Habitação” package created a number of measures designed to boost housing supply, reduce demand and curb the rise in rent prices.

We focus specifically on two policies in our study:

- The restrictions on raising the rent in lease contracts,
- The expansion of social housing.

House price index between 2013 and 2022, at constant 2015 prices



Source: Eurostat

# More Housing: Rent Controls

For the last 30 years and for rent contracts signed after 1990, the coefficient used to update rents has been based on the average inflation over the past 12 months, without housing, as estimated by Statistics Portugal.

The one exception within 30 years was in 2023, when the increase was capped at 2%.

Rental contracts dating prior to 1990 have been subject to even stricter rent controls.

## Percentage of contracts by monthly rent range

	<100	100-199	200-399	400-649	650-999	>1000
Portugal	16,02%	14,08%	40,41%	21,03%	6,25%	2,21%
Porto	32,70%	11,80%	21,89%	22,32%	8,54%	2,75%
Lisboa	19,01%	11,52%	18,68%	21,94%	19,28%	9,57%

Source: INE. Calculations of the authors

# More Housing: Rent Controls

## Percentage of contracts by time of rental agreement signing

	<100			100-199			>1000		
	Antes de 1991	1991-2016	2017-2021	Antes de 1991	1991-2016	2017-2021	Antes de 1991	1991-2016	2017-2021
Portugal	49,11%	40,07%	10,83%	36,21%	40,70%	23,09%	3,66%	16,46%	79,87%
Porto	46,78%	37,88%	15,34%	50,45%	37,24%	12,31%	3,79%	17,03%	79,18%
Lisboa	42,28%	46,97%	10,75%	57,55%	34,36%	8,09%	3,38%	18,51%	78,11%

Source: INE. Calculations of the authors



# More Housing: Rent Controls

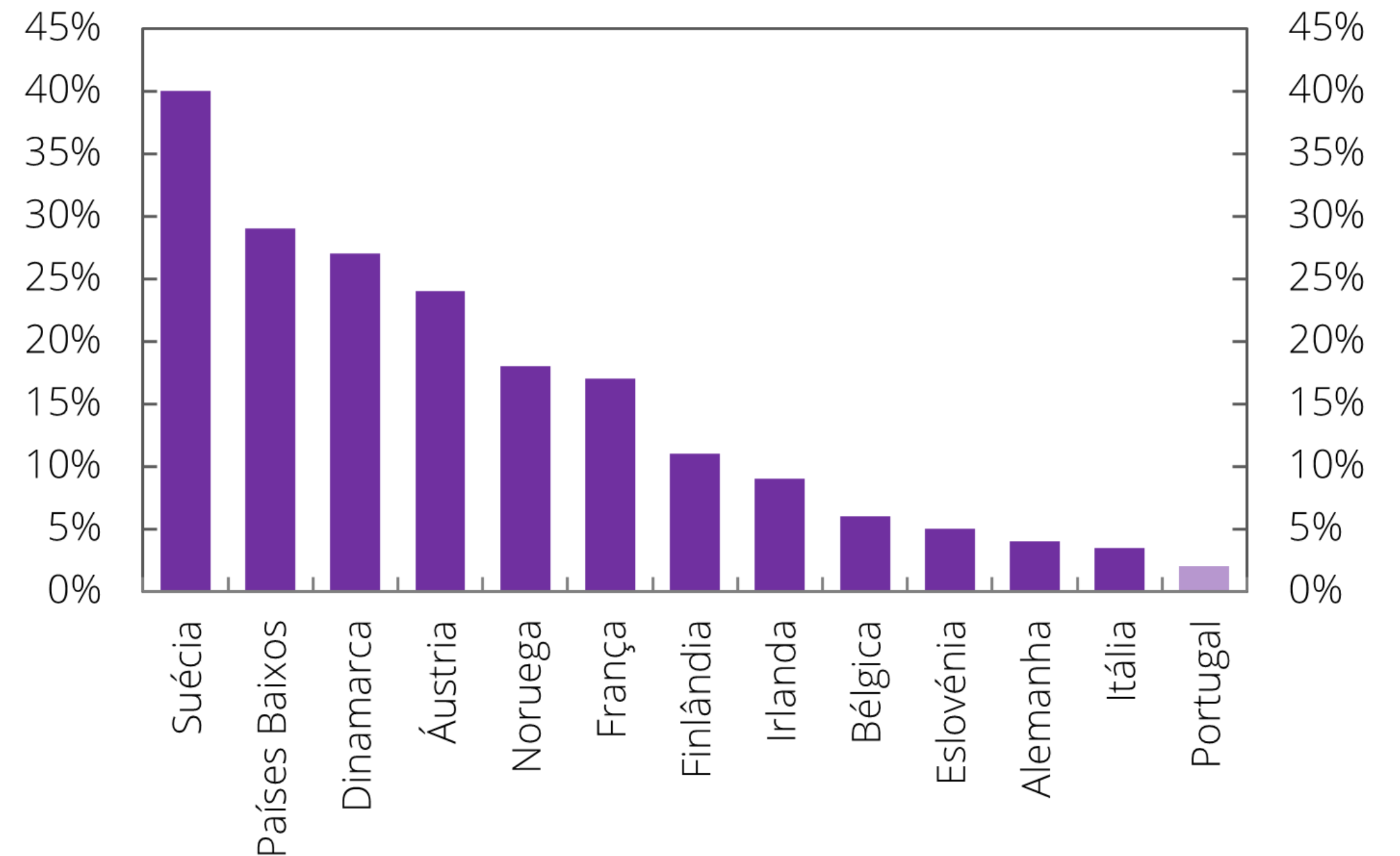
- Increases inequality between generations? **Yes.** *Rent control acts as a transfer between future tenants (who will pay higher rents due to lower supply) and current generations (who benefit from the rent freeze).*
- Increases intragenerational inequality? **Yes.** *In the long term, rent control leads to an increase in property prices. Those who own their own property get richer, while those in lower classes who don't own their own homes find it even more difficult to buy them.*
- Reinforces the transmission of inequalities across generations? **Yes.** *Rent control can lead to an increase in the transmission of inequality through property inheritance.*
- Limits the choices of future generations? **Yes,** *by limiting the long-term housing supply.*

**Final assessment:** Not effective and intergenerationally unfair.

# More Housing: Expansion of Social Housing

Social and cooperative housing (% of total dwellings)

- Portugal's public housing stock corresponds to 2% of the country's total units.
- In other European countries the figure ranges from 3.5% (Italy) to 40% (Sweden).
- Lisbon has the largest percentage of public housing stock in Portugal: 10% of dwellings.
- Almost all European capitals have a higher percentage, reaching as high as 43% in Vienna.



