Labour Reforms in Portugal

Pedro S. Martins

Queen Mary, University of London; CEG-IST; IZA

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
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 dismissals

OECD employment protection overall indicator
## Conclusions

### Published collective agreements (and workers affected)

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