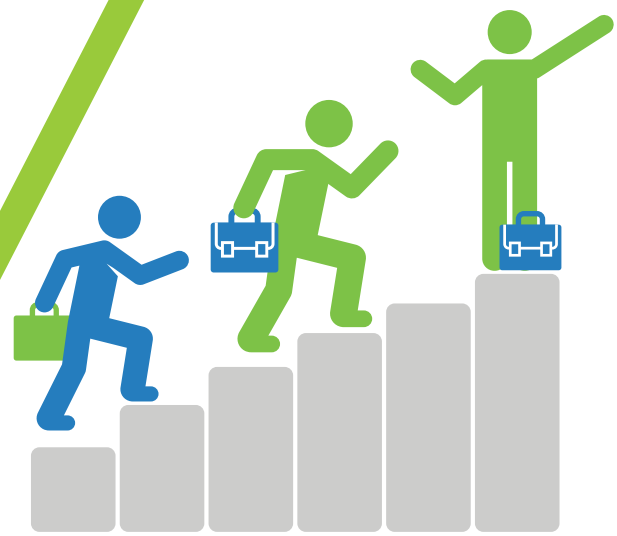
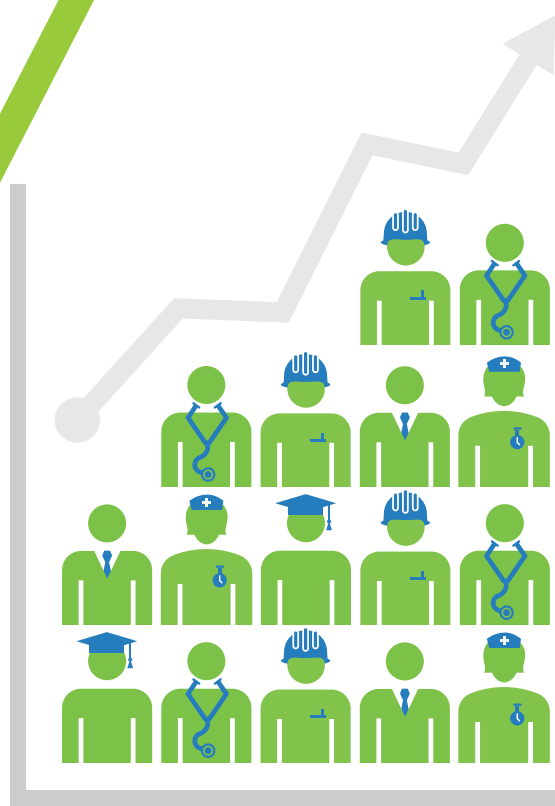
OECD Skills Strategy Diagnostic Report

Portugal

2015







OECD
BETTER POLICIES FOR BETTER LIVES

Building the right skills can help countries improve economic prosperity and social cohesion



In what way?

By contributing to social outcomes such as health, civil and social engagement.

By supporting improvement in productivity and growth.

By supporting high levels of employment in good quality jobs.



How is this achieved?

By strengthening skills systems

Designing and implementing an evidence-based national skills strategy.

Funding skills through public and private sources and designing effective incentives for employers and individuals.

Providing good information for the public, businesses and policy makers.





Contributes to economic prosperity

Contributes to social cohesion

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OECD SKILLS STRATEGY DIAGNOSTIC REPORT: PORTUGAL

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FOREWORD

Skills and human capital are the bedrock upon which Portugal is building a new road to growth.

After a challenging period characterised by high levels of unemployment, strong fiscal constraints and accelerated reform, Portugal has successfully completed a demanding adjustment programme and is setting its sights high.

Awareness is now growing among policy makers, employers and households that Portugal's future economic and social well-being will depend upon securing equitable and high-quality education and jobs. Skills drive economic growth. In countries where large proportions of adults have poor skills, it is difficult to introduce productivity-enhancing technologies and new ways of working. This, in turn, stalls innovation and improvements in living standards.

Skills affect more than just earnings and employment. Data from the Survey of Adult Skills (PIAAC) show that in all countries, adults with lower literacy proficiency are far more likely than those with better literacy skills to report poor health, to perceive themselves as objects rather than actors in political processes, and to have less trust in others. Put simply, a lack of proficiency in foundation skills prevents people from fully participating in society and democracy.

The OECD Skills Strategy provides a useful framework for countries to build effective and integrated skills policies that develop relevant skills, activate skills supply and make effective use of skills. Countries that are the most successful in activating their skills potential share a number of features: they provide high-quality lifelong learning opportunities, both in and outside school and the workplace; they develop education and training programmes that are relevant to students and that are flexible, both in content and how they are delivered; they make information about education and career pathways easy to find and understand; and they provide recognition and certification of competencies that encourage learners of all ages to keep learning.

This diagnostic report identifies 12 skills challenges for Portugal distilled from four interactive diagnostic workshops held in 2014 with a wide range of stakeholders. It uses evidence from the OECD, the European Commission and national sources, to shed further light on these challenges, and offers concrete examples of how other countries are tackling similar skills issues.

We hope that this report will contribute to paving Portugal's road to sustainable growth, and to building continued commitment to constructive policy dialogue on skills between government, employers, trade unions, and people of all ages.

As ever, the OECD stands ready to contribute to these efforts in designing and implementing better skills policies for better jobs and better lives.



Andreas Schleicher

Director for the OECD Directorate for Education and Skills and Special Advisor to the Secretary-General on Education Policy

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This diagnostic report on Portugal's skills system is part of a series of country projects within the OECD programme of work on "Building effective national and local skills strategies".

The OECD is grateful to the Portuguese national project team, co-ordinated by Gonçalo Xufre Silva, President of the National Agency for Qualification and Vocational Education and Training (ANQEP). The national project team included representatives from the Ministry of Solidarity, Employment and Social Security, the Ministry of Education and Science and the Minister in the Cabinet of the Prime Minister and for Regional Development, represented by the Agency for Development and Cohesion. This inter-ministerial project team worked closely with the OECD team and included: Ana Isabel Valente from the Ministry of Solidarity, Employment and Social Security; Isabel Hormigo, Sara Sousa Lemos and Carlos Costa from the Ministry of Education and Science and Rosa Maria Simões, Sandra Dionizio, Sandra Tavares and Duarte Rodrigues from the Agency for Development and Cohesion. The project also benefited from the professional support provided by the staff of ANQEP, including Anabela Pereira, Catarina Marques, Céu Gomes, Elsa Caldeira, Isabel Olivença, João Barbosa, Katharina Koufen, Maria João Alves, Paulo Santos, Rita Branco, Rodrigo Santos, Sandra Lameira, Teresa Duarte, Teresa Gaspar and Teresa Ribeiro.

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While the diagnostic report draws upon data and analysis from the OECD, the Portuguese authorities and other published sources, any errors or misinterpretations remain the responsibility of the OECD team.

The OECD Skills Strategy team is co-ordinated by Joanne Caddy (Directorate for Education and Skills). The lead authors for this report were Elodie Isabel de Oliveira and Siv Hilde Lindstrøm (Directorate for Education and Skills). Deborah Roseveare (Directorate for Education and Skills) provided thought leadership and strategic oversight for the project.

The Portugal Skills Strategy country project and diagnostic report drew upon the input and feedback of a broad cross-directorate OECD team, including: Guillermo Montt and Glenda Quintini from the Directorate for Employment, Labour and Social Affairs; Sylvain Giguère and Jonathan Barr from the OECD's Local Economic and Employment Development Programme; Joaquim Oliveira Martins and Claire Charbit from the Directorate for Public Governance and Territorial Development; Bert Brys, Pierce O'Reilly and Sarah Perret from the Centre for Tax Policy and Administration; Jens Arnold from the Economics Department; Alistair Nolan from the Directorate for Science, Technology and Industry; and Hendrickje Catriona Windisch, Shinyoung Jeon and Paulo Santiago from the Directorate for Education and Skills.

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EXECUTIVE SUMMARY

Better skills, better jobs, better lives

Skills have become the key driver of individual well-being and economic success in the 21st century. Without proper investment in skills, people languish on the margins of society, technological progress does not translate into growth, and countries can no longer compete in increasingly knowledge-based economies.

The OECD Skills Strategy provides countries with a framework to analyse their strengths and weaknesses as a basis for taking concrete actions according to three pillars that comprise a national skills system: 1) developing relevant skills from childhood to adulthood; 2) activating the supply of skills on the labour market, and 3) using skills effectively in the economy and society. An effective Skills Strategy ensures policy coherence across the three pillars while strengthening the enabling conditions of effective governance and financing, which underpin the skills system as a whole.



The OECD is working with countries to support the development of effective skills strategies at the national and local level. Putting the OECD Skills Strategy's integrated paradigm into practice requires whole-of-government collaboration across ministries and government levels, as well as co-operation with and among stakeholders, such as employers, social partners and civil society.

Building an effective skills strategy for Portugal

Portugal has successfully completed a demanding adjustment programme under conditions of strong fiscal constraints, high unemployment and accelerated reform. Securing equitable, high-quality education and jobs are essential parts in building a strong foundation for further growth and social well-being for the people in Portugal.

A broad range of reforms and initiatives relating to skills have been introduced in recent years, many of them which are still being fully implemented and have not yet delivered their full benefits. In this context, the project on *Building an effective Skills Strategy for Portugal* was launched to develop a strategic overview of Portugal's skills challenges.

The project took a whole-of-government approach, with the involvement of the Ministry of Education and Science, the Ministry of Solidarity, Employment and Social Security and the Minister in the Cabinet of the Prime Minister and for Regional Development, represented by the Agency for Development and Cohesion. The project was coordinated by the National Agency for Qualification and Vocational Education and Training (ANQEP).

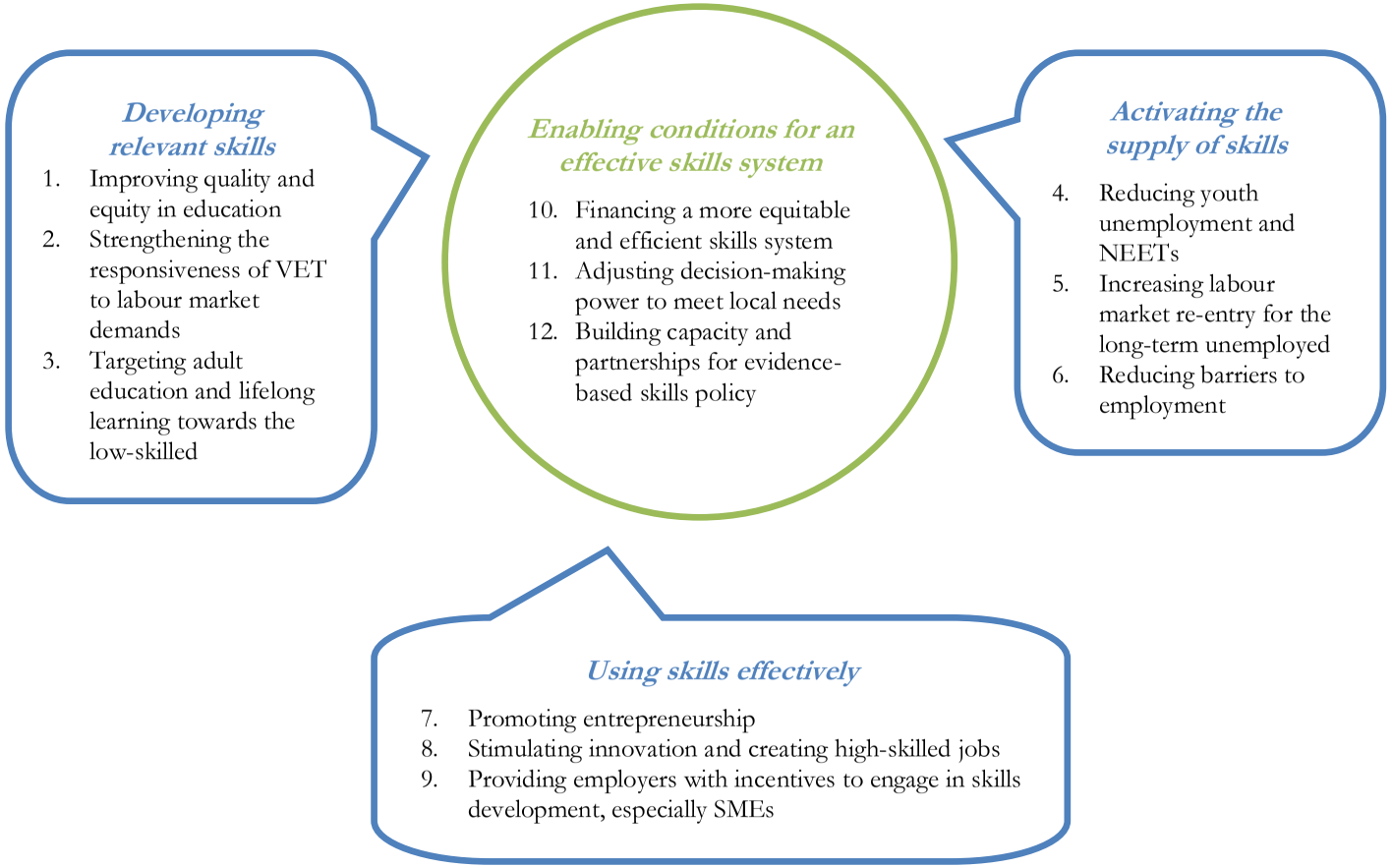
Sustained stakeholder engagement was ensured throughout a series of workshops on national and regional level, which provided valuable insights into the skills issues facing Portugal and formed the basis of this report, along with the latest international comparative analysis from the OECD, the European Union and national sources.