Source: Eurostat

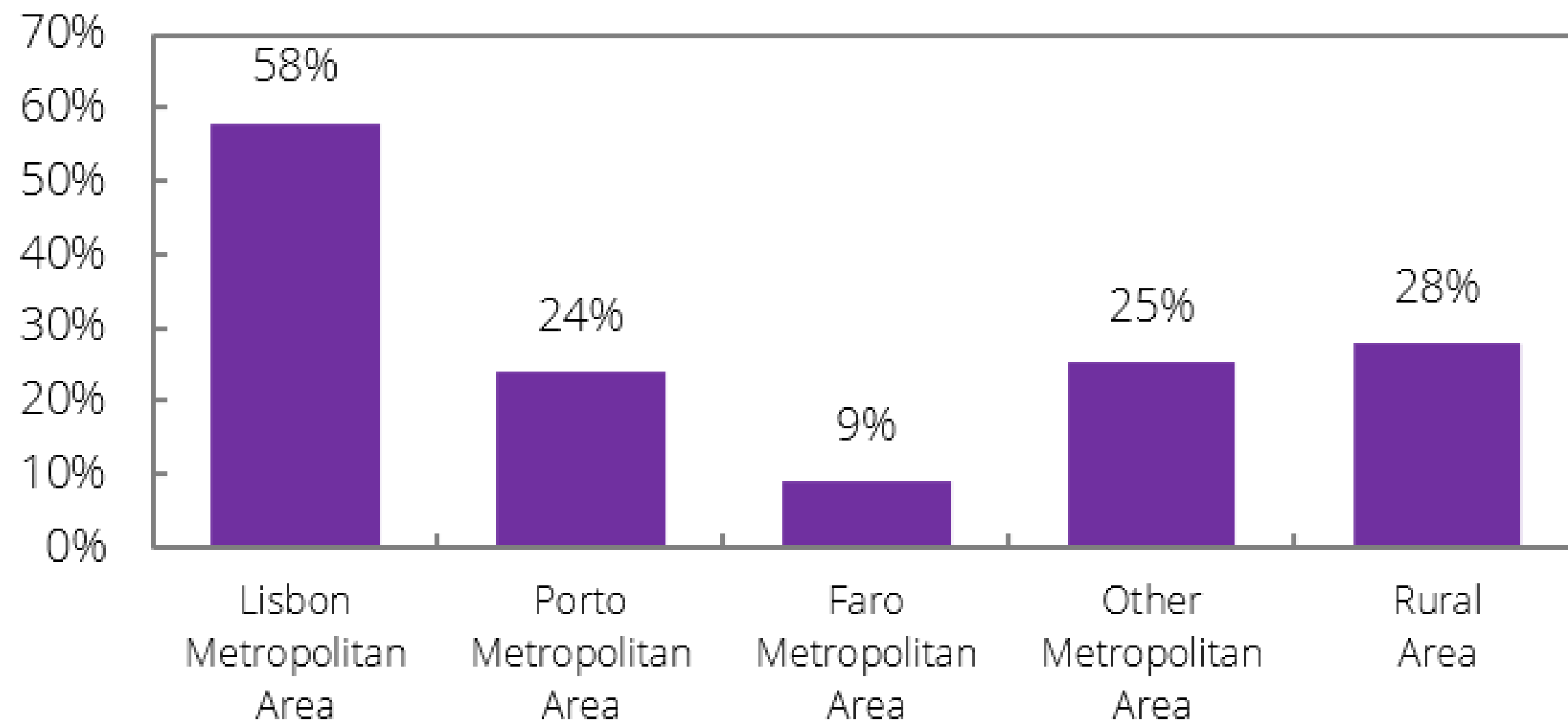
# More Housing: Expansion of Social Housing

- Increases inequality between generations? **No.** *It could have the potential to reduce inequality by allocating housing to younger people who are less likely to own property.*
- Increases intragenerational inequality? **No.** *Increasing the public housing stock can have the potential to reduce inequality by allocating housing to the most deprived families and reducing the value of (non-social) housing. It also reduces the demand for rent among the most disadvantaged, which puts downward pressure on rents.*
- Reinforces the transmission of inequalities across generations? **No.** *Reducing real estate pressure will ease the price of real estate and, consequently, the value of inherited property.*
- Limits the choices of future generations? **No.**

