

OECD Employment Outlook 2014

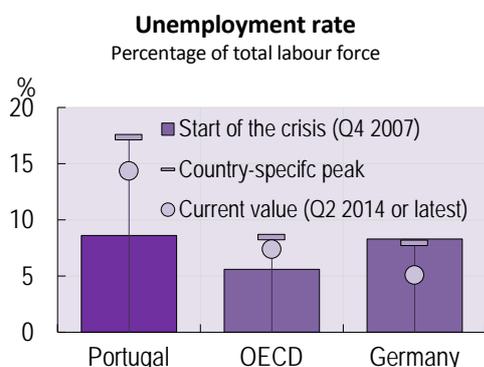
The 2014 edition of the OECD Employment Outlook reviews recent labour market trends and short-term prospects in OECD and key emerging economies. It zooms in on how the crisis has affected earnings, provides country comparisons of job quality, examines the causes and consequences of non-regular employment, and estimates the impact of qualifications and skills on labour market outcomes.

For further information: www.oecd.org/employment/outlook

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Unemployment is on a downward path but still remains high

Portugal was hit hard by the global crisis and unemployment hit record levels but the unemployment rate has been declining since early 2013. In July 2014, 14% of the labour force was unemployed. This is lower than the 17.4% reached at the peak of the crisis, but remains well above both its pre-crisis level (8.6%) and the current OECD average (7.4%). The incidence of long-term unemployment is one of the highest in OECD countries. However, there are clear signs that Portugal is gradually emerging from its deep and long recession.

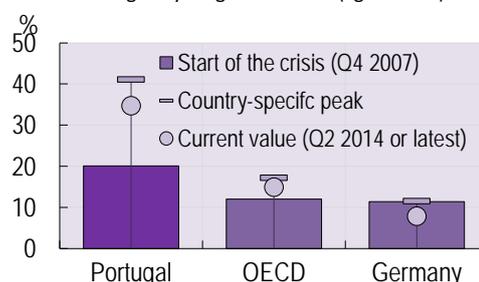


Source: OECD Short-Term Labour Market Statistics (database), (<http://dx.doi.org/10.1787/data-00046-en>).

Youth remain particularly affected, with over one in three of them in the labour force unemployed – twice the rate observed across the OECD. The crisis has also affected the proportion of youth Neither in Employment, nor in Education or Training (NEET) - which is still approximately two percentage points above its level observed in 2007.

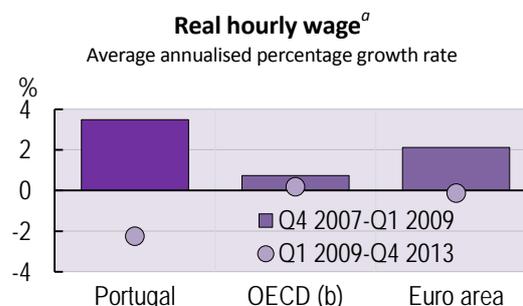
Youth unemployment rate

Percentage of young labour force (aged 15-24)



Source: OECD Short-Term Labour Market Statistics (database), (<http://dx.doi.org/10.1787/data-00046-en>).

There have been substantial cuts in real wages



a) Total compensation of employees divided by total hours worked by employees in real terms (deflating using the consumer price index).

b) Weighted average of 26 OECD countries.

Source: OECD calculations based on quarterly national accounts.

Nearly two-thirds of the Portuguese workforce experienced a cut in real wage compensation in 2010 and real wage have fallen considerably since 2009. While this has helped to restore competitiveness, it has also caused considerable financial hardship, especially among low-paid workers and their families. Further wage cuts

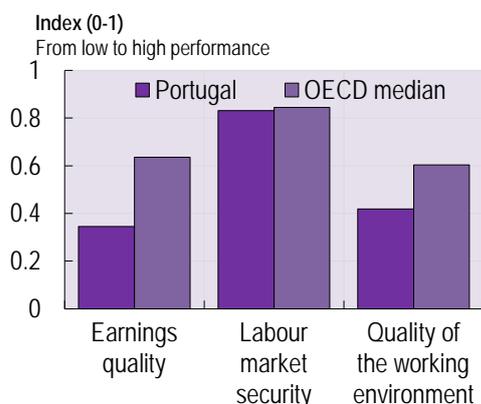
may therefore be difficult to achieve, or even counterproductive.

Portugal performs relatively poorly in terms of job quality

People spend most of their day and a significant part of their life at work. Therefore, job quality is a key determinant of well-being. The 2014 *OECD Employment Outlook* paints a broad picture of job quality across OECD countries. This is based on three dimensions that are considered as essential aspects of job quality jobs: earnings quality (the level of earnings and degree of inequality); labour market security (risk of job loss and income support available); and quality of the working environment (work demands and conditions, and resources and support available to cope with these demands). Compared to other OECD countries, Portugal performs below average in two of these three dimensions.

Composite indicators of job quality, 2010

Index (0-1), from low to high performance



Source: *OECD Employment Outlook, 2014*.

While labour market security in Portugal is on a par with the OECD median, job quality is dragged down by low average earnings and a relatively high proportion of workers reporting difficult and stressful working conditions, where high work pressure and difficult tasks are combined with insufficient resources and support in the workplace to accomplish job duties. When assessing labour market

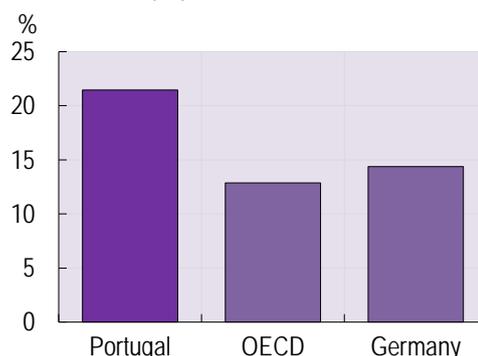
performance in terms of both the quantity and quality of jobs available, the results of the 2014 *OECD Employment Outlook* show that Portugal performs relatively poorly on both fronts.

An important share of workers are on temporary contracts

A large share of workers in Portugal are employed on fixed-term contracts: 21.4%, compared to 12.9% for OECD countries on average (Figure 5) – and this share is even higher for youth (56.9%). As discussed in the *OECD Employment Outlook 2014*, this may have an adverse impact on both equity and efficiency as workers on these contracts often face a higher degree of job insecurity than employees on regular contracts, and firms may invest less in training non-regular workers, which in turn may depress productivity growth.

Fixed-term contracts

Share of employees with a fixed-term contract



Source: OECD calculations based on EU-LFS microdata.

The gap in employment protection between permanent and temporary contracts has an important role to play in explaining such labour market duality. Recent reforms have brought employment protection for permanent and temporary contracts closer together (by reducing severance payment and relaxing the protection against individual dismissals). However, this gap could be reduced further.

OECD Employment Outlook 2014 is available to journalists on the **password-protected** website or on request from the Media Relations Division. For further comment on Portugal, journalists are invited to contact Mark Keese (+33 1 45 24 87 94; mark.keese@oecd.org) or Stijn Broecke (+33 1 45 24 82 48; stijn.broecke@oecd.org) from the OECD Employment Analysis and Policy Division.