Portugal's skills challenges

This diagnostic report identifies 12 skills challenges for Portugal. The challenges are described under each of the main pillars of the OECD Skills Strategy and are formulated as outcomes. The first nine challenges refer to specific outcomes across the three pillars of developing, activating and using skills. The next three challenges refer to the "enabling" conditions that strengthen the overall skills system. Success in tackling these skills challenges will boost performance across the whole skills system.

All of the challenges identified are strongly interlinked, and their connections with each other are identified throughout the report at the end of each challenge. Failure to look beyond policy silos will have implications for specific groups in Portugal, such as youth, as well as for the economy and society's ability to recover after the economic crisis and build a solid foundation for future prosperity.

12 SKILLS CHALLENGES FOR PORTUGAL



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Pillar 1: Developing relevant skills:

1. Improving equity and quality in education. Portugal has taken significant steps to improve both access to basic education and the quality of the education system. Most recently, compulsory education has been extended to cover 12 years from age 6 to age 18. PISA scores show that students' outcomes in Portugal have steadily improved in all subjects measured, and Portugal is one of the few OECD countries to see a simultaneous reduction in the share of low-performers and an increase in the share of high-performers in mathematics.

However, Portugal's results in PISA 2012 are around the OECD average in mathematics and below the OECD average in reading and science, and it is one of the OECD countries where students' socio-economic background has an above average impact on their results. Portugal also registers a high number of early school leavers and a higher rate of grade repetition than the OECD average. The best performing education systems achieve high quality and equity at the same time, and Portugal should ensure that future policy measures are designed to improve both.

2. Strengthening the responsiveness of VET to labour market demands. Graduates from vocational education and training (VET) have better employment prospects in countries where work-based learning is a strong component of the programmes. Portugal has made significant efforts to improve the quality and flexibility of its VET system, especially by increasing the involvement of businesses and other relevant stakeholders to make sure labour market needs are better met.

Further improvements, including a stronger component of work-based learning, would help to ensure that the VET system is coherent, well communicated and aligned to the needs of the labour market. This will not only help meet the need for employees with up-to-date and relevant skills, but will also contribute to reducing the high dropout rates from school and boost youth employability.

3. Targeting adult education and lifelong learning towards the low skilled. In Portugal, 62% of 25-64 year-olds have not completed upper secondary education, which is the third largest share in the OECD area. Most of these adults will be in the workforce for many years to come, so it is essential that adults are provided with opportunities to participate in lifelong learning and improve their foundation skills.

Increasing the supply and quality of adult education in Portugal – particularly for low-skilled adults – will contribute to raising productivity and boosting the employability and adaptability to rapidly changing workplaces. Without such investment, Portugal will not be able to rely upon a skilled and flexible labour force that is equipped to meet emerging new labour market demands.

Pillar 2: Activating skills supply:

4. Reducing youth unemployment and NEETs. Portugal has the fourth highest youth unemployment rate among OECD countries and a large number of young people who are not employed or in education and training (NEET). This has large negative effects for the individuals concerned and for society as a whole. Job creation is the biggest challenge for Portuguese society in order to address unsustainably high levels of youth unemployment. Major investment has targeted supporting young unemployed people, including the EU Youth Guarantee Programme.

Making sure that programmes supporting young people are well designed and coherent, along with well-developed systems for career guidance and information is essential for improving the activation of skills in Portugal's young population.

5. Increasing labour market re-entry for the long-term unemployed. Portugal has a high share of long-term unemployed, defined as people who have been out of the labour market for more than one year. The level of long-term unemployment was high in Portugal even before the financial crisis, which is a sign of deeper structural issues in the labour market that pre-date the crisis.

Targeted measures for retraining and job-search assistance are essential to ensure that the long-term unemployed do not become completely disconnected from the labour market.

6. Reducing barriers to employment. Barriers to employment include both barriers for people to look for jobs and barriers for employers to hire. In Portugal, high unemployment benefits for some groups of people can act as a disincentive to seek jobs. At the same time, companies wanting to hire people in Portugal face a tax rate that is above the OECD average, which may have a negative effect on companies' ability to hire workers.

Furthermore, Portugal has a dual labour market where a large share of workers – young people, in particular – is employed on temporary contracts. These workers face higher job insecurity, lower job quality and fewer opportunities for participating in adult education and training provided by employers.

Several recent labour market reforms have addressed these issues in Portugal, and some improvement can be seen: in 2014, the majority of jobs created were on permanent contracts. Further efforts to reduce barriers to employment will contribute to increase employment rates and the quality of new jobs.

Pillar 3: Using skills effectively:

7. Promoting entrepreneurship. Entrepreneurs are an important source of economic growth and job creation and play an important role in innovation by helping to bring ideas to the market. About a quarter of Portuguese exports today come from firms younger than 10 years old, and young firms generated almost half the jobs created in Portugal. Entrepreneurship has been high on Portugal's political agenda in recent years, and some encouraging progress can be seen.

Continued efforts are needed to strengthen entrepreneurship in Portugal by increasing access to finance, further administrative simplification, systematic promotion of entrepreneurship throughout the education system, and providing targeted training for entrepreneurs.

8. Stimulating innovation and creating high-skilled jobs. Research and development (R&D) performed by business is important for innovation as it can have a large positive impact on long-term economic productivity, and is often closely linked to the creation of new products and techniques. Business R&D expenditure in Portugal is among the lowest in the OECD area, and compared with other OECD countries, large companies in Portugal spend relatively little on R&D, and account for comparatively few new patents and trademarks.

Taking further steps to improve the links between university research and business is vital to make full use of Portugal's highly-skilled workers, create good quality jobs, and improve competitiveness in the global economy.

9. Providing employers with incentives to engage in skills development, especially SMEs. Employers need to see investment in skills development as strategically important for their competitiveness, productivity and ability to attract talent. Small and medium-sized enterprises (SMEs) need support and incentives to invest in their employees' skills and targeted measures are necessary to ensure that training and development opportunities reach low-skilled as well as high-skilled adults.

Stronger employer engagement is needed if lifelong learning is to become a reality for all Portuguese adults.

Strengthening Portugal's skills system:

10. Financing a more equitable and efficient skills system. Balancing Portugal's budget in the short and long term will require close attention to the allocation of scarce resources between sectors. Currently, Portugal devotes more budgetary resources to the elderly and to pensions than to the young and to education. The education budget has experienced large cuts several years in a row, which makes it imperative to ensure that scarce resources are spent in an efficient and equitable way.

Raising skills levels for all – through targeted support for disadvantaged schools and students and the promotion of lifelong learning – constitutes an investment in Portugal's future skills assets that will also have positive effects on equity.

11. Adjusting decision-making power to meet local needs. Effective collaboration across different levels of government is needed to achieve better skills outcomes through coherent and harmonised education, training and employment policies. Portugal has a centralised governance structure that leaves little room for adjustments at the sub-national level; however unemployment rates, skills gaps and shortages, economic growth and socio-economic challenges show large differences across the country. The level of budget decentralisation in Portugal is one of the lowest in the OECD area.

A higher degree of flexibility would allow regional and local actors to adjust national policies to meet local needs, and would also encourage greater engagement among stakeholders when designing and implementing projects at the local level. While horizontal co-ordination has improved between government ministries and agencies at the national level, vertical co-ordination across different levels of government is weak and local administrative capacity is limited.

12. Building capacity and partnerships for evidence-based skills policy. Systematic evaluation of programmes and measures improves both resource allocation and the quality of policy design and implementation. Establishing sound structures and processes for monitoring skills policy implementation and evaluating impact is especially important in Portugal, given its limited financial resources and the risk of policy fragmentation engendered by an ambitious and comprehensive reform agenda.

Successful implementation of policy depends on timely information on outcomes and the ability to adjust activities as needed. This may require adjustments in timelines, introducing support for implementation if needed (such as information and communication, training and capacity building) and adjusting the content of programmes to achieve intended results. Such processes may require formal stakeholder engagement, for example through formal consultations; or benefit from more informal stakeholder involvement.

Systematic data collection at the national and regional level – in collaboration with local stakeholders – would enable Portugal's government, employers and stakeholders to map current skills needs, anticipate future skills demand and keep track of how the economy and specific sectors are evolving over time.

Making use of this diagnostic report

This report presents a diagnosis of Portugal's skills challenges and also provides a solid basis for identifying possible actions to enhance skills development, skills activation and skills use. It provides examples illustrating how other countries have tackled similar challenges, which can be used as input for framing potential policy options for Portugal.

There are many possible ways to use the results of this project, including raising public awareness by encouraging social partners and the government to use this diagnostic report to foster a broader public debate about the skills challenges facing Portugal.

Portugal is well-placed to build on the experience of adopting a whole-of-government approach and active stakeholder engagement gained through this Skills Strategy project, to lay a sound foundation for more long-term and stable skills policies that will have a sustainable impact – well beyond short-term political cycles.

The next step for Portugal would be to decide which challenges should be tackled first and to develop concrete plans for action, building on the engagement of all relevant skills stakeholders. The OECD stands ready to help in this endeavour.

INTRODUCTION

Skills have become the key drivers of individual well-being and economic success in the 21st century. Without proper investment in skills, people languish on the margins of society, technological progress does not translate into growth, and countries can no longer compete in increasingly knowledge-based economies. The more countries strive to achieve the highest levels of innovation and competitiveness in their economies, the more they must focus on generating the right skills mix.

Portugal's reform efforts are showing positive results

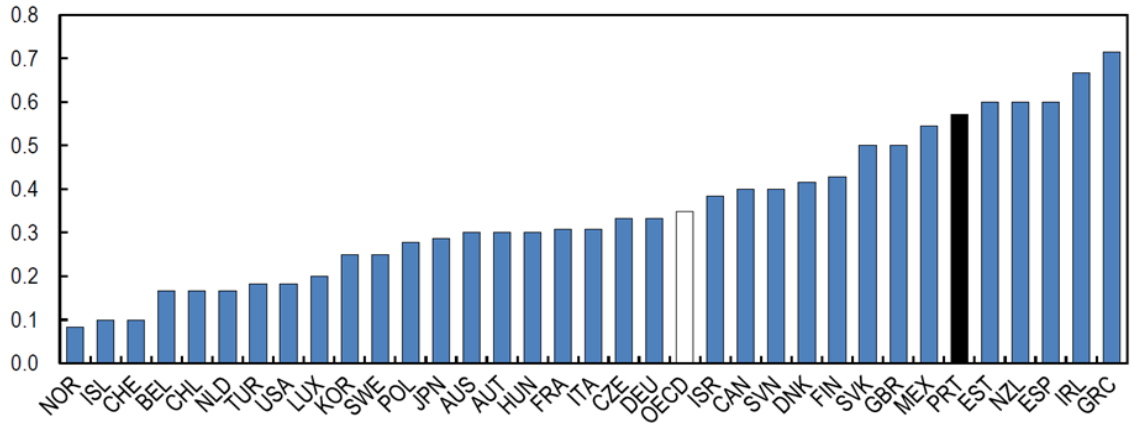
Within Europe, Portugal was one of the countries hit hardest by the economic crisis. Since then, the government has undertaken extensive reforms in several sectors to strengthen public finances, improve the performance of the labour market and increase competitiveness and exports – all key steps in creating jobs and reducing unemployment.

These reform efforts are beginning to show positive results, and although unemployment is still unsustainably high, it has started to decline and by late 2014 had fallen to 13.9%, which is significantly lower than its peak of 17.5% in early 2013. The OECD foresees positive economic growth of around 0.8% in 2014, and further increases in subsequent years (OECD, 2014a).

Portugal's progress on structural reforms is highlighted in the regular OECD structural policy surveillance report "Going for Growth", where it emerged as one of the top reformers among OECD member countries in 2012 and 2013 (OECD, 2014b).

Figure 1. Responsiveness to Going for Growth recommendations

Responsiveness rate, 2012-2013



Note: Responsiveness rates are calculated as the share of priority areas in Going for Growth in which 'significant' action has been taken. The OECD aggregate is calculated as an un-weighted average.

Source: OECD (2014b), *Portugal: Deepening Structural Reform to Support Growth and Competitiveness*, Better Policies, http://dx.doi.org/10.1787/9789264217270-en.

The country's strong commitment and progress on the reform agenda led to Portugal's successful exit of the European Union-International Monetary Fund (EU-IMF) adjustment programme in May 2014. The European Social Fund (ESF), further explored in Box 1, has also played an important role in Portugal's reform efforts in recent years.

Box 1. The European Social Fund (ESF) in Portugal

The European Social Fund is an EU financial tool that supports the implementation of the European Employment Strategy at the national level. This strategy aims for a 75% employment rate for adults aged 20-64 across all EU countries (European Commission, 2012a).

Programmes funded by the ESF focus on improving educational outcomes such as qualifications, lifelong learning and vocational training, and also on labour market outcomes by fostering labour market integration, entrepreneurship, social inclusion and gender equity (European Commission, 2012b). The ESF can thus finance actions conceived to support and retrain the long-term unemployed in Member States so that they can return to the labour market.

During the period 2007-2013, Portugal received 6.3 billion euros in ESF funding, which represented the sixth largest allocation among the 27 EU Member States. The overall allocation of ESF and national co-funding brought the total investment on qualifications and skills, labour market and social inclusion to 9.5 billion euros (European Commission, 2012b).

Sources: European Commission (2012a), *EEO Review: Long-Term Unemployment 2012*; European Commission (2012b), *The European Social Fund in Portugal*.

Structural changes in the economy require changes in the level and composition of skills

In the years before the crisis, Portugal experienced low growth, a decline in export competitiveness and rising trade imbalances. There was a strong expansion of the non-tradable sector, which was heavily skewed towards construction, infrastructure and other sheltered sectors characterised by weak competition.