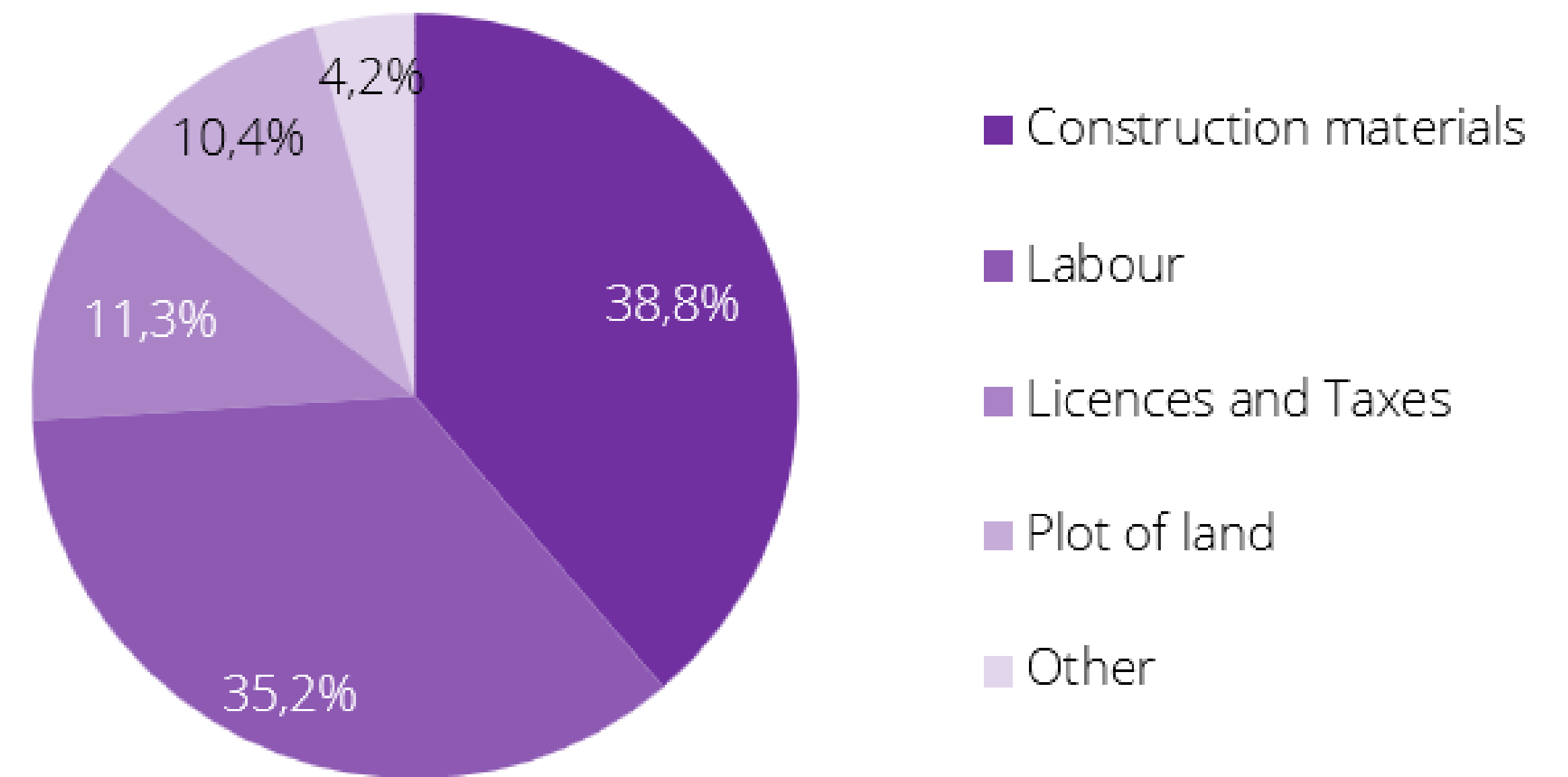
**Final assessment:** Effective and intergenerationally fair.

# Results of Our Survey to a Sample of 713 Companies

Region(s) where the company undertakes construction work



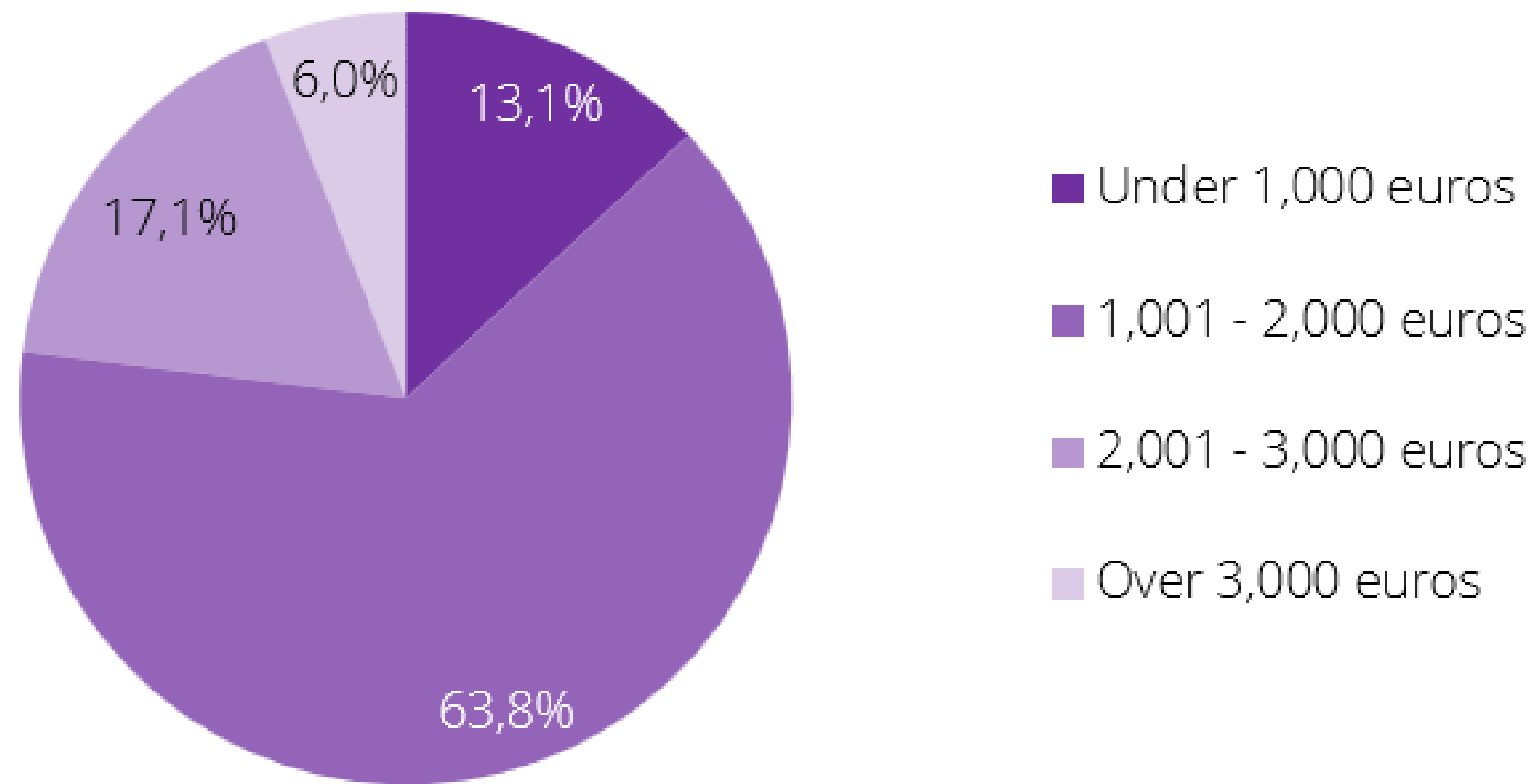
What is the biggest cost associated with building a property?



