

## PORTUGAL

### Priorities supported by indicators

#### **Improve secondary and tertiary education attainment (2005, 2007, 2009)**

**Recommendations:** Monitor and assess the effectiveness of secondary and tertiary education reforms. Improve intergenerational educational mobility.

**Actions taken:** Since 2005, the government rationalised the school network in lower-secondary education, introduced a national system of teacher performance evaluation (2007), and developed vocational education, for instance through the program *Novas Oportunidades* (launched in 2005). In 2009, the government raised the compulsory schooling age to 18. Since 2007, a major reform to modernise the tertiary education system has been implemented, including institutional autonomy on a voluntary basis.

#### ► **Reduce administrative burdens on business (2009)**

**Recommendations:** Increase collaboration between central government and municipalities to fully implement reforms at the local level. Harmonise regulations with major trading partners.

**Actions taken:** The government has simplified administrative procedures and improved the efficiency and effectiveness of public services. The main programme in this area, SIMPLEX, was launched in 2005.

#### **Reduce barriers to competition in network industries (2005, 2007, 2009)**

**Recommendations:** Encourage stronger platform competition in telecommunications and ensure that mobile termination charges are not discriminatory. Minimise hurdles to building new electricity transmission capacity. Facilitate yard-stick competition in transport.

**Actions taken:** Electricity customers have been able to choose between electricity suppliers since 2006. The government unbundled the gas and electricity transportation networks and encouraged competition in electricity generation by creating conditions for new entry, by anticipating extinction of the energy acquisition contracts and by allocating licenses for the construction of new combined cycle power plants.

#### ► **Reform employment protection legislation (2005, 2007, 2009)**

**Recommendations:** Employment protection legislation (EPL) reforms must be fully enforced and the delays and uncertainties associated with its implementation reduced. The easing of EPL should be accompanied by targeted measures to support affected workers while encouraging job search.

**Actions taken:** In 2008, the government introduced legislation to revise the labour code as well as measures to facilitate the application of the law. The main changes include reducing procedural inconveniences for individual dismissal of employees on regular contracts, increasing the trial period for all workers, and reducing notice and severance pay for no-fault individual dismissal. This implies a substantial easing of EPL on regular contracts, as reflected in the large drop in the latest OECD EPL index for 2009.

### Other key priorities

#### **Simplify the tax system and broaden the corporate tax base (2005, 2007, 2009)**

**Recommendations:** Simplify the tax system and broaden the corporate tax base. Reduce tax expenditures and avoid frequent changes to the tax code.

**Actions taken:** Actions taken to reduce tax evasion and fraud include measures to fight fraudulent VAT reporting, invoices, and abusive tax planning in 2008.

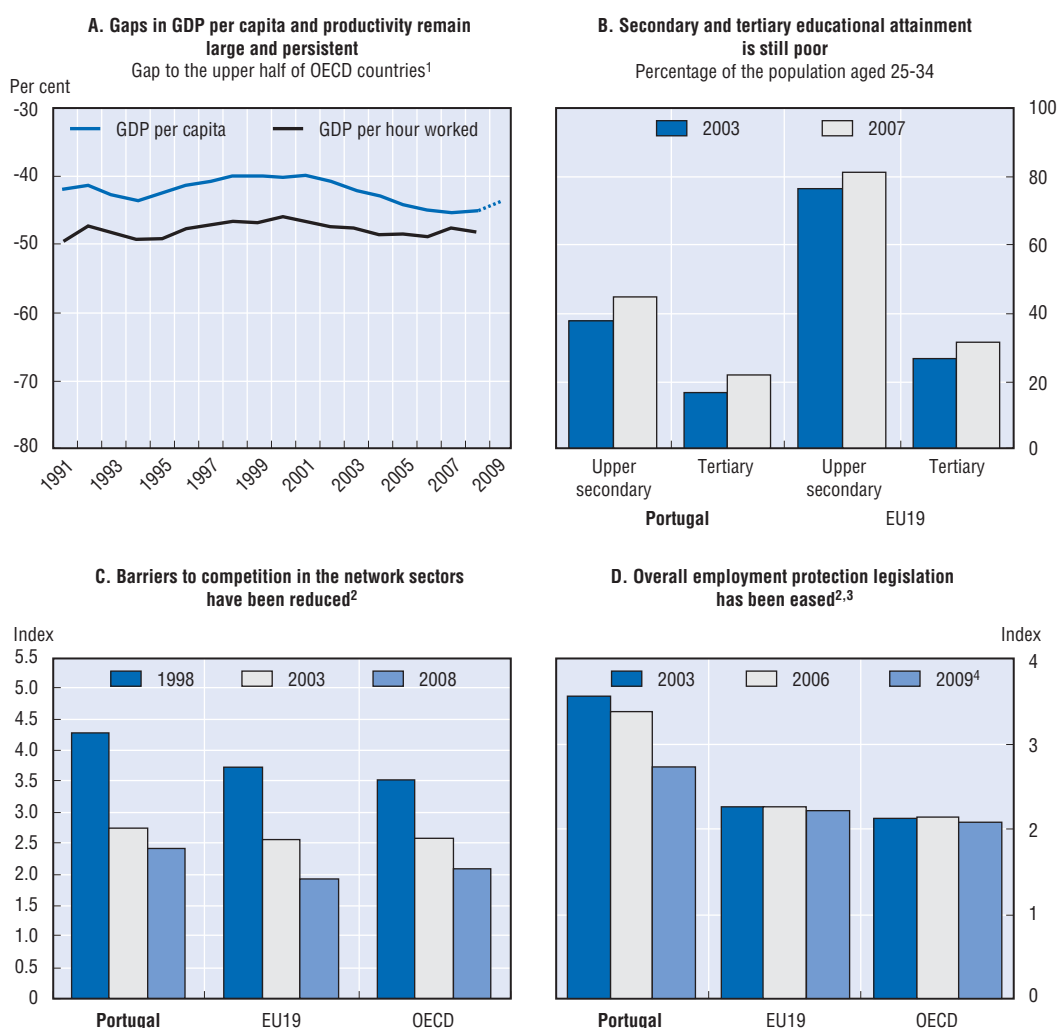
#### **Reform public administration (2005, 2007)**

**Recommendations:** Ensure full implementation and acceptance by civil servants of the new performance-based human resource management system and ensure that the mobility pool is effective and efficient.

**Actions taken:** Starting from 2005, the authorities have put in place an in-depth public administration reform. It includes the control of admissions and recruitment of civil servants and reforms to careers and remuneration.

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- There has been no reduction in the large income gap vis-à-vis the upper half of OECD countries. The gap is almost entirely accounted for by a wide labour productivity gap.
- In key priority areas, network industries have been liberalised substantially and the business environment improved more broadly. A major easing of employment protection legislation has been implemented. Despite substantial efforts, the gap in educational attainment and performance vis-à-vis the rest of the OECD needs to be reduced further, and equality of educational opportunities improved.
- Reforms in other areas have included enhancing the sustainability of the social security and health systems, notably through pension reform.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gap in GDP per capita for 2009 is an OECD estimate, based on the *OECD Economic Outlook*, No. 86.
2. Index scale of 0-6 from least to most restrictive.
3. Overall EPL is computed as a weighted sum of sub-indicators for regular contracts, temporary contracts and collective dismissals.
4. 2008 for EU19 and OECD.

Source: Chart A: OECD, *National Accounts and Economic Outlook 86 Databases*; Chart B: OECD (2009), *Education at a Glance* and OECD, *PISA 2006 Database*; Chart C: OECD, *Product Market Regulation Database*; Chart D: OECD, *Employment Outlook Database*.

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