

Labour Reforms in Portugal

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1st Annual Conference of the Crisis Observatory
ELIAMEP
Athens, 13 December 2013

Challenges facing PT labour market, 2011-2013

Economic:

- Credit/deleveraging/austerity
- *Competitiveness/economic restructuring (into tradadables)*
- Confidence/consumption

Labour law related:

- *Segmentation (dualism/trialism)*
- *Downward nominal wage rigidity*
- *Social partners (representativeness)*

Employment Policy - Three Pillars

Flexicurity and ULC orientation:

- Labour law
- ALMPs
- Training
- *Social security*

Labour law reforms (mostly MoU)

- Objective individual dismissals widening (*extinction of work position* and unsuitability)
- Severance payments cuts (and 'compensation' fund for new contracts)
- Minimum wage freeze
- Bank holidays and assiduity-related holiday premium cuts
- Overtime: lower payments and greater flexibility ('bank of hours')
- Collective bargaining
 - Decentralisation, *repeal*, extension freeze and criteria
- Extension of fixed-term contracts (x2)
- Port labour
- Widening of short working-time schemes
- *Deregulation of jobs* - professional bodies

ALMPs reforms

- Wage subsidy (ESF funded)
- Youth-specific measures: Traineeships, Social Security reimbursement
- PES reform programme
 - 8 pillars, including focus on vacancies and placements, greater cooperation with stakeholders (eg TWA), restructured network of jobcentres, assessment, and IT systems
- Pilot projects:
 - Targeted jobcentre call-ups
 - UB partial payment upon acceptance of low-wage job offers
 - Algarve-specific conversion/training programme
 - Forest-specific workfare programme
 - Management training for unemployed graduates
 - Extended workfare for local councils

Training reforms

- Widened offer of LLL
- Refocus on short-term professional training courses (in detriment of literacy certification)
- Revamping apprenticeships
 - 50% increase in entry cohort
 - Focus on tradable sector qualifications
 - Greater synchrony with school year
 - Partnerships with leading firms (including large SOEs) and employer associations
- DDM studies based on matched PES-SS data

Social Security reforms

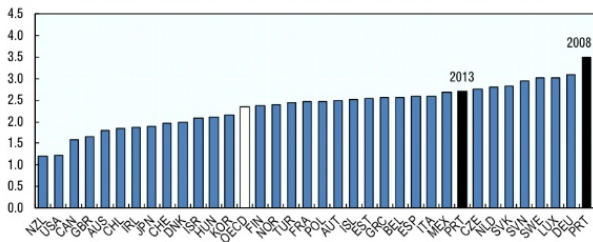
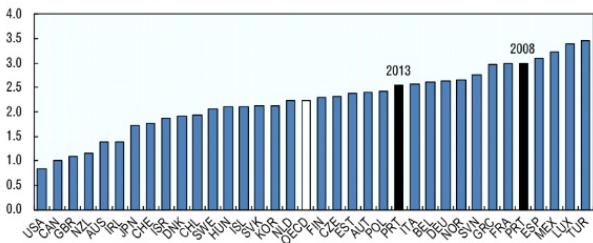
- Widened access to UB (including informal workers)
 - No adjustment to reservation wages nor activation
- Lower UB cap
- Shorter maximum duration (but considerable grandfathering)
- Stricter income support

Conclusions

Several positive results so far (despite many on-going challenges):

- Fall in UR (17.7 to 16.4) and youth UR in Q2
 - Developments very favourable compared to Spain (or Greece)
- Increase in international competitiveness (trade account surplus)
- Decentralisation of collective bargaining
- Evidence of labour shortages in tradables
- Large increases in PES vacancies, placements and training attendance
- OECD EPL indicator: PT no longer outlier

OECD EPL indicator

Protection of permanent workers against individual and collective dismissals¹OECD employment protection overall indicator²

Published collective agreements (and workers affected)

Type	Sectoral agreements	Multi-firm agreements	Firm-specific agreements	Extensions
2005	151	28	73	56
2006	153	26	65	192
2007	160	27	64	104
2008	172	27	97	178
2009	142	22	87	128
2010	141	25	64	140
	1,309,267	64,455	33,344	
2011	93	22	55	24
	1,160,080	52,737	24,102	
2012	36	9	40	13
	291,068	26,645	9,909	

On-going challenges

- Euro adjustment
- Greater convergence towards EU law benchmarks:
 - Activation of long-term unemployment (PES, UB duration, mini-jobs?)
 - Representativeness of social partners
 - Bias amongst constitutional court judges towards insiders
- Scarcity of politically-actionable evidence to meet evidence-based policy needs

Extra slides

Timeline - 2011

- From early 2000: major macro imbalances prompted by euro membership, low productivity growth
- May 2011: approval of €78bn PT-Troika MoU, including structural reforms conditionality
- June: elections and new coalition government
- July: first law bill in parliament (lower severance pay for new contracts)
- Oct: extension of working time proposal
- Nov: general strike I

Timeline - 2012

- Jan: extension of FTC in force; tripartite agreement (with all four E'r and one (smaller) E'e confederations)
- Feb: new ALMP (targetted wage subsidy)
- Mar: main labour law reform in parliament (in force since Aug); PES reform plan; general strike II
- Apr: UB reforms in force
- July: youth unemployment programme rolled out
- Sept: proposal for employer payroll tax cut
- Nov: collective bargaining extension criteria in force; general strike III

Timeline - 2013

- Jan: framework law for regulated professions in force; port labour law in force
- Mar-: adjustments to ALMPs
- June: general strike IV
- Sept: constitutional court ruling on Aug 2012 labour law reform
- Oct: new wide ALMP in force (1% of salaries of all new contracts); second extension of FTC

Much scope for misunderstandings