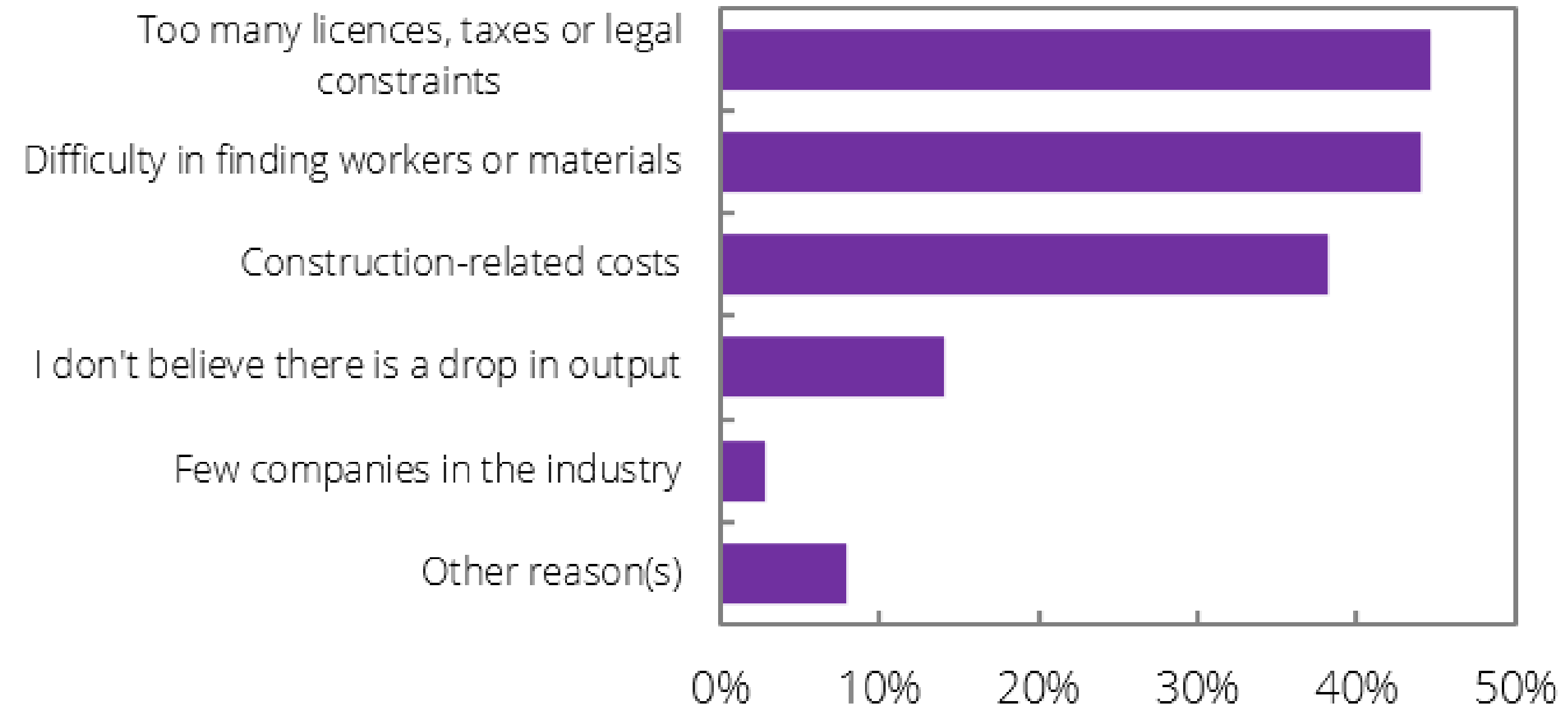


# Results of Our Survey to a Sample of 713 Companies

How much does it cost to build per square metre (on average)?



What stops construction companies from increasing their output?



# More Housing: Recommendations

## **1. Choosing policies to implement based on data and scientific evidence.**

There are few studies showing the causal effects of rising housing prices in Portugal due to a lack of micro-data.

Some suggestions for data that could be made available to researchers:

- Anonymised tax data obtained from the Tax and Customs Authority.
- Price of property transactions through the Municipal Property Transfer Tax (IMT) and the identifying characteristics of the property through the Municipal Property Tax (IMI).
- Lisbon City Council, which registers all property sales in historic neighbourhoods.
- Data on rejected building licences at the parish level. Waiting time for a licence to be approved.

# More Housing: Recommendations

## **2. Rent controls should be phased out.**

Rent controls may have led landlords to adapt to the law in various ways: putting their properties up for sale instead of being rented out and/or withdrawing them from the market, thus reducing supply, or requiring tenants to lease without a rental contract.

Countries such as Finland have implemented a liberalization of the rental market in the past to increase the housing supply, along with various measures to support vulnerable families and a rise in social housing.

## **3. Introduction of a social housing quota.**

Mandating a fixed percentage of subsidised housing units in residential developments makes it possible to avoid the negative impacts of rising rents for low-income groups.

This approach not only solves the affordability crisis, but also fosters inclusive communities.

# European Union Pact (EU) & Action Plan for Migration (PT)

In 2024, several measures were approved by the European Parliament and the XXIV Portuguese Government aimed at strengthening arrival controls and reducing the number of immigrants.

The European Parliament approved the **European Pact on Asylum and Migration**, which seeks to deeply reform migration policy in Europe.

The Pact aims to enhance border control.

The 24th Portuguese Government developed the **Action Plan for Migration**.

The main measure of this plan is the end of the “manifestation of interest”, a mechanism obtained that allowed the regularization of immigrants already in Portugal who had entered irregularly but were contributing to social security.

