

## PORTUGAL

- GDP per capita relative to the upper half of the OECD has declined over the past decade, mainly due to falling labour utilisation. However, lower productivity alone continues to explain the large gap in income levels.
- Considerable progress has been made to broaden tax bases. Much has also been achieved in reforming employment protection and to improve educational attainment, though further efforts are needed. The areas of local licensing and competition in non-tradables have witnessed less progress.
- Improving education outcomes, increasing competition in sheltered sectors and reducing administrative burdens at the local level remain priorities for faster productivity growth. Tackling labour market duality and administrative extension in wage bargaining would also help on this count, while promoting job creation. Furthermore, fighting high and rising unemployment calls for reform and better integration of unemployment benefits and active labour market policies.
- Removing labour market duality through broad labour market reforms would also reduce inequality by promoting the employment and wage prospects of youth and the low-skilled. Improving outcomes and equity in education would also contribute to lower income inequality by helping to break down the inter-generational cycle of poverty and school under-achievement.

### Growth performance indicators

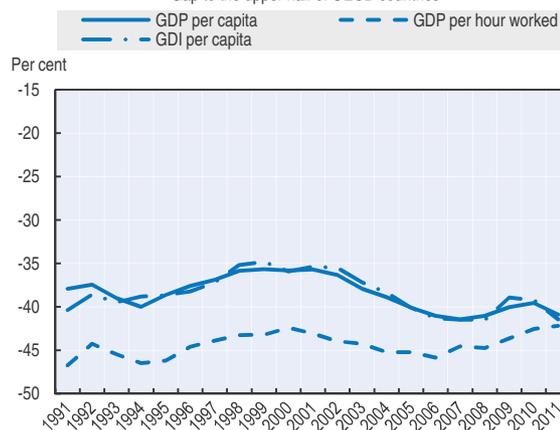
#### A. Average annual trend growth rates

Per cent

|                                 | 2001-06 | 2006-11 |
|---------------------------------|---------|---------|
| Potential GDP per capita        | 0.9     | 0.2     |
| Potential labour utilisation    | -0.2    | -0.8    |
| of which:                       |         |         |
| Labour force participation rate | 0.2     | -0.1    |
| Employment rate <sup>1</sup>    | -0.4    | -0.7    |
| Potential labour productivity   | 1.1     | 1.0     |
| of which:                       |         |         |
| Capital intensity               | 0.9     | 0.9     |
| Labour efficiency               | -0.5    | -0.4    |
| Human capital                   | 0.6     | 0.5     |

#### B. Gaps in GDP per capita and productivity remain large

Gap to the upper half of OECD countries<sup>2</sup>



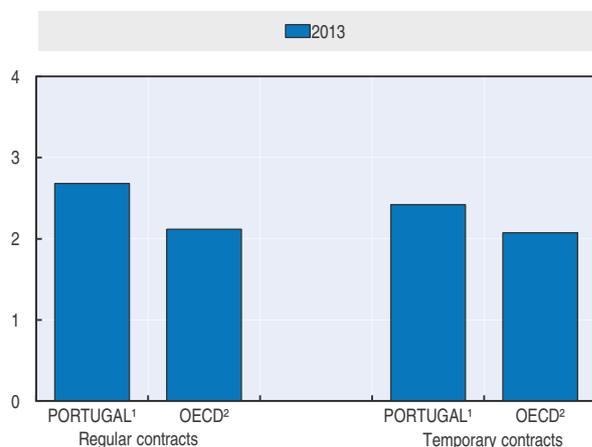
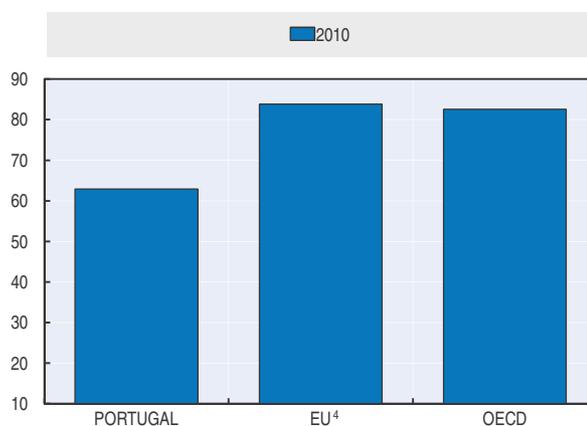
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

StatLink  <http://dx.doi.org/10.1787/888932777549>

## PORTUGAL

## Policy indicators

A. Employment protection legislation is still stringent  
Index scale of 0-6 from least to most restrictiveB. Upper secondary education graduation rates need to be raised<sup>3</sup>

1. The EPL indicators for 2013 are based on an update conducted in the context of the 2012 OECD Economic Survey of Portugal.
2. Year 2008.
3. First-time graduation rates for typical age at upper secondary level. For Portugal, data refer to 2008.
4. Average of 21 EU countries members of the OECD.

Source: OECD, *Employment and Education at a Glance Databases*.