In recent years, however, and especially due to competition from Asian countries with lower wage levels, the structure of Portuguese exports has changed from traditional sectors such as textiles, apparel, leather, wood and cork, to new export sectors such as motor vehicles, metals and metal products, plastic products, machinery and refined petroleum products. This has led to an improvement in export performance from 27% of GDP in 2009 to 39% of GDP in 2013 - another positive sign of Portugal's progress in rebalancing the economy. Portugal's export structure is now more sophisticated and technology-intensive, which has resulted in a significant turnover of exporting firms, with many firms in the traditional sector closing and a significant number of exporters in new sectors emerging (OECD, 2014a).

Profound structural changes in the Portuguese economy bring with them major implications for the country's skills composition and skills needs. Despite the high level of unemployment overall, several sectors report recruitment difficulties. These include: information and communication, forestry and fishing, construction, manufacturing, wholesale and retail, and administrative and support services. To take as an example the fields of telecommunications, electronics and systems analysis, difficulties in recruiting high-skilled professionals may be explained by: 1) the lack of technical competencies caused by insufficient supply from the education system; 2) the outward migration of professionals due to high demand for the same skills in other EU countries; and 3) unattractive salaries that fail to meet the expectations of professionals (European Commission, 2014).

Creating good quality jobs is the top priority

The high levels of unemployment experienced in Portugal have had several negative effects on the economy and society as a whole. People face poverty and reduced life quality, and the economy stalls while the government faces lower tax revenues and the rising burden of unemployment benefits. Young people are prevented from using their skills in a productive way and face the choice of either unemployment or leaving the country in search of jobs. Young peoples' motivation for undertaking advanced education may be reduced if they see limited job opportunities at the other end. Skills already acquired by the young and adults may atrophy through lack of use, and they will fail to develop further through learning in the workplace. Creating jobs to make full use of the skills within the Portuguese population is therefore the primary challenge facing the government, employers and society alike.

One in seven jobs has been lost in Portugal since 2008. Attaining significant job recovery will require improving the demand side and the financial conditions for Portuguese firms, especially for small and medium-sized enterprises (SMEs) (ILO, 2014). A positive step towards this was announced in December 2014, with the confirmation of a one billion euro government investment in job creation programmes that is designed to encourage entrepreneurship by using specific lines of credit or benefit advances. Six hundred million euros of this investment will come from EU funds and the rest from Portugal's national budget.

With the quality of jobs being such an essential factor in boosting the economy and improving quality of life, the OECD has developed a new framework to measure job quality via three dimensions: the level and distribution of earnings, labour market security and the quality of the work environment. There are large differences across countries in each of these dimensions but there does not appear to be any major trade-off between job quality and job quantity: some countries manage to do well on both counts. There are also considerable differences in job quality between socio-economic groups within countries. Youth, low-skilled workers and those with temporary jobs appear to accumulate many disadvantages. In contrast, high-skilled workers not only obtain access to more jobs, but also to the best quality jobs. Labour market performance should therefore be assessed in terms of both the number and quality of job opportunities. In short, policies should seek to promote more *and* better jobs (OECD, 2014d).

Future skills policies must encompass both quality and equity

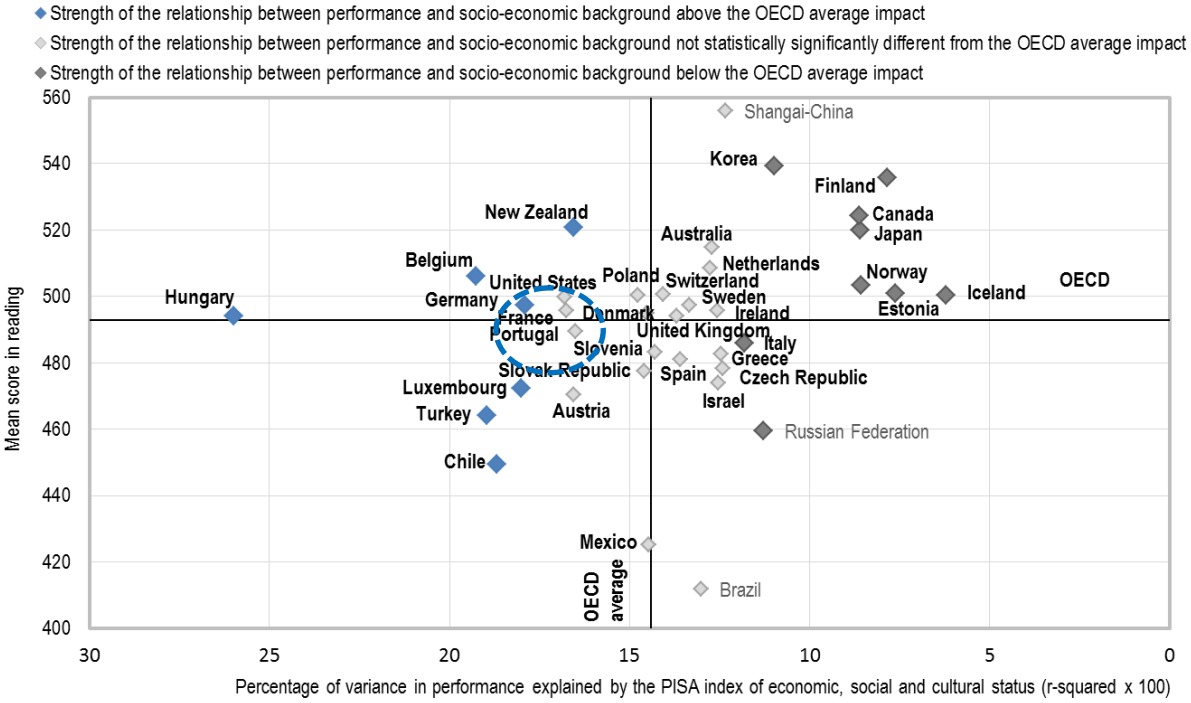
Alongside the major structural reforms undertaken in recent years, Portugal has also taken significant steps to reform its education system, for example by expanding compulsory education to cover 12 years from age 6 to age 18. Portugal has also registered improvements across successive PISA (Programme for International Student Assessment) cycles in mathematics, reading and science. In PISA 2012, 15-year-olds performed at around the OECD average in mathematics and below average in reading and science. Between 2000 and 2013, the proportion of 25-34 year-olds with at least an upper secondary qualification increased from 32% to 60%, and the rate of tertiary attainment among 25-64 year-olds almost doubled in the same period (OECD, 2015; OECD, 2014b).

However, due to the legacy of low levels of education and skills across the workforce, Portugal is one of the five OECD countries with the largest proportion of adults without an upper secondary diploma. To meet Portugal's future skills needs, relevant and good quality adult education and training will be required, and educational attainment among young people throughout upper secondary and higher education will need to be increased.

In developing future skills policies, there will also need to be greater attention on ensuring equity in education, as Portugal is one of the OECD countries where students' PISA results and educational attainment are most closely linked with socio-economic background.

Figure 2. High performing education systems combine equity with quality

Strength of the relationship between performance and socio-economic background (PISA 2009)



How to read this chart: This graph shows the extent to which student performance is determined by socio-economic differences by plotting the average level of performance (y-axis) and the variance in performance explained by the socio-economic background of students (x-axis). In countries located at the right quadrants, socio-economic factors have an impact on performance lower than the OECD average. In countries located at the top quadrants, the mean score of all students is higher than OECD average. There are some countries that combine both high performance and equity. For example in Finland, as in all the countries of the top-right quadrant, students perform higher and are less affected by their home background than the OECD average. Non OECD member economies are included for comparison.

Source: OECD (2012a), *Equity and Quality in Education: Supporting Disadvantaged Students and Schools*, http://dx.doi.org/10.1787/9789264130852-en.

How the OECD Skills Strategy can help Portugal maximise its skills potential

The OECD Skills Strategy provides countries with a framework to analyse the strengths and weaknesses of their skills using a three-pillar framework that encompasses: developing relevant skills from early childhood to adult education, activating skills supply to the labour market, and putting skills to effective use in the workplace and the economy at large. An effective skills strategy ensures policy coherence across these three pillars while strengthening the enabling conditions, such as effective governance and financing, which underpin the skills system as a whole.

The main goal for this joint project between the OECD and the Portuguese government on *Building an effective Skills Strategy for Portugal* is to provide a strategic assessment of the national skills system in Portugal and the way skills are developed, activated and used. A better understanding of these issues is needed to design effective skills policies and strategies to meet Portugal's future skill needs and to improve the match between supply and demand for skills.

Box 2. The OECD Skills Strategy: defining the concept of "skills"



The OECD Skills Strategy defines skills (or competences) as the bundle of knowledge, attributes and capacities that can be learned and that enable individuals to successfully and consistently perform an activity or task, and that can be built upon and extended through learning. The concepts of "skill" and "competence" are used interchangeably in this report. The sum of all skills available to the economy at a given point in time forms the human capital of a country.

Thus, the OECD Skills Strategy shifts the focus from traditional proxies of skills, such as years of formal education and training or qualifications/diplomas attained, to a much broader perspective that includes the skills people acquire, use and maintain – and also lose – over the course of a whole lifetime. People need both hard and soft skills to help them succeed in the labour market, and a range of skills that help them to contribute to better social outcomes and build more cohesive and tolerant societies.

Source: OECD (2012b), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, http://dx.doi.org/10.1787/9789264177338-en.

Fostering a whole-of-government approach to skills

Maximising a country's skills potential requires a co-ordinated effort across ministries and levels of government. A whole-of-government approach to skills is needed to integrate the diverse fields of education and training, labour, economy, tax, local economic development, research and innovation. Each OECD Skills Strategy project is designed to foster greater interaction and exchange among relevant ministries in order to forge a common understanding of the skills challenges at stake as a basis for co-ordinated action.

Portugal's national skills strategy project team is co-ordinated by the National Agency for Qualification and Vocational Education and Training (ANQEP), and includes the Ministry of Education and Science, the Ministry of Solidarity, Employment and Social Security and the Minister in the Cabinet of the Prime Minister and for Regional Development, represented by the Agency for Development and Cohesion. This team was responsible for setting the strategic direction for the project by defining which outcomes of the OECD Skills Strategy Diagnostic Toolkit are most relevant for Portugal, and ensuring that the diagnostic phase covered all relevant aspects of the national skills system.

Engaging stakeholders in strengthening the skills system

Effective skills policy design and implementation requires a broad and shared understanding of the need to enhance skills, the current strengths and challenges facing a country's skills system, and priorities for action. The OECD Skills Strategy underscores the need to look beyond government and build strong partnerships with all actors involved, such as employers, trade unions, training institutions, students and other stakeholders.

Each national project is designed to ensure stakeholder engagement and ownership, and to build a shared commitment for concrete action. This is achieved by actively engaging with stakeholders throughout the process. In the case of Portugal, a range of stakeholders participated in a total of four workshops:

- Over 60 participants in the scoping workshop in Lisbon, 9 April 2014.
- Over 40 participants in the regional diagnostic workshop in Porto, 22-23 May 2014.
- Over 60 participants in the national diagnostic workshop in Lisbon, 3-4 July 2014.
- Over 60 participants in the final skills challenges workshop in Lisbon, 16-17 October 2014.

The workshops involved participants from several ministries and government agencies, local government, employer organisations, trade unions, education and training providers, and private companies.

They consisted of structured small group discussions among participants speaking in their native language as they worked through a series of exercises. Through their active participation in these events, Portugal's stakeholders have played a central role in identifying the main challenges faced by the national skills system, and their input has helped to shape this diagnostic report.

Collaborating with the European Commission

Throughout the Building an Effective Skills Strategy for Portugal project, the OECD has collaborated closely with European Commission Directorate General for Education and Culture and Directorate General for Employment, Social Affairs and Inclusion. The European Commission has provided both financial resources and its expertise in support of this project.

Mobilising comparative data and international experience

Each national project within the OECD's Skills Strategy requires a customised approach to fit with the country's domestic policy agenda and priorities, while ensuring that the process is anchored in the Skills Strategy framework. Working in close partnership with the national project team, the OECD mobilises its multidisciplinary expertise, comparative data, and policy insights from other countries. These resources include:

- The OECD Skills Strategy framework and diagnostic toolkit to structure the analysis and workshops.
- The design and delivery of interactive workshops that maximise discussion among diverse participants, forge a shared understanding among stakeholders of the skills challenges currently facing Portugal, and generate concrete written outputs.
- Relevant OECD comparative data to highlight how Portugal fares in relation to other OECD member countries on a number of important skills dimensions.
- A multidisciplinary team of OECD staff drawing on expertise from across the relevant OECD directorates: education and skills; labour and social policy; local economic development; public governance; taxation; economics; science, technology and innovation.
- International experts from other OECD member countries engaging in peer learning with participants.
- An external, independent perspective with which to create a 'level playing field' for all actors in the skills system and foster constructive dialogue aimed at generating solutions.

Drawing upon diverse sources of information when developing a skills diagnosis

This diagnostic report draws upon three main sources of information: input from workshops with stakeholders, OECD comparative data, and relevant country case studies from other OECD countries.



Portugal's stakeholders

The skills challenges identified by a diverse set of stakeholders who participated in the workshops constitute the 'backbone' of this report.



OECD comparative data and analysis

Second, the wealth of OECD comparative data and analysis which serves to shed light on the challenges identified by stakeholders, placing Portugal's challenges in a broader international context. Each section examines one skills challenge and provides international comparative data from OECD and other sources.



Country case studies

Third, the report features a selection of concrete cases to illustrate how other OECD member countries have tackled similar challenges in their own contexts.