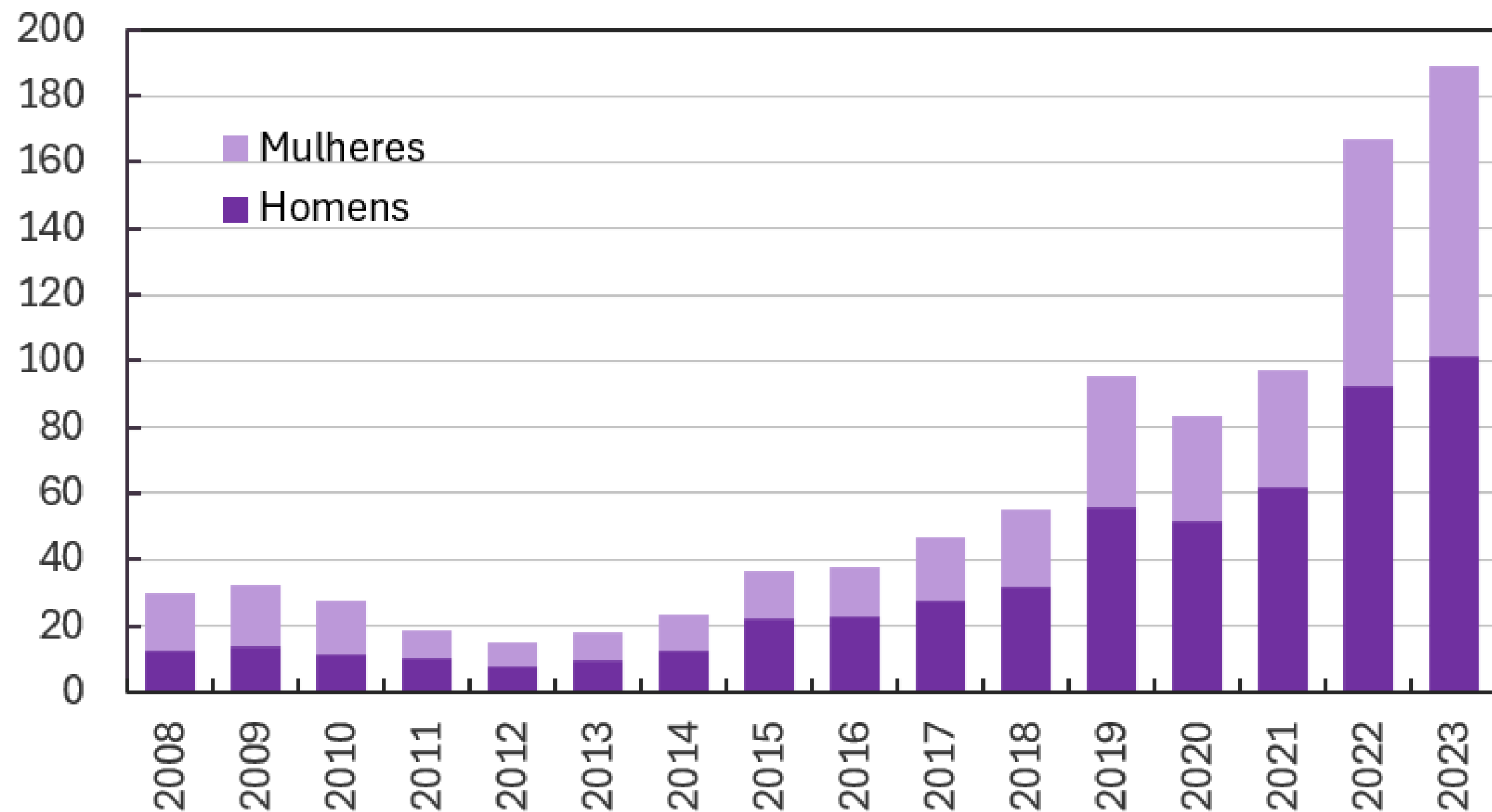
Since the Plan’s approval, immigrants who wish to work in Portugal must apply at Portuguese consulates in their country of origin; otherwise, they will not be able to regularize their status.

Immigrants from Community of Portuguese Language Countries (CPLP) will still be able to obtain a manifestation of interest.