StatLink  <http://dx.doi.org/10.1787/888932777568>

## Identifying Going for Growth 2013 priorities

## Priorities supported by indicators

**Improve outcomes and equity in education.** Improving educational attainment is essential for a productive and adaptable labour force.

**Actions taken:** The authorities have taken steps during 2012 to better attune vocational education and training (VET) to labour market needs and are introducing a new monitoring tool of education outcomes to inform decision making.

**Recommendations:** Strengthen the focus of the general and VET evaluation system on tracking individual outcomes over time, especially for individuals from disadvantaged backgrounds.

**Reduce job protection on regular contracts and reform wage bargaining.** Labour market duality and administrative extension of collective agreements hurt productivity and employment for vulnerable groups.

**Actions taken:** The authorities have lowered job protection for permanent workers by reducing severance pay (2011, 2012) and easing rules for individual dismissals (2012). They have also largely frozen administrative extension of collective agreements since May 2011.

**Recommendations:** Further reduce severance pay and introduce binding arbitration in conflicts over dismissals. Abolish administrative extension of wage agreements.

## PORTUGAL

**\*Reform unemployment benefits and strengthen active labour market policies\*<sup>1</sup>** Long benefit duration for older workers and poor job-search assistance increase long-term unemployment.

**Recommendations:** Make unemployment benefit duration age-independent and fully implement plans to step up job-search assistance, supported by monitoring and sanctions. Focus training on maximising employability gains.

### Other key priorities

**Strengthen competition in non-manufacturing sectors.** Increasing competition in network industries, retail distribution and professional services would foster innovation and lower prices.

**Actions taken:** In 2012, the authorities have reformed legislation on competition and on self-regulated professions, carried out privatisations in network sectors and took some steps to curb excessive electricity generation support and liberalize older non-residential rental contracts.

**Recommendations:** Make electricity generation support cost-effective and introduce a full Mobile Virtual Network Operator agreement in telecommunications to facilitate the entry of more operators. Introduce an independent regulator for professional services and abolish rent controls for retailers.

**Reduce administrative burdens at the local level.** Slow and costly local licensing procedures hamper entrepreneurship and productivity.

**Actions taken:** The authorities have been rolling out a Zero Authorization initiative which abolishes licensing for some services, and are planning to extend it to industrial projects, with automatic licensing for small firms and reduced deadlines for more complex requests.

**Recommendations:** Fully implement the Zero Authorisation initiative and eliminate licensing surcharges levied by municipalities.

### Previous Going for Growth recommendation no longer considered a priority

**Simplify the tax system and broaden tax bases.** In order to simplify the tax system and reduce compliance costs, it was recommended to substantially curb tax expenditures for different types of taxes, as well as to increase coordination between tax and social security agencies and to reduce tax reporting requirements for small firms.

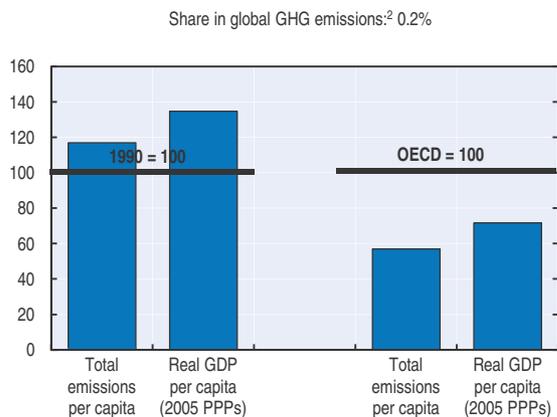
**Actions taken:** The authorities have implemented major base-broadening reforms in income, consumption and property taxes in 2012.

1. New policy priorities identified in *Going for Growth 2013* (with respect to *Going for Growth 2011*) are preceded and followed by an “\*”.

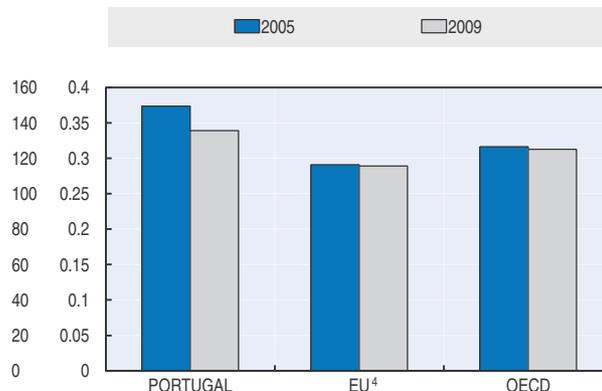
## PORTUGAL

## Other dimensions of well-being: Performance indicators

A. Emissions per capita have risen since 1990 though are below OECD average  
Average 2006-10<sup>1</sup>



B. Income inequality<sup>3</sup> has decreased early in the crisis but is still above average  
Gini coefficient



1. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equalised household disposable income for total population.
4. Average of 21 EU countries members of the OECD.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data ([www.oecd.org/social/inequality.htm](http://www.oecd.org/social/inequality.htm)).

StatLink  <http://dx.doi.org/10.1787/888932777587>