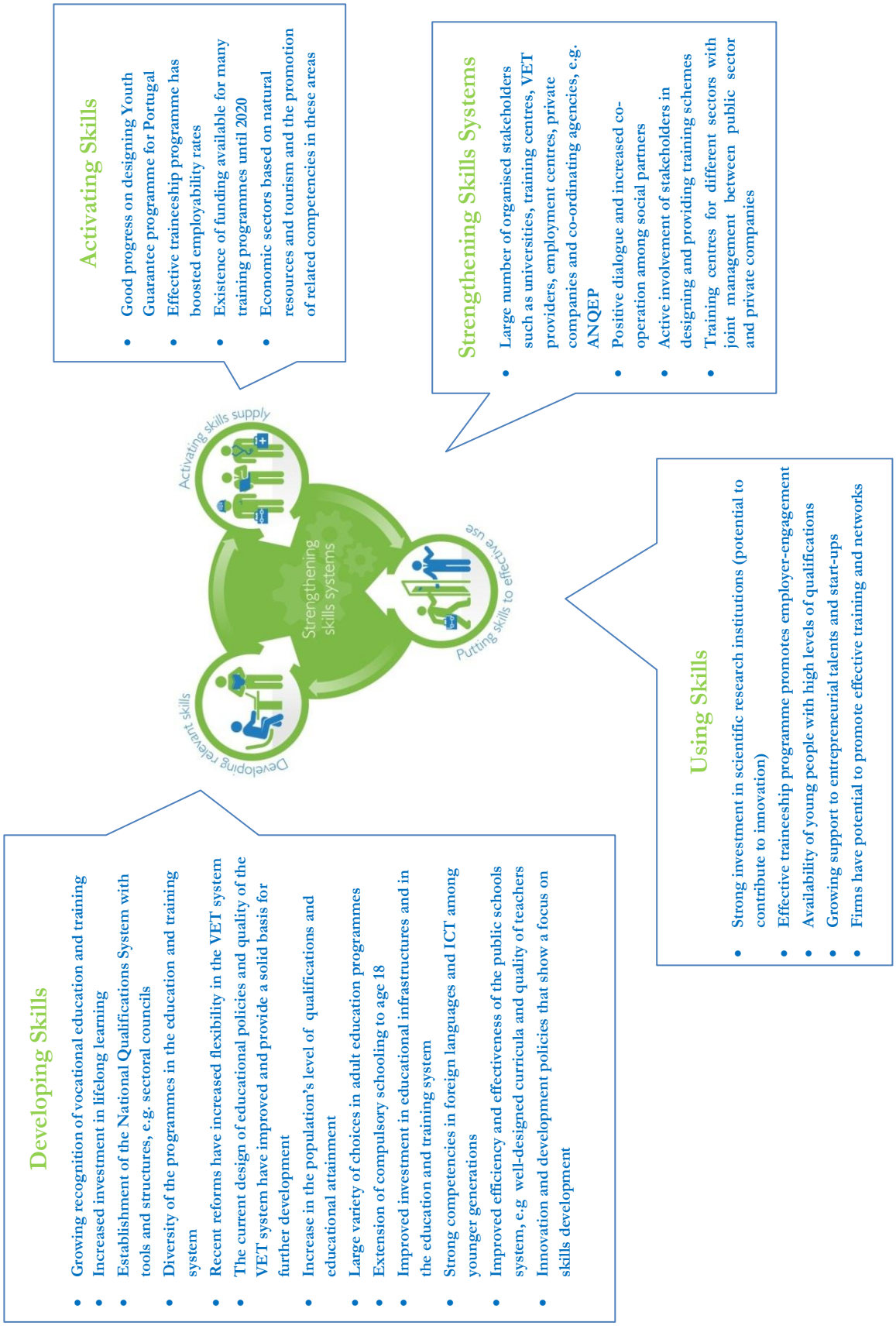
How stakeholders rate the performance of Portugal's skills system

The workshops held in 2014 were designed to encourage all stakeholders to express their diverse views and generate both quantitative and qualitative evidence on the main skills challenges facing Portugal. This information was captured through group discussion and bilateral meetings with the OECD (see Figure 4). While many of these skills challenges are long standing and well known to all participants, the exercise also generated new insights into how different stakeholders perceived or formulated challenges.

Workshop participants had clear views on the many strengths of Portugal's current skills system. Working in small groups, they drew up a varied list (see Figure 3) that they agreed was a strong basis on which to build future success.

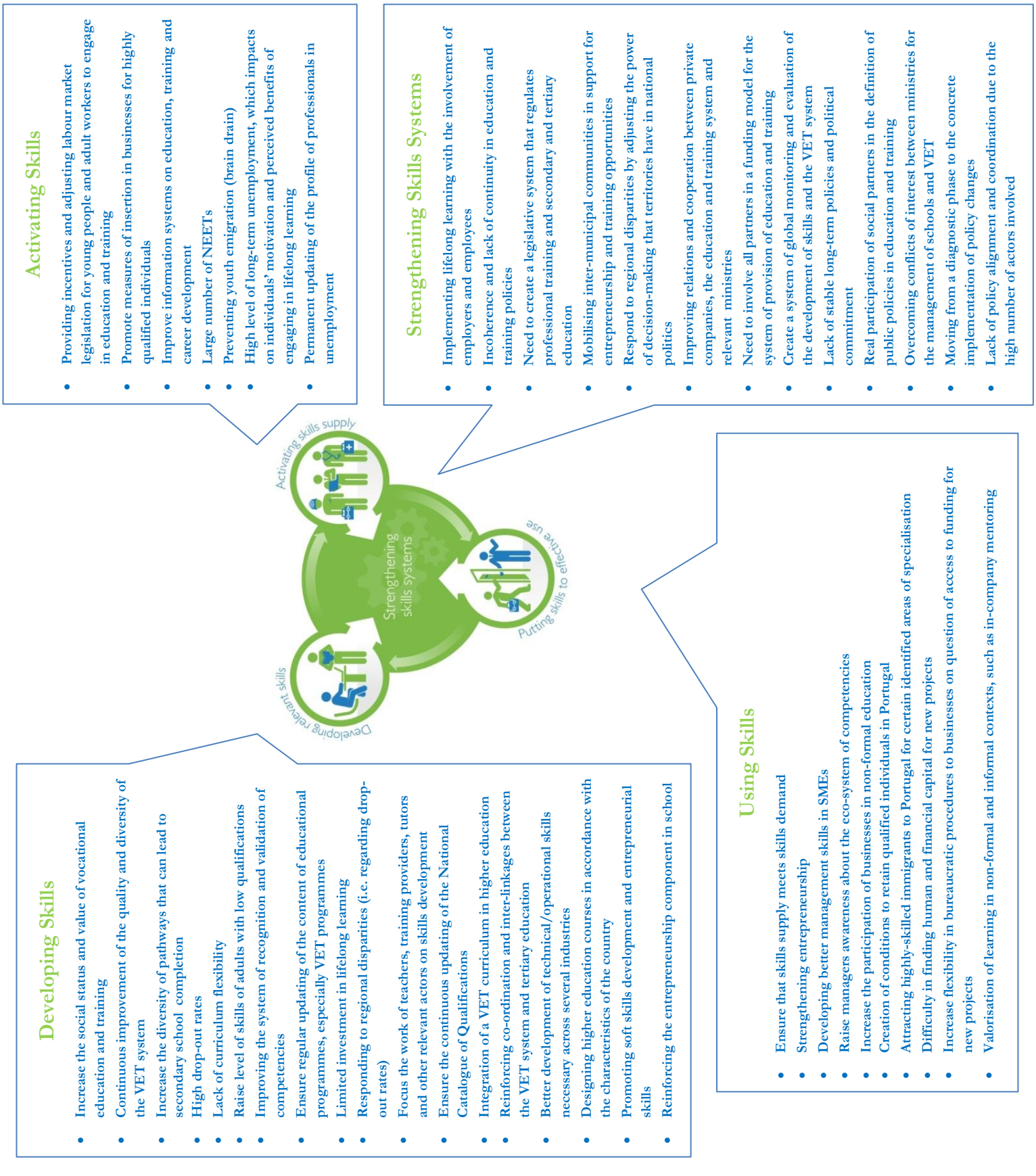
Several methods were used to solicit workshop participants' personal assessments of how Portugal's overall skills system performs today. For example, based on a set of outcome statements that had previously been selected by the Portuguese inter-ministerial project team from the OECD Skills Strategy diagnostic toolkit, each workshop participant was asked to rate Portugal's performance as weak, average or strong. One such outcome statement was "Young people have developed strong literacy and numeracy skills upon completion of initial education". The results were then compiled and analysed in "real time" during the workshops and presented at the final session (see Annex).

Figure 3. Stakeholder views on the strengths of Portugal's skills system



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Figure 4. Stakeholder views on the challenges facing Portugal's skills system

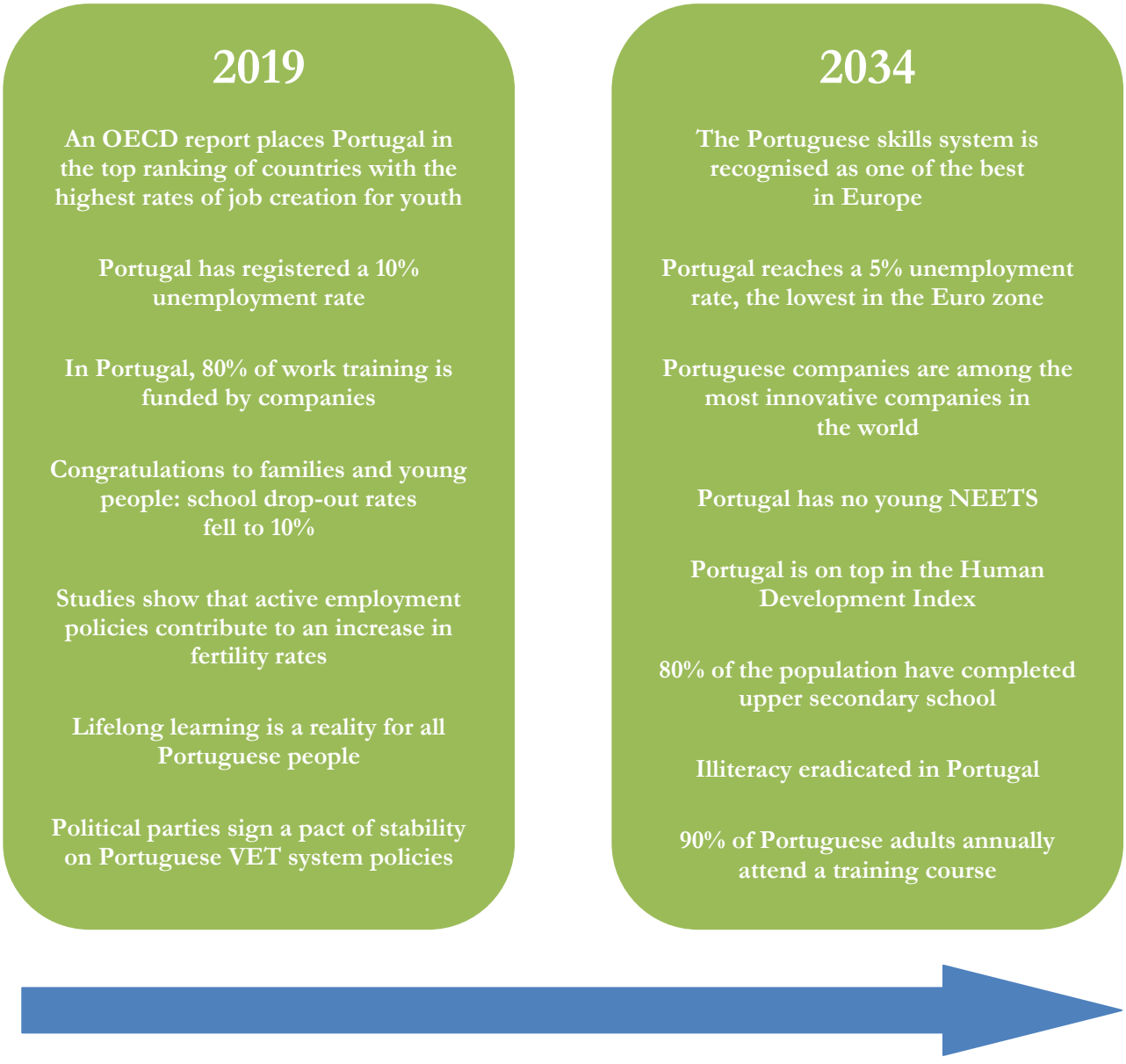


Stakeholders' vision for the future of Portugal's skills system

Workshop participants were asked to describe their vision for the future success of Portugal's national skills system in the form of newspaper headlines that they would want to read in 5 and 20 years' time. This exercise revealed a positive vision of how Portugal's skills system could generate outcomes valued by people, enterprises and society at large.