**Objective:** Both the Pact (more implicitly) and the Plan (more explicitly) aim to reduce the number of immigrants.



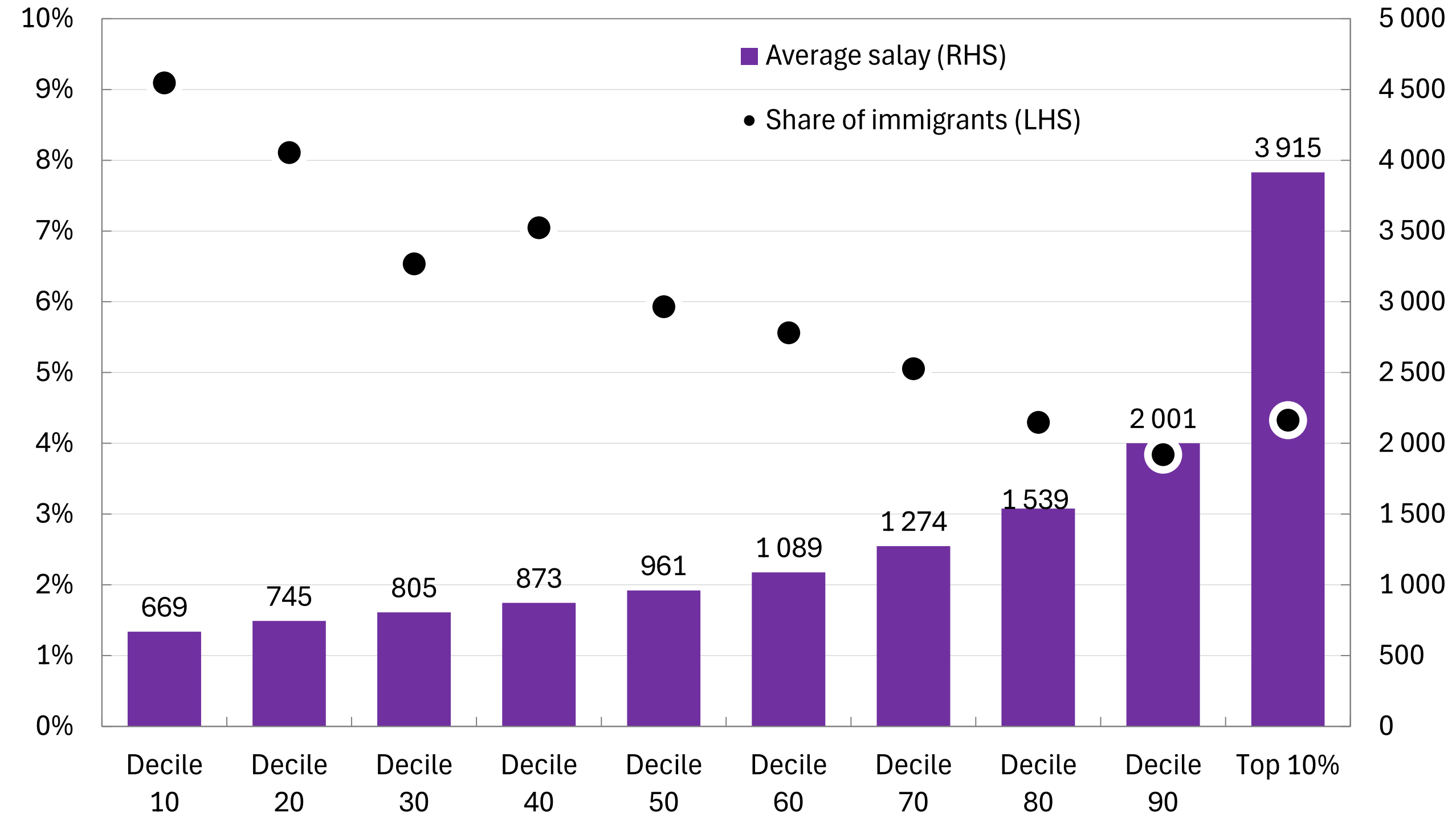
# Immigration Trends in Portugal



- **Historical Context:** Low immigration (29,718 in 2008) decreased during economic crisis (14,668 in 2012)
- **Recent Surge:** From 46,649 arrivals in 2017 to 189,367 in 2023
- **Policy Change Impact:** 2017 policy allowing residence with "promise of employment contract" created "pull effect"
- **Geographic Distribution:** Concentrated in coastal areas (Lisbon, Faro, Setúbal)
- **Origin Changes:** Significant increases from Brazil, UK, India, Italy, Nepal; decreases from Cape Verde, Guinea-Bissau, Ukraine

# Immigrants in Portuguese Labor Market

- Immigrant workforce (Full Time Workers in QP): Grew from 2% (2002) to 6% (2020)
- **Wage Distribution:** Overrepresented in lower wage brackets (9% of bottom decile vs. 4.3% of top decile)
- **Wage Gap:** Immigrants earn 91% of Portuguese workers' salaries (2020), improved from 84% (2010)
- **Demographics:** Higher percentage of males (59.7% vs. 54.4%)
- **Age:** Immigrants average 4.5 years younger (37.1 vs. 41.5 years)
- **Education:** Lower qualification levels (16.6% vs. 31.3% with bachelor's degree among 18-34 years old)



# Policy Impact Analysis: Shot-Medium-Long Term

We focus on 3 dimensions

1. Income and Work – includes fiscal sustainability in the Long Term
2. Housing
3. Security

# Policy Impact Analysis: Short-Term (2026-2030)

## Income and Work

- Likely Improvement: Reduced immigration may increase wages for natives
- Mechanism: Lower labor supply reduces competition for jobs, especially significant for native workers with skill sets similar to those of incoming immigrants. Prantl and Spitz-Oener 2020 – East & West Germany; Edo and Rapoport, 2017 (areas with Low minimum Wages); Card 1997 (occupational and geographical mobility of workers)

## Housing

- Likely Improvement: Decreased demand may reduce housing prices
- Mechanism: Fewer immigrants means less pressure on housing market. US rental market Sharpe 2019, Australia Gopy-Ramdhany and Seetanah, spatial distribution Mussa et al 2017.

## Security

- Likely Improvement: Shorter processing times may reduce crime as better labor market integration.
- Mechanism: **opportunity cost** of committing a crime. Italy: Mastrobuoni and Pinotti 2015 (undocumented). Bianchi 2012 effects on robberies (small), Germany: Maghularia and Uebelmesser 2023 (temporary residence), UK: Bell et al. 2010 (integration).

# Policy Impact Analysis: Medium-Term (2030-2040)

## Income and Work

- Neutral: Reduced immigration should not have strong impact
- Mechanism: change in the types of products produced, and the technology associated with production. OECD: Docquier et al. 2014 (net impact of migration on wages and employment modest). US: Card 2012 (effects are difficult to detect). Dustmann et al. 2008 (elasticity of capital implies different effects for different skill set of immigration)

## Housing

- Uncertain effects
- Mechanisms: we did not find clear results of existing literature (maybe some network effects – Painter and Yu 2010). Integration, income levels, social factors become more significant

## Security

- No significant impact: Well-integrated immigrants show no effect on crime rates



# Policy Impact Analysis: Long-Term (2040-)

## Income and Work

- Likely Worsening: Effects on wages uncertain. Borjas, Freeman and Katz 1997 (impact 1960-1990 negative on low skilled), Peri 2016 (small effects). Reduced Contributions to social security.
- Mechanism: Lower immigrant tax deteriorates pension funding. Demographic aging crisis worsened by reduced immigration. Without immigration, Eurozone tax increase needed for fiscal balance rises by 1 percentage point of GDP. Bernardino et al. 2024.

## Housing

- Uncertain effects, but given native demographics dynamics, key role of immigration. US: Mnguyen 2015.

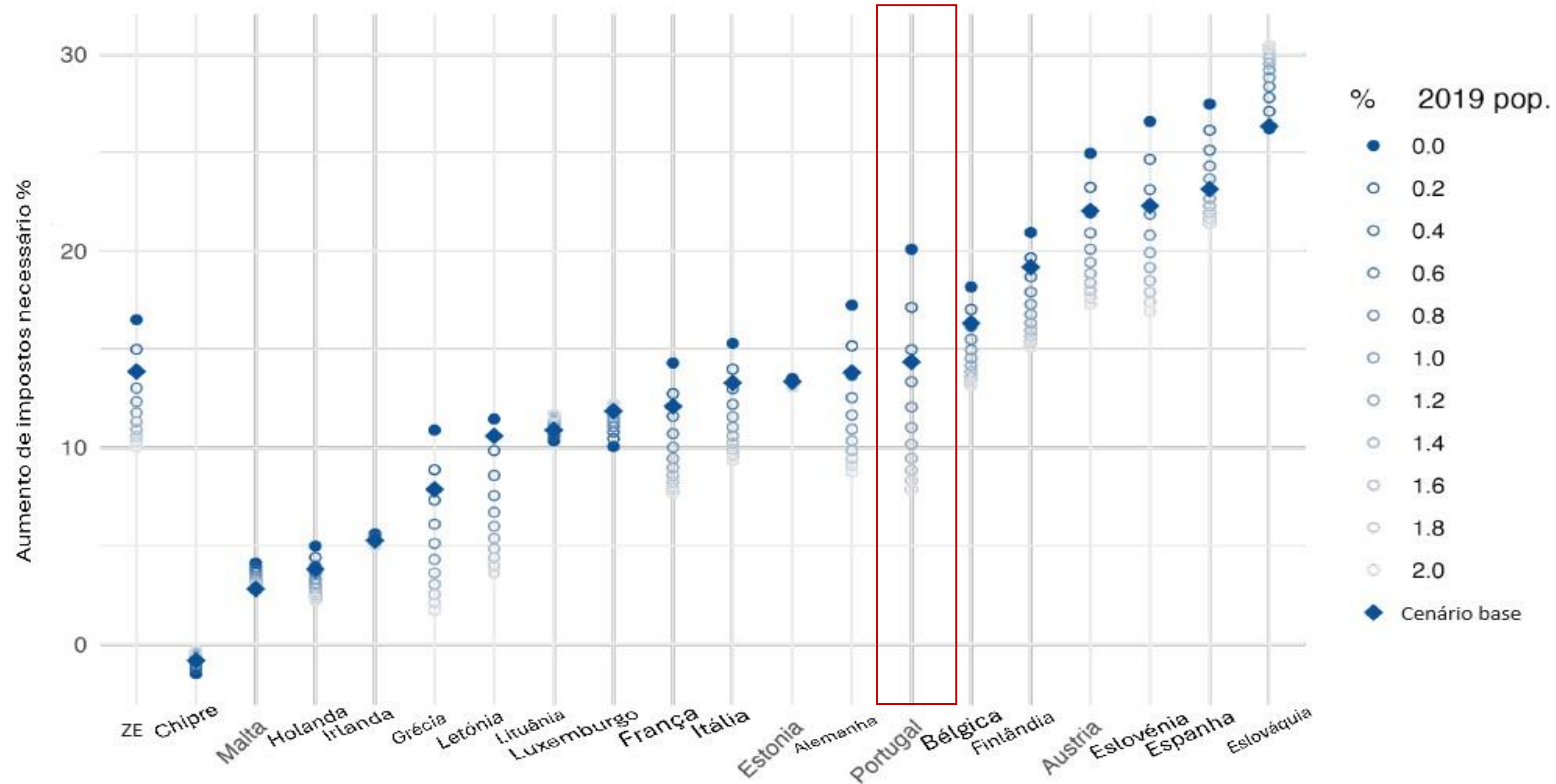
## Security

- No significant impact: Well-integrated immigrants show no effect on crime rates

# Demographic Projections & Fiscal Implications

- The ratio between the young and elderly population and the working-age population in the European Union is expected to increase from 0.89 in 2020 to 1.13 in 2100 (Bernardino et al., 2024).
- As the number of beneficiaries rises, this trend will increase pressure on the sustainability of public finances (Franco et al., 2021).
- In Portugal, to maintain the current level of benefits and balanced public finances, taxes would need to increase by nearly 15%, assuming the current immigration flow remains unchanged.
- If net migration drops to zero, the required tax increase would rise to 20%, meaning an additional 5 percentage points.
- Conversely, if Portugal shifts to a net migration flow of 2% annually, the necessary tax increase would be reduced to just 7.5% to rebalance public finances.

# Demographic Projections & Fiscal Implications of Immigration



# Action Plan for Migration

- Increases inequality between generations? **Yes.** *A reduction in immigration would deteriorate social security balances and have negative effects on pension allocations in the medium and long term.*
- Increases intragenerational inequality? **Probably not.** *The policy would have few short-term effects, except for upward pressure on minimum wages, greater job availability in sectors occupied by immigrants, and some deceleration in rental prices.*
- Reinforces the transmission of inequalities across generations? **Yes.** *Any decrease in immigration would affect the sustainability of social security and, therefore, future pensions. Pension cuts would disproportionately impact those who rely solely on the public system and lack savings or investments.*
- Limits the choices of future generations? **Yes.** *Restricting immigration will lead to higher taxes, reduced public spending, deteriorating public finances, and increased public debt, or a combination of these factors.*

**Final assessment:** Effective, but intergenerationally unfair.

# Restoring Teachers' Total Service Time

From 2014 to 2021, real salaries fell by 9.2%, whereas salaries rose in the EU on average over the same period.

On May 21, 2024, the Ministry of Education agreed with seven unions to restore the teachers' career freeze period, up to six years, six months and 23 days

Teachers will recover their frozen service time over four years at a rate of 25% per year.:

- First tranche: September 2024
- Second tranche: July 2025
- Third tranche: July 2026
- Fourth tranche: July 2027

**Objective:** Undoing the effects of the teaching career freeze between 2011 and 2017.



# Restoring Teachers' Total Service Time

- Average salaries for full-time teachers in Portugal align with salaries in other EU countries.

	Kindergarten	Elementary	Junior High	High school
Portugal	25,693	25,693	25,693	25,693
EU	24,568	26,270	27,042	27,909

- **Portuguese teachers are the second-lowest paid in Europe at the start of their careers.**
- Portugal has the second largest gap between starting and ending salaries for high school teachers in the European Union.

	After 10 years	After 15 years	Top of their career	Years to reach the top of their career
Portugal	21.6	29.0	115.6	34.0
EU	20.0	31.8	62.5	29.6

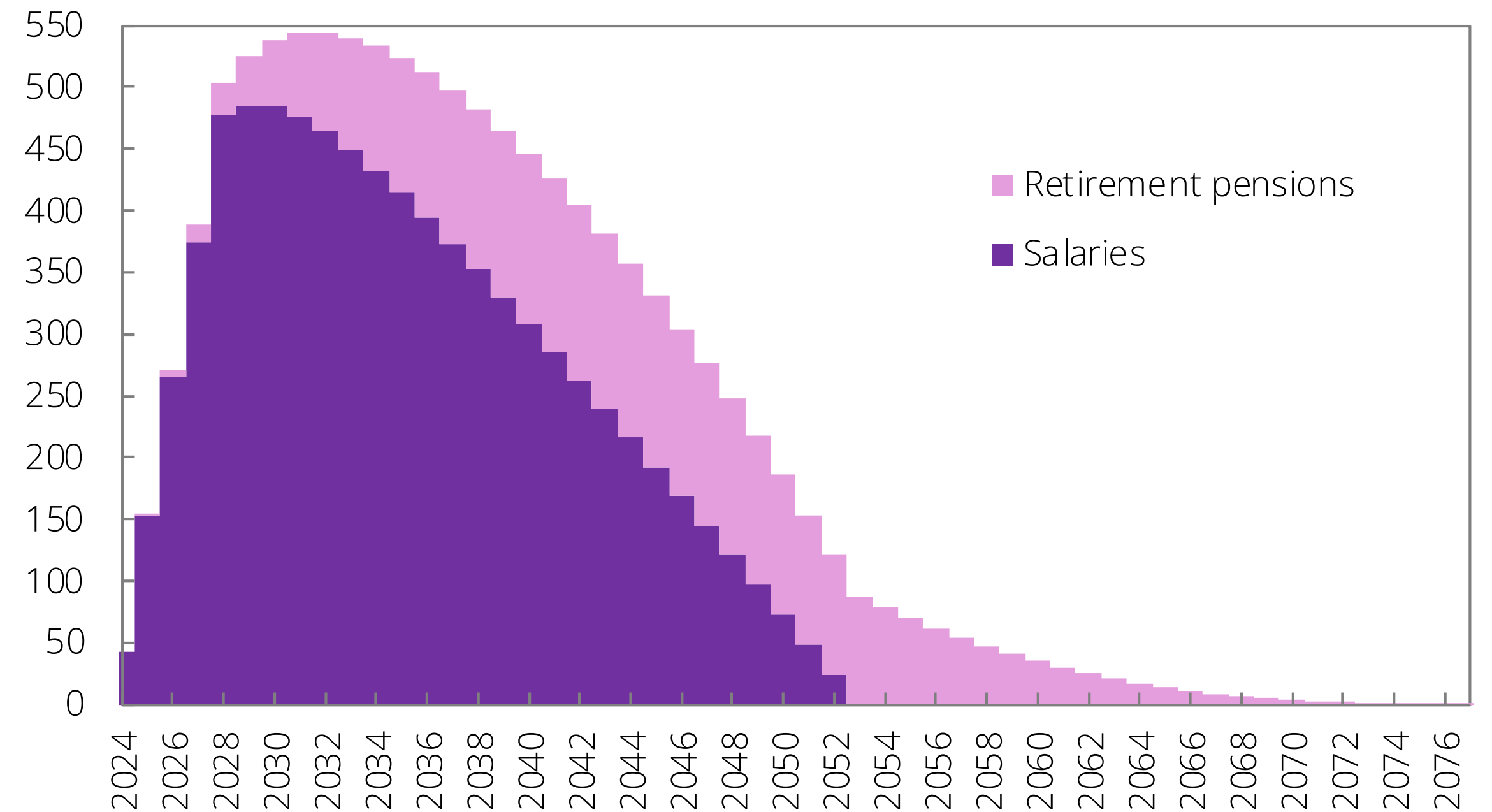
# Restoring Teachers' Total Service Time

## **Intergenerational Transmission of Knowledge: from Teachers to Students**

- If a top 1% teacher teaches a student: the likelihood of them graduating the year rises by 20 percentage points (Freitas et al., 2023).
- Better salaries motivate the teachers to dedicate more effort to teaching, improving students' academic performance.
  - Better wages improve human capital formation in the country, which will have a direct impact on economic growth (Hanushek and Wößmann, 2007).
- A 10% increase in teachers' wages leads to:
  - 5-10% increase in students' PISA performance (Dolton and Marcenaro-Gutierrez, 2014).
  - 3-6% decrease in dropout rates (Loeb and Page, 2000)
  - 14% decrease in teachers' turnover

# Restoring Teachers' Total Service Time

- Our projections differ from those presented by UTAO and the government on three aspects:
  - The inclusion of retirees into the policy calculations
  - Incorporating the career progression of the teachers who will be covered by the policy
  - Long-term projection and not only the expenditure amount that will increase during the restoring years
- **Total cost of the policy: 11,540 million euros (4.3% 2023 GDP)**
  - Short-term (2024-27): 855 million euros
  - Medium-term (2028-36): 4,764 million euros
  - Long-term (2037-2077): 5,921 million euros
- **Total expenditure in salaries: 8,153 million euros**
- **Total expenditure in pensions: 3,387 million euros**



# Restoring Teachers' Total Service Time

- Increases inequality between generations? **Probably yes.** *Restoring the service time has serious costs in the medium and long term that will have to be paid for by raising taxes, cutting expenditure or by raising debt.*
- Increases intragenerational inequality? **Probably not.** *The policy corrects an intragenerational inequality. Teachers affected by the career freeze were unable to progress between 2011 and 2017, thus earning lower salaries.*
- Reinforces the transmission of inequalities across generations? **Probably yes.** *The more teachers are paid, the better their students perform. As the policy leads to an increase in teachers' salaries, it likely reduces the transmission of intergenerational inequalities in the short term.*
- Limits the choices of future generations? **Yes.** *The policy will limit the choices of future generations given that the policy costs upwards of €500 million per year in the medium term (0.2% of 2023's GDP) and will cost over €100 million per year up to 2050.*

**Final assessment:** Effective, but intergenerationally unfair.

# Restoring Teachers' Total Service Time

## **Recommendation: Create incentives to recruit teachers**

- Catela Nunes et al. (2022): **The government will need to hire 34,500 teachers in the next 10 years.**
- **Over 40,000 students did not have a teacher** for at least one subject during the second term of the 2023/24 school year (Valente, 2024).
- Prolonged periods of teacher shortages negatively impact students' performance and future wages and increase the probability of not graduating the school year (Belot e Webbink, 2010; Goodman, 2014; Jaume e Willén, 2019).
- **Same amount of expenditure (11.5 billion euros): increase real teachers' salaries by €2,359 per year from 2025 onwards.**
  - More effective and intergenerationally fair: it would affect all teachers and, therefore, all students.
  - Potential to combat the career's undesirability more effectively.
- Other measures that could positively impact hiring/retaining teachers with little to no fiscal impact and are intergenerationally fair include increasing career stability (length/type of contract and geographical allocation), greater school autonomy in the recruitment process, and postings for teachers with more diversified qualifications.



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