Figure 5. Stakeholder views on the future of Portugal's skills system

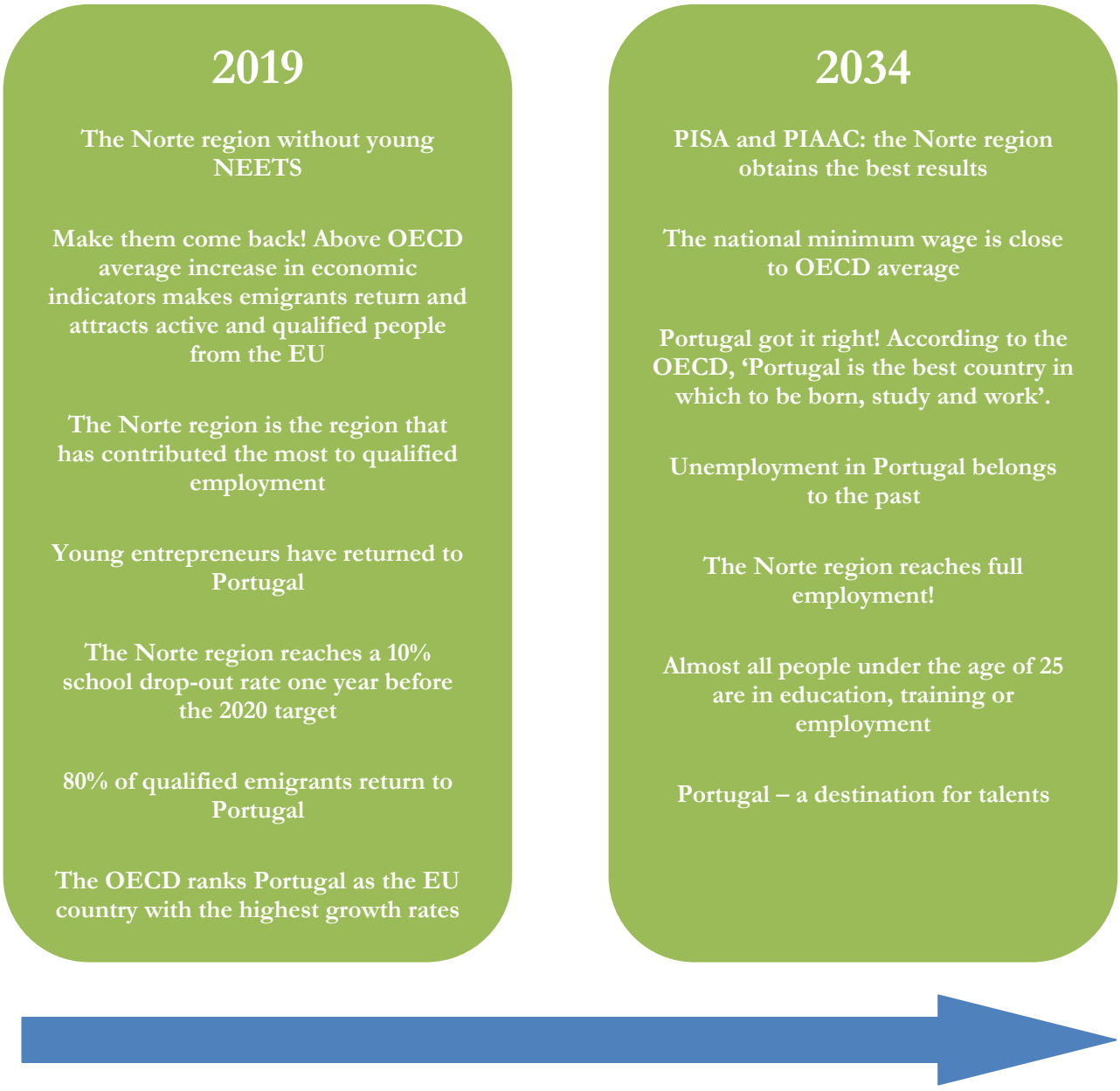
Newspaper headlines in 5 years' and in 20 years' time



Source: Workshop report from the OECD Skills Strategy scoping workshop in Lisbon, 9 April 2014 (see Annex)

Figure 6. Stakeholder views on the future of Porto's skills system

Newspaper headlines in 5 years' and in 20 years' time



Source: Workshop report from the OECD Skills Strategy regional diagnostic workshop in Porto, 22-23 May, 2014 (see Annex).

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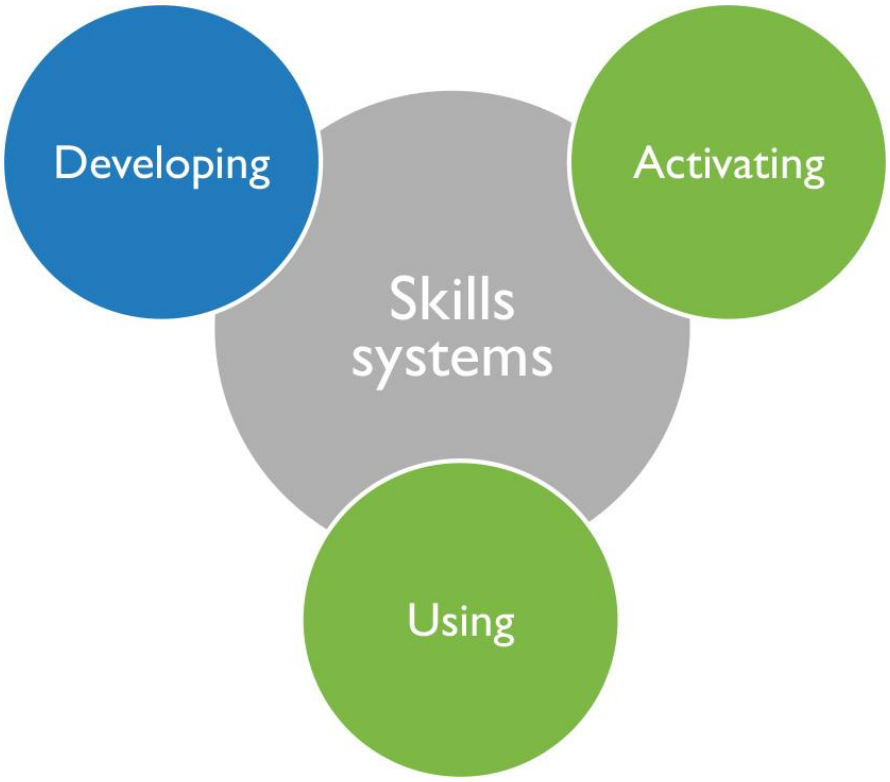
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DEVELOPING SKILLS



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CHALLENGE 1: IMPROVING QUALITY AND EQUITY IN EDUCATION

A selection of challenges identified by Portuguese workshop participants:

"Continuous improvement of the quality and diversity of the education system"

"High drop-out rates"

"Focus the work of teachers, training providers, tutors and other relevant actors on skills development"

"Promoting soft skills"





The highest performing education systems across OECD countries combine quality with equity. Equity in education means that personal or social circumstances, such as gender, ethnic origin or family background, are not obstacles to achieving educational potential (fairness) and that that all individuals reach at least a basic minimum level of skills (inclusion). Across OECD countries, almost one in five students do not reach a basic minimum level of skills. In addition, students from disadvantaged socio-economic backgrounds are twice as likely to be low performers. Lack of fairness and inclusion can lead to school failure, which is reflected by one in five young adults, on average, dropping out before completing upper secondary education (OECD, 2012).

Portugal has made comprehensive reforms in recent years to address the issues of both quality and equity in education, including the important measure to expand compulsory education to cover 12 years from age 6 to age 18. Several measures have been introduced to address factors such as improving curricula, teacher training and teaching quality, reducing drop-out rates, strengthening assessment and evaluation mechanisms, and improving governance in education. While these efforts are substantial and go in the right direction, more needs to be done to further improve educational quality and equity in Portugal.

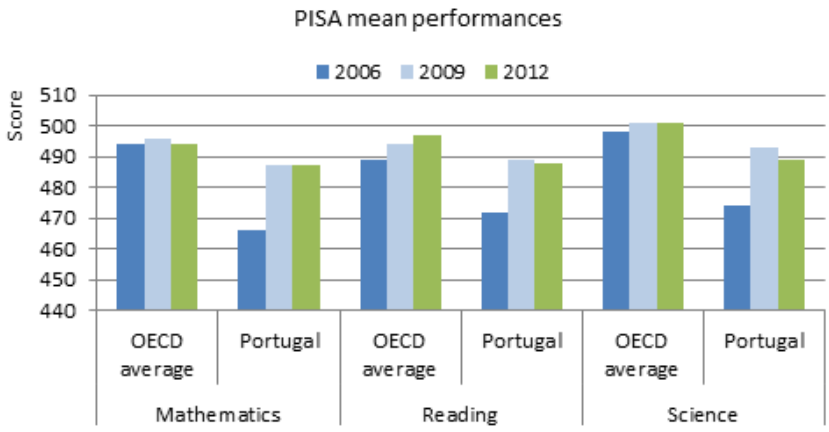
Portugal's student performance has improved but remains below the OECD average

Student performance is a frequently used indicator of quality in education systems. Performance differences can be explained by several factors, such as student background, attitudes towards learning, and schools' organisation, resources and learning environment. Achieving high levels of quality and equity in education systems results in higher-skilled individuals entering the labour market, and enhances educational opportunities to all children while preventing socio-economic backgrounds from being strong determinants of academic achievement. Large disparities are observed across OECD countries, but many good examples show that equity and quality can be attained (OECD, 2014a).

Since 2006, Portugal has demonstrated significant improvements in student performance as measured by the Programme for International Student Assessment (PISA). Between 2006 and 2012, the mean score increased by 21 score points in mathematics and 15 score points in both reading and science (OECD, 2013a).

However, compared to other OECD countries, Portugal's students continue to score low across all PISA subjects. Portugal's PISA 2012 mean score in mathematics (487) is close to the OECD average (494) and comparable to that of Norway (489) and Italy (485), but falls significantly below top-performer Shanghai-China (613) (OECD, 2013a). And despite significant improvements between 2006 and 2009, Portugal's mathematics mean performance has remained stable between 2009 and 2012, while a slight deterioration in test results has been found in reading and science during the same period (OECD, 2013a).

Figure 7. PISA mean performances between 2006 and 2012



Source: OECD (2013b), *Education at A Glance*, http://dx.doi.org/10.1787/eag-2013-en.

A better understanding of why student performance, as measured by PISA scores, has stagnated in recent years will help in the design and implementation of measures that allow Portugal to further close the performance gap with other OECD countries that have, in the meantime, continued to improve.

Between 2003 and 2012, Portugal – together with Italy and Poland – was one of the few OECD countries to have increased its share of top performers, while simultaneously reducing its share of low performers in mathematics. Although starting from a comparatively low level, this achievement shows that nurturing top performance and tackling low performance is not mutually exclusive. Some high-performing countries in PISA 2012, such as Estonia and Finland, also show small variations in student scores, proving that high performance is possible for all students (OECD, 2013a).

An important challenge for many OECD countries is to reduce the proportion of low-performing students; in PISA this is measured by the proportion of students who perform below Level 2. For students who fail to reach this level of performance in mathematics, reading or science, most can be expected to not continue with education beyond compulsory schooling, and therefore risk facing difficulties using mathematics, reading and science concepts throughout their lives and risk having poorer opportunities in the labour market.

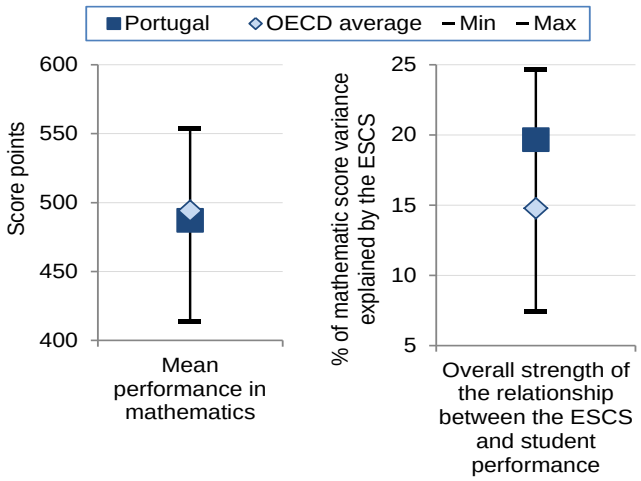
The proportion of 15-year-old students at this level varies widely across countries, from fewer than one student in ten (in four countries and economies), to the majority of students (in 15 countries). Even in the average OECD country, where more than one in five students do not reach Level 2, tackling such low performance is a major challenge that requires addressing barriers posed by factors such as social background. In Portugal, almost one in four students (24.9%) were below proficiency Level 2 in mathematics in PISA 2012, and the proportion of top performers (Level 5 or above) remains below average (OECD, 2013a).

Gender differences in the mean performance of Portuguese students varies across PISA subjects, but are generally in line with OECD average results. They have remained stable in mathematics since 2003 and have slightly decreased in science since 2006. However, a substantial widening of the gender gap has been witnessed in students' mean reading performance: a 25 score point difference between boys and girls in 2000 grew to 39 score points in 2012, as girls pulled even further ahead of boys (OECD, 2013a).

Students' socio-economic background continues to have a significant impact on performance

Socio-economic status can exert a strong influence on student learning outcomes. Across OECD countries, a more socio-economically advantaged student scores 39 points higher in mathematics – the equivalent of nearly one year of schooling – than a less-advantaged student. In Portugal, the performance difference in mathematics across socio-economic groups is 35 score-points.

Figure 8. Performance of 15-year-olds in mathematics and relationship between student performance and the economic, social and cultural status (ESCS) (PISA 2012)



Source: OECD (2014b), *Education Policy Outlook: Portugal*, www.oecd.org/edu/EDUCATION%20POLICY%20OUTLOOK_PORTUGAL_EN.pdf

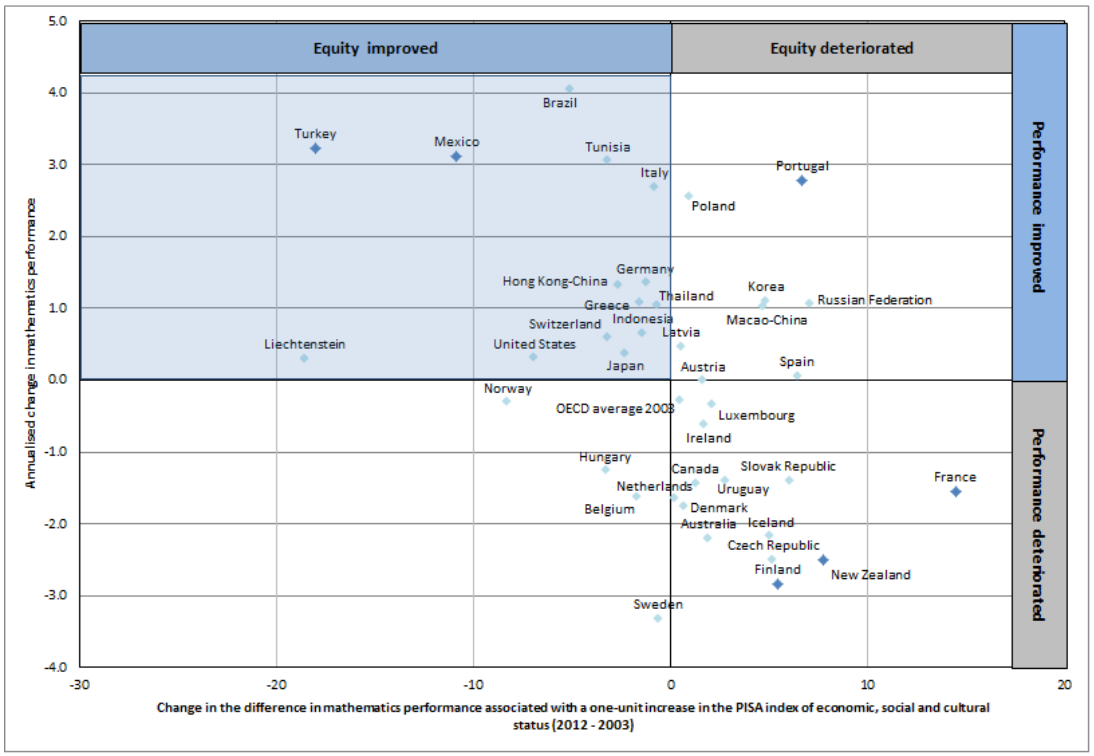
In terms of percentage variation, the measured influence of socio-economic status on performance amounts to, on average, 15% for OECD countries and 20% for Portugal (OECD, 2013c). Together with Chile, Hungary, Luxembourg and the Slovak Republic, the relationship in Portugal between performance and socio-economic status is significantly above the OECD average (OECD, 2014a).

Moreover, evidence shows a deterioration of equity levels in Portugal between 2003 and 2012, despite improvements in PISA performance levels during this period. Portugal's position contrasts to that of Italy, which, for example, showed a similar performance level and improvement in PISA results, as with Portugal between 2003 and 2012 (see Figure 9). However, unlike Portugal, equity in Italy also improved during this period.

The PISA results of several countries demonstrate that high average performance and equity are not mutually exclusive. Australia, Canada, Estonia, Finland, Hong Kong-China, Japan, Korea, Liechtenstein, the Netherlands and Macao-China show above-OECD average mean performance and a weak relationship between socio-economic status and student performance (OECD, 2014a).

Going forward, Portugal needs to pay attention to the balance between performance improvement and greater equity, which implies both continuing efforts to raise the performance of students on all levels as well as continuing to target low-performing students and schools more effectively (i.e. providing additional support and quality resources).

Figure 9. Change between 2003 and 2012 in the slope of the socio-economic gradient and annualised mathematics performance



Note: Changes in both equity and performance between 2003 and 2012 that are statistically significant are indicated in a darker tone.

Source: OECD, *PISA 2012 Database*, Tables I.2.3b and II.2.9b, http://pisa2012.acer.edu.au.

Portugal registers a high number of early school leavers

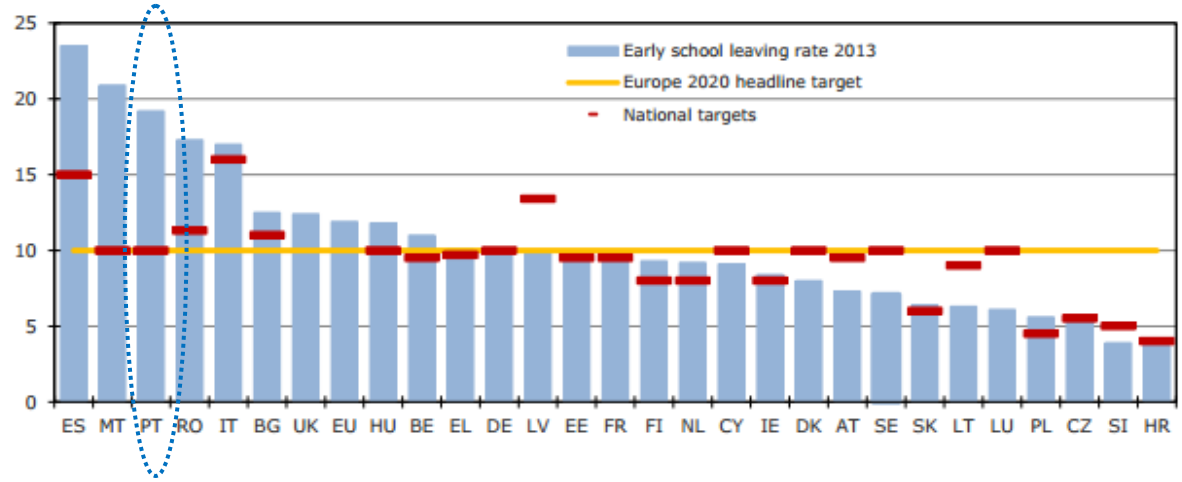
Early school leavers are individuals who have not successfully completed upper secondary education and who, as a result, tend to possess relatively low skills levels. High dropout rates remain a challenge in Portugal's education system, despite significant improvements in recent years. Leaving school early has a major impact on young people's life chances, as well as generating large negative external effects for society and lowering economic productivity.

In 1998, early school leavers comprised 46% of Portuguese youth aged 18-24 (Observatory of Inequalities, 2010). However, over the last 15 years a remarkable effort has been made to bring their number down to 19% in 2013 (European Commission). Among other measures, evaluation reports have highlighted the key role that the increase of Vocational Education and Training (VET) provision in Portugal has played in improving students' performance and reducing dropout rates (QREN, 2009; QREN, 2010).

There are wide gender differences in early school leavers in Portugal: 24% of boys and 14.5% of girls dropped out of school in 2013. Portugal is second only to Spain (27%) for boys' dropout rates, and the situation for girls is very similar, with Portugal third among EU28 countries after Spain (20%) and Romania (16%) (European Commission, no date).

Portugal is also one of the few EU28 countries in which the share of early school leavers is higher among native-born than among foreign-born students. In 2012 only Malta, Poland and the United Kingdom followed a similar trend (European Commission, no date).

Figure 10. Early school leaving rate 2013, Europe 2020 (headline) target and national target



Source: Eurostat (2014), *European Union Labour Force Survey*, http://ec.europa.eu/europe2020/pdf/themes/29_early_school_leaving_02.pdf.

However, even though the overall dropout rate is still above the OECD average (18% in 2011) and the Europe 2020 target, the large reduction over the last 15 years is a very promising trend. Portugal should continue its efforts to decrease dropout rates, for example through existing initiatives such as the Programme to Combat School Failure and Early School Leaving and the Priority Intervention Education Territories Programme.

Box 3. Portugal in focus: Addressing school failure and early school leaving

Portugal is implementing policies to reduce early school dropout and increase educational attainment and qualifications of the workforce. The Programme to Combat School Failure and Early School Leaving (*Programa de Combate ao Insucesso e Abandono Escolar*, 2012) aims to support students at risk of dropping out, reintegrate those who have dropped out and strengthen VET in upper-secondary education. This programme includes a range of measures:

- Provision of daily supervised personalised study time in primary education as soon as difficulties are detected.
- Additional study time and more individualised and targeted support for students identified as at risk of failing their school year in the national student assessments in 4th and 6th grade, as well as a possibility to take the exams at the end of the support period.
- Temporary grouping of students with similar learning characteristics to address difficulties detected and to develop revealed capacities through a more focused and individualised work programme.
- Implementation of information systems to follow schools and students in real time to identify the need for individual support and detect cases of potential school dropout and academic failure.
- Vertical merger of school processes from pre-primary education to secondary education to provide continuity in the pedagogical project (concluded in 2013).
- Improving and adapting the vocational educational offer to student needs by creating more vocational courses in lower and upper secondary education and putting in place a coherent national vocational education and training strategy to guide students and involve the business sector (see Challenge 2).

The Third Generation of the Priority Intervention Education Territories Programme (*Territórios Educativos de Intervenção Prioritária, TEIP3*) targets geographical areas with a socially disadvantaged population and early school leaving rates above the national average. The TEIP3 programme currently covers 16% of Portuguese schools and aims to promote student success by: improving the quality of learning; tackling disciplinary issues, early school leaving and absenteeism; improving transitions to the labour market; promoting co-ordination among schools, civil society and training institutions; and better adapting to student needs.

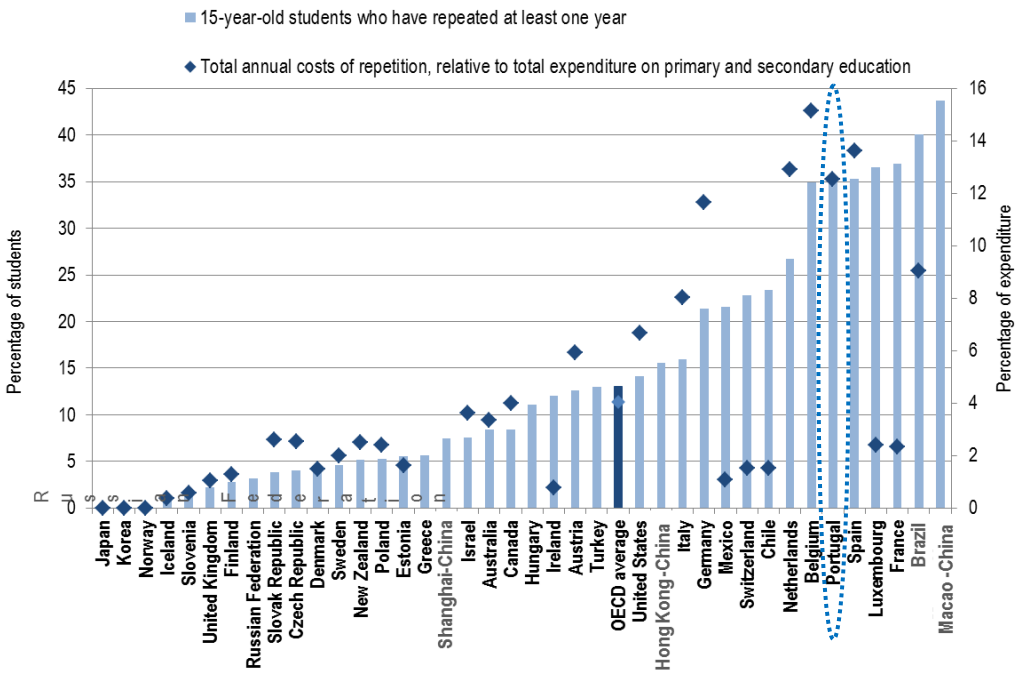
Source: OECD (2014b), *Education Policy Outlook: Portugal*, www.oecd.org/edu/EDUCATION%20POLICY%20OUTLOOK_PORTUGAL_EN.pdf.

Grade repetition is too commonly used

Despite a noticeable reduction in the use of grade repetition in recent years, Portugal still places a great deal of trust in grade repetition as a way of supporting underperforming students. In 2012, 34.3% of students in Portugal reported that they had repeated a grade at least once in primary, lower secondary or upper secondary education. This proportion is the fourth highest among OECD countries, for which the average was 12% (OECD, 2013d).

Grade repetition is a costly measure in many ways, and has not shown any clear benefits, neither for the individual student nor for the school system as a whole. Retained students are more likely to drop out, or stay longer in the school system and spend less time in the labour force. The financial resources spent on grade repetition could therefore better be spent on extra teaching time to support low-performing students.

Figure 11. Grade repetition affects many students and entails high costs in some countries



Source: OECD (2012a), *Equity and Quality in Education: Supporting Disadvantaged Students and Schools*, http://dx.doi.org/10.1787/9789264130852-en.

Not only is grade repetition costly, it appears to reinforce inequality, as disadvantaged students are more likely to repeat grades. Across OECD countries, 20% of socio-economically disadvantaged students reported that they had repeated a grade at least once since they entered primary school, while only 7% of advantaged students reported the same. In Portugal, more than 50% of disadvantaged students reported that they had repeated a grade at least once since they entered primary school. Even among students with a similar performance in mathematics, reading and science, the likelihood of having repeated a grade is often linked to socio-economic background (OECD, 2014h).

More emphasis on social and emotional skills improves quality and equity

Cognitive skills are undoubtedly important and their evaluation is the main object of international assessment tests such as PISA. However, research has also begun to shed light on the predictive power that social and emotional skills, such as self-control and self-motivation, have on earnings, health, engagement in violence and many other life outcomes (OECD, 2015; Kautz et al., 2014).

Some countries have acknowledged their growing importance by including the development of social and emotional skills in their education objectives, and ensuring that they are targeted in national curricula through dedicated subjects at the primary and lower secondary levels. Israel, for instance, has established a Life Skill Studies course and Korea has introduced a Creative Experiential Activities course. Similarly, Portugal provides a non-compulsory Personal Development course to interested students (OECD, 2015).

While social and emotional skills are taught throughout different school subjects and activities in Portugal, there are no specific teacher guidelines for classroom teaching and assessment in this field. Providing more focus on the development of social and emotional skills could contribute to tackling low school performance and reduce early school leaving in Portugal. The country's Mediators of School Success programme (Box 4) is an example of a programme that has focused on raising school success and reducing dropout rates, shedding light on how a more holistic approach to education can help boost academic performance (OECD, 2015).

Such an approach is in line with the European Key Competences Framework that highlights the importance of developing skills such as learning to learn and a sense of initiative and entrepreneurship, alongside digital competences, communication in mother tongue and foreign languages, and the more traditional mathematical competence and basic competences in science and technology (European Commission, 2011).

Box 4. Portugal in focus: Tackling low-performance through a focus on social and emotional skills

The programme Mediators for School Success was established in 2006 by the Entrepreneurs for Social Inclusion Association (*Associação de Empresários pela Inclusão Social*, EPIS), with the objective of tackling under-performance at school and reducing dropout rates.

The programme is intended for children and young people aged 6-24. Informed by Prof. James Heckman's research, it places raising social and emotional skills at the centre of its work. Students are helped to individually develop skills compatible with traditional school learning, such as discipline, perseverance, self-motivation and emotional control. Collaboration, agreeableness and other social skills are also targeted through a range of teamwork activities.

In seven years, the project trained 1 700 students with the support of trained mediators, which helped contribute to a 12% increase in school success rates across 60 Portuguese municipalities. In 2013, 67% students successfully passed a grade. The project currently exists in 120 schools and is planned to be extended to more schools throughout the country every year.

A new programme intended to focus on youth employability is also planned for 2015, in collaboration with the Institute for Employment and Vocational Training (IEFP). At the moment, implementation plans only cover the Portuguese archipelagos of the Azores and Madeira.

Source: EPIS (Associação de Empresários pela Inclusão Social) (2014), *Programa Mediadores para o Sucesso Escolar*, http://www.epis.pt/homepage.

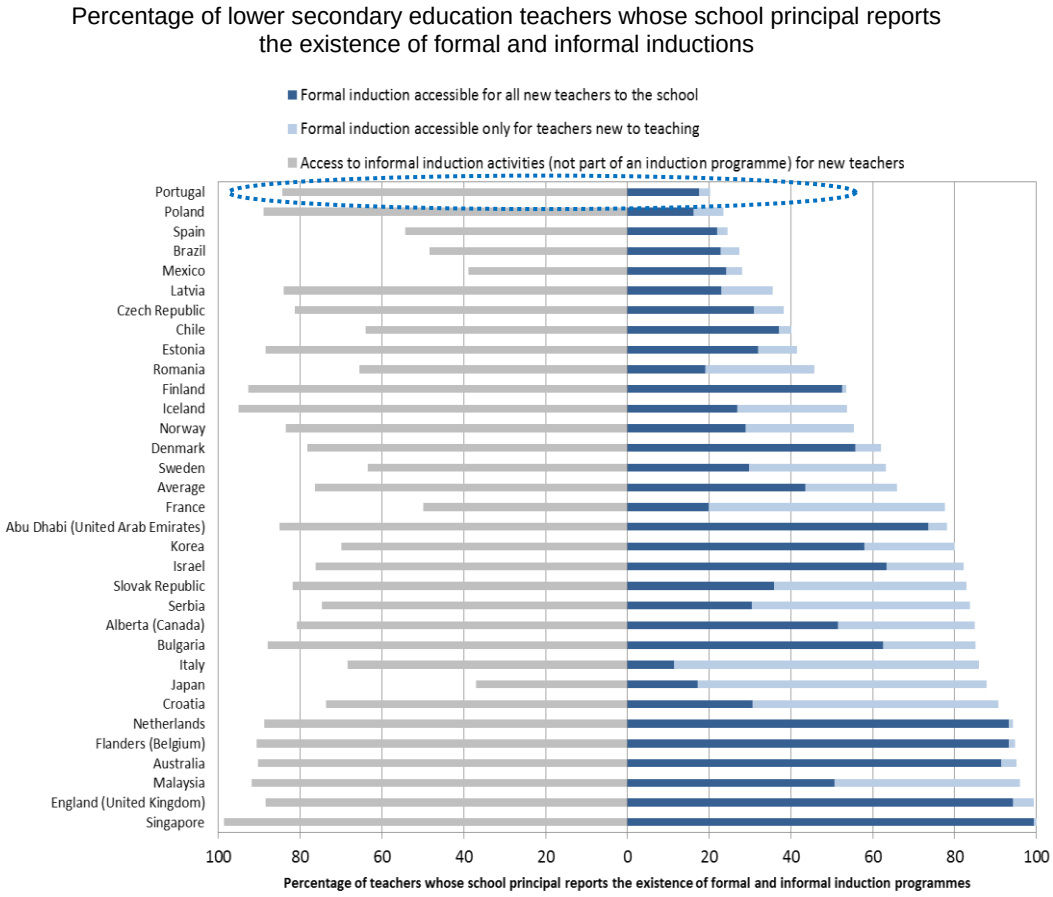
Improving conditions for teachers' professional development

Teachers in Portugal must complete a five-year pre-service teacher-training programme that requires a competitive entry examination and includes a teaching practicum. Several initiatives have been launched recently that aim to strengthen the teaching profession, including more stringent admission conditions to teacher education programmes (introduced in 2014), reinforced scientific curricula in teacher education programmes (introduced in 2014), the introduction of an evaluation exam for teachers with a professional qualification and/or fixed-term contract for teachers with less than five years of practice (*Prova de avaliação de conhecimentos e capacidades*), and the introduction of a lifelong training framework for teachers that links continuing professional development to career progression and aims to improve the quality of teaching (OECD, 2014b). As these are recent initiatives, little can yet be said about their results and impact, and it is important to carefully plan and follow-up on the implementation of these initiatives, and make adjustments if needed to achieve the intended results.

Professional development for teachers can be provided in many ways, ranging from the most formal, such as courses and formal qualification programmes, to more informal approaches such as coaching or mentoring, collaborative planning and teaching and sharing good practice within and between schools.

In the most recent Teaching and Learning International Survey (TALIS), 84% of teachers in Portugal reported having participated in professional development in the previous 12 or 18 months; close to the TALIS average of 87.7% (OECD, 2014d)[1]. However, Portugal shows the lowest rate of access to formal induction for all new teachers to the school and for teachers new to teaching, while access to informal induction activities (that are not part of an induction programme) for new teachers is above the TALIS average and ranks among the highest at over 80% (OECD, 2014d).

Figure 12. Access to formal and informal induction programmes or activities



Source: OECD, *TALIS 2013 Database*, Table 4.1, http://stats.oecd.org/Index.aspx?datasetcode=talis_2013%20.

The data from TALIS further suggests that the culture of mentoring could be strengthened. Two-thirds (66%) of school principals in Portugal report the lack of a mentoring system in their schools, compared to an average of 26% in TALIS countries (OECD, 2014d).

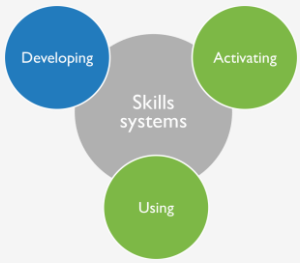
[1] TALIS is the OECD's Teaching and Learning International Survey. TALIS began in 2008 in 24 countries, focusing on lower secondary education. TALIS 2013 covers 34 countries and enables them to conduct the survey in their primary and upper secondary schools as well. The results derived from TALIS are based on self-reporting from teachers and principals and therefore represent their opinions, perceptions, beliefs and their accounts of their activities. Further information is available at www.oecd.org/edu/talis.

Portugal's teacher evaluation model provides a link between teacher evaluation and career/salary progression, but budgetary constraints have led to freezes in public sector career and salary progression, meaning that it cannot currently be applied in practice. While there is a risk that the current freeze on career progression in the public sector may undermine the implementation of appraisal and demotivate staff, this economic context also provides a window of opportunity to focus more fully on establishing and embedding developmental teacher appraisal practices (Santiago et al., 2012).

Strengthening formative assessment practices

Improving evaluation and assessment practices can have tremendous impacts on the quality and efficiency of education systems, and Portugal has come far in developing the foundations of a framework for evaluation and assessment. A range of initiatives clearly communicate that evaluation and assessment are priorities in the school system, and Portugal has provisions for evaluation and assessment at student, teacher, school and system levels, including targets linked to curricula and learning outcomes and the national expansion of teacher evaluation and schools' external evaluation.

Going forward, challenges remain in strengthening some of the components of the evaluation and assessment framework, in ensuring consistency within the framework and in establishing improvement-oriented evaluation practices. Policy initiatives in evaluation and assessment over the last few years have emphasised accountability over improvement, and the formative assessment of students by teachers is underdeveloped as a result of the focus placed on results and a classroom practice dominated by examination and test preparation. There is little emphasis on providing student feedback and developing teacher-student interaction about student learning. Looking ahead, the improvement function of evaluation and assessment should be reinforced while also reflecting on how it can improve student learning (Santiago et al., 2012).



How is improved equity and quality in education interlinked with other parts of the skills system?

Education is key to equality of opportunity and social inclusion. Ensuring that everyone has access to good quality education is an essential ingredient of all advanced economies and societies. Higher skills levels are clearly connected with people's propensity for democratic participation, ability to adapt to changes in society and the workplace, better health and better prospects in the labour market. Improving equity and quality in education will contribute to a more skilled, productive and flexible workforce, higher labour market participation and employment (Challenges 4 and 5) while contributing to job creation and innovation (Challenges 7 and 8). Improving equity and quality in education also depends on the ability to monitor implementation, track outcomes and to re-direct limited financial resources according to need (Challenges 10 and 12).

CHALLENGE 2: STRENGTHENING THE RESPONSIVENESS OF VET TO LABOUR MARKET DEMANDS

A selection of challenges identified by Portuguese workshop participants:



"Increasing the social status and value of vocational education and training"

"Continuous improvement of the quality and diversity of the VET system"

"Increase curriculum flexibility"

"Ensure regular updating of the content of educational programmes, especially VET"

"Reinforcing co-ordination and inter-linkages between the VET system and tertiary education (creating bridges across the systems)"

"Better development of technical/operational skills necessary across several industries"

"Reduce the school dimension of VET"

"Create a system of monitoring and evaluation of the VET system, skills development and needs"

"Ensure the continuous updating of the National Catalogue of Qualifications"



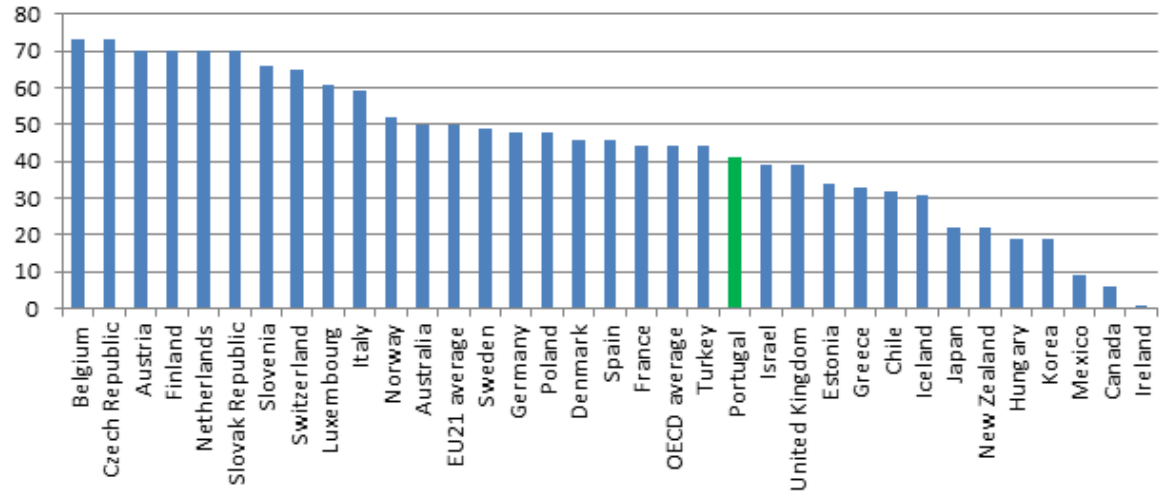
Vocational education and training (VET) providers and policy makers are increasingly aware of the need to respond to the rapidly evolving demands of the labour market. This has spurred efforts to involve relevant labour market actors – from employer associations to trade unions and other consultative professional groups – in the design and management of VET qualifications (CEDEFOP, 2013). VET graduates have better employment prospects in countries where work-based learning is a strong component of VET programmes. Although the VET system in Portugal has followed this trend, the system can be improved in a number of areas.

Enrolment rates in VET are close to the OECD average

Most VET is available for those who have completed at least nine years of schooling or equivalent training. Portugal had a 41% enrolment rate in upper-secondary VET in 2012, compared to the OECD average of 44%.

Figure 13. Upper-secondary VET enrolment rates

Share of students by programme orientation (2012)



Source: OECD (2014e), *Education at a Glance 2014: OECD indicators*, http://dx.doi.org/10.1787/eag-2014-en.

In most countries, vocational education at the upper secondary level is school-based only. However, in a number of countries a programme that combines both school and work is also offered. For example, in Switzerland, 60% of all upper secondary students are enrolled in combined vocational programmes, as are more than 30% of all upper secondary students in Austria, the Czech Republic, Denmark, Germany and the Slovak Republic (OECD, 2014e).

Increasing the attractiveness of VET

In many countries, VET pathways have traditionally been associated with physical and practical occupations such as carpentry and shoemaking. Over the past two decades, however, Portugal's VET system has expanded its scope to encompass a wide range of higher skilled occupations such as renewable energies, electronics and automation, ICT, aeronautics, and accounting and business administration. In the area of tourism – an important and growing part of the Portuguese economy – there is a strong demand for VET from young people, and the training offer has been developed in recent years both on upper-secondary and post-secondary level. A number of VET pathways are now available at lower secondary and upper secondary levels for young people aged 13 to 24.

VET stakeholders have made a continuous effort to remove the negative stigma surrounding the system and to present it as a pathway that leads to quality employment opportunities. Raising the public's awareness of the value of VET programmes among students and their parents has helped. Such efforts start with a good communication of VET systems in schools; but good quality information about VET pathways should also be present across the education system, even in public schools whose predominant focus is on preparing students for higher education. Providing better information about the wide-range of existing VET options for students would not only improve the match between student interests and study courses, but also contribute to reducing school dropout rates.

Box 5. Existing VET pathways in Portugal in lower-secondary and upper-secondary education

In Portugal, a number of VET pathways are available in lower-secondary and upper-secondary education for young people aged 13 to 24.

In lower-secondary education

- The **Vocational Courses** were created in 2012 to provide the first contact with the world of work in lower-secondary education, starting at age 13.
- The **Education and Training Courses (CEF)** – designed for young people over the age of 15 who left school early, or are at risk of doing so, before completing basic education. These courses correspond to the National Qualifications Framework (NQF) level 2 qualification (see Box 8 for further information on the NQF). In schools, CEF courses will be replaced by Vocational Courses from the 2015/2016 academic year.

In upper-secondary education (corresponding to the NQF level 4 qualification)

- The **Professional Courses** (CP) – designed for young people between the ages of 15 and 20 who have completed lower-secondary education and want to develop the personal and professional skills required for entering the labour market or undertaking further studies.
- The **Apprenticeship Courses** (CA) – designed for young people up to the age of 24 who have completed lower-secondary education. These courses have a strong link with the professional world.
- The **Vocational Courses** (CV) – designed for young people with lower-secondary education and who are more than 16 years old or for those who, having attended the secondary education, seek a more technical pathway or are at risk of dropping out. Prior to enrolment in these pathways, a career guidance process should take place.
- The **Specialised Art Courses** (EAE) – designed for young people who have completed lower-secondary education and have talent in the specific artistic area (visual arts and audiovisuals, and dance).
- The **Tourism and Hospitality Courses** – provided by schools that specialise in Hospitality and Tourism.

Several initiatives have also been conducted at the national level, ranging from annual fairs and an annual VET Roadshow to awareness raising campaigns in schools. The National Championship of Professions, SkillsPortugal, which took place in Porto in May 2014, is an example of an initiative to increase the visibility of VET pathways to particular professions. Promoted by the Institute for Employment and Vocational Training (IEFP, *Instituto do Emprego e da Formação Profissional*), Portugal's National Skills Competition gathered a total of 400 VET students from across the country to compete in fields as varied as mechanical engineering, cooking and hairdressing. Finalists were invited to compete at the Regional Championship in Lille, France, in October 2014 and the World Skills Championship in São Paulo, Brazil, which will take place in August 2015.

Box 6. Portugal in focus: ATEC promoting quality and relevance in VET

ATEC (Associação de Formação para a Indústria) is a non-profit training association established in 2003 by Volkswagen Autoeuropa, Siemens, Bosch and the Portuguese-German Chamber of Commerce and Industry. ATEC is responsible for developing and promoting courses tailored to the needs of the companies involved, such as specialised IT courses, energy management, mechatronics, robotics, automation and industrial maintenance and metalworking. ATEC provides advanced and up-to-date technical and technological education with good job prospects. The trainees are being prepared for the real world of work by adhering to the rules of conduct at the workplace and by following working hours defined by labour regulations and not by the school calendar.

ATEC organises an annual job fair and open day where students, teachers, vocational trainers and families are invited to learn more about the courses ATEC provides and what kind of jobs the courses qualify for, for example by meeting trainees in the different areas. Every summer ATEC also organises a "Summer challenge" where young people from 12 to 16 years are invited to join a two-week programme to explore and experience the training offers available.

ATEC is an accredited training provider by DGERT and has a partnership agreement with IEFP.

Source: www.atec.pt.

Box 7. Making VET more attractive: EU initiatives

The Bruges Communiqué

The Bruges Communiqué is the latest revision of the Copenhagen Process launched in 2002 for European co-operation on vocational education and training. In 2010, the Bruges Communiqué identified existing and future challenges, as well as key short-term and long-term deliverables encompassed in a global vision for education and training in 2020.

The strategic objectives of the Bruges Communiqué include building attractive and inclusive European VET systems, high quality initial VET (IVET), easily accessible and career-oriented continuing VET (CVET) as well as flexible systems of VET based on a learning outcomes approach.

Key transversal objectives relate to the greater involvement of VET stakeholders, an intensification of the co-operation between VET policy and other policy areas, as well as improving the quality and comparability of data for EU policy-making in VET.

European Alliance for Apprenticeships

The European Alliance for Apprenticeships (EAfA), jointly co-ordinated by European Commission's Directorate-General for Education and Culture and the Directorate-General for Employment, Social Affairs and Inclusion, aims to bring together public authorities, businesses, social partners, VET providers, youth representatives, and other key actors in order to promote apprenticeship schemes and initiatives across Europe.

The Alliance is developed upon three strands of action: the reform of apprenticeship systems; promoting the benefits of apprenticeships; and making smart use of funding and resources. The aims of EAfA are supported through a variety of EU funding mechanisms, resources and networks.

EAfA has mobilised EU countries and stakeholders; supported the establishment of bilateral and national agreements, initiatives, and cooperation mechanisms; supported the reform of apprenticeship systems; raised awareness of the benefits of apprenticeships; and contributed to the policy environment through studies and dialogue. For example, Germany supports Greece, Italy, Latvia, Portugal, Slovakia and Spain on VET reform.

Bilateral co-operation agreement between Portugal and Germany

The Minister of Education and Science of Portugal and the Minister for Education and Research of Germany signed a Memorandum of Understanding in 2012 to increase cooperation between their countries in the area of vocational education and training.

They agreed on several measures to develop a comparative analysis of their respective systems and structures of VET, from detailing the level of curricula, access requirements, involvement and role of business, requirements for trainers and sharing of best practices; to the exchange of information on practices in guidance services, including the opportunity of peer learning activities. They also agreed to promote the exchange of VET students, educational professionals and business representatives. A training program for work-based learning tutors in companies has been developed as part of this collaboration. A working group with representatives from both countries has been established to co-ordinate, monitor and evaluate the implementation of the Memorandum of Understanding.

Sources: European Commission (2010), *The Bruges Communiqué on enhanced European Cooperation in Vocational Education and Training for the period 2011-2020*, http://ec.europa.eu/education/policy/vocational-policy/doc/brugescom_en.pdf; European Commission (2014), *European Alliance for Apprenticeships*, http://ec.europa.eu/education/policy/vocational-policy/alliance_en.htm.

Making the VET system more responsive to the labour market

Reinforcing the links between education and the workplace contributes to ensuring that VET programmes are up-to-date and relevant to the labour market, as well as to reducing dropout rates. Recent developments in Portugal's vocational education and training system have concentrated on the implementation of an integrated strategy in terms of objectives, organisational models and use of resources, and aims to raise the qualification levels of young people and adults.

As part of this strategy, Portugal set up the National Qualifications System (NQS) in 2007, which maps the relationships and linkages between education, professional training and employment. It also created new organisational structures and instruments, namely ANQEP (formerly ANQ); the National Catalogue of Qualifications (NCQ), the training providers network; CQEP network (formerly CNO network); and the Sector Councils for Qualification (CSQ), as well as modernising the regulatory frameworks. The creation of a National Qualifications System was an important step towards Portugal's current labour market-oriented approach to VET. In the stakeholder workshops carried out in 2014, many participants recognised the NQS as being an important foundation for further work and continuous improvement.

Box 8. Portugal's National Qualifications System

The National Qualifications System (NQS) was created in 2007 with the following objectives:

- To make upper-secondary education the reference objective for the qualification of young people and adults.
- To strengthen the integration between general education and professional training in all VET pathways, ensuring for all of them the principle of double certification (awarding an academic and a professional certification).
- To create mechanisms for the certification of academic and professional competences via recognition of prior learning.

Instruments of the NQS

Under its umbrella, the NQS mainly includes the National Catalogue of Qualifications and the National Qualifications Framework.

The **National Qualifications Framework** (NQF) has eight qualification levels and enables the comparison of the different qualifications in the education and training system.

The **National Catalogue of Qualifications** (NCQ) covers 40 areas of education and training, 280 non-tertiary qualifications of NQF levels 2, 4 and 5, as well as training modules of short duration and standards for the academic and/or professional recognition and validation of non-formal and informal learning.

Structures of the NQS

Sector Councils for Qualification: The development and updating of the NCQ is undertaken by the 16 Sector Councils for Qualification. These Councils are working groups with technical and advisory competences whose expertise is necessary to reduce the gap between education and training qualifications and skills needed in the labour market.

Training providers network: The network of training providers comprises public, private and professional schools, training centres, private training providers, and entities not under the scope of ministries responsible for education and training, such as the Schools of Hospitality and Tourism.

Centres for Qualification and Vocational Education (CQEPs): CQEPs develop processes for recognition, validation and certification of competencies (RVCC), allowing for the recognition of academic and professional competences acquired in formal, non-formal and informal contexts. CQEPs also work in close cooperation with both training providers and guidance and psychology services in order to inform and orient both young people and adults towards the different education and training pathways available. The CQEPs network is managed by ANQEP and there is a variety of entities that can be promoters of CQEP (among them the vocational training centres).

Sources: ANQEP (Agência Nacional para a Qualificação e o Ensino Profissional) (2014), *Catálogo Nacional de Qualificações*, http://www.anqep.gov.pt/default.aspx; CQEP (Centros para a Qualificação e o Ensino Profissional) (2014), http://cqep.anqep.gov.pt/.

Portugal's National Catalogue of Qualifications is a strategic instrument of the National Qualifications System, which has resulted in the design and validation of a unique set of national qualification standards by different stakeholders of the VET system – including social partners, representatives appointed by the Ministry in charge of the activity sector, reference companies, VET providers and independent experts. The catalogue has allowed the certification of competences acquired both in formal, non-formal and informal learning contexts through the creation of training standards and standards for the validation of non-formal and informal learning. As well as improving transparency and comparability across qualifications, the catalogue has resulted in the regulation of access to public funding by directing funding to qualification standards included in the NCQ, both for initial VET (IVET) and continuing VET (CVET).

All VET programmes in Portugal have a school and a technical component and include work-based learning/in-company training, which is organised by the respective training provider (e.g. secondary schools, professional schools, vocational training centres) and local employers. The Institute for Employment and Vocational Training (IEFP), under the responsibility of the Ministry of Solidarity, Employment and Social Security, is both the public employment service and an important training provider in the VET system. IEFP has 53 vocational training centres, of which 23 are co-managed by IEFP and social partners.

The number of work-based learning hours in professional courses has recently been increased in order to strengthen the link between trainees and the business world, and to increase companies' participation in training. In addition, Vocational Schools of Business Reference (*Escolas Profissionais de Referência Empresarial*) have been established to focus on economic priority sectors (Governo de Portugal, 2014).

Box 9. Quality assurance and legal frameworks for work-based learning

In **Spain**, participation in work-based learning is mandatory for all upper secondary or post-secondary vocational students. Autonomous communities create their own **legal framework for implementation**. That of the Community of Madrid covers collaboration agreements signed by the company and the school's principal, setting out the participating students, the place of training, start and end dates, hours of work, and details of the training programme. Students are covered for workplace accidents under the regulations on insurance. The training plan specifies the set of training activities that the student will perform while in the company. The workplace training module is evaluated by the teacher who supervises the module on behalf of the school. The teacher has to visit the company at least every two weeks to interview the in-company supervisor of the student and observe the students.

In **Denmark,** all academy profession programmes include a minimum of three months of work-based learning, and six months in professional bachelors' programmes. Following their placement, students report back to their training provider and are assessed to see if they have met their learning objectives. Supervisors need to have a solid knowledge of the theoretical content of the student's course and have sufficient time and resources to offer guidance. **Quality assurance** has three key features:

- Quality assurance is built into the work placement arrangements and plays a decisive role in the accreditation of new programmes.
- Attention is given to making these placements as useful as possible for both vocational programmes and employers, and the analysis of those links forms part of the accreditation process.
- The work placements are closely linked to learning outcomes. Students apply concepts learnt in the study programme at the workplace, linking theory to practice.

Sources: General Directorate for Secondary and Vocational Education Community of Madrid, Spain (2009) Instrucciones de la Dirección General de Educación Secundaria y Enseñanzas Profesionales, por las que se concertan, para los centros públicos, determinados aspectos relatives al modulo profesional de formación en centros de trabajo, www.madrid.org, accessed December 2011, Field, S., et al. (2012), *A Skills beyond School Review of Denmark*, OECD Reviews of Vocational Education and Training, http://dx.doi.org/10.1787/9789264173668-en, OECD (2014f), *Skills Beyond School: Synthesis Report*, OECD Reviews of Vocational Education and Training, http://dx.doi.org/10.1787/9789264214682-en.

The Centres for Qualification and Vocational Education (*Centros para a Qualificação e o Ensino Profissional, CQEP*), created in 2013, provide guidance and counselling to youth and adults on education and training opportunities and on processes of recognition, validation and certification of competences (RVCC) (CQEP, 2014). These centres were also established to increase collaboration between various stakeholders engaged in employment, education and training at the local level. The extent to which these centres are delivering the intended results has not yet been evaluated.

Ensuring progression and transparency in the VET system

In most OECD countries, vocational education and training is accessible to students at the upper secondary or post-secondary non-tertiary level (ISCED levels 3 and 4). While some countries have implemented reforms to facilitate access to tertiary education for VET graduates, others have also created VET programmes at the tertiary level. Creating bridges across systems ensures that greater opportunities are available in terms of study pathways, which allows for a better match between students' interests and their choice of courses as they go up the education ladder and leads to better career progression.

In Portugal there are bridges between all VET pathways and other parts of the education system (general and higher education). Vocational Courses were created in 2012 to provide the first contact with the world of work in lower secondary education (starting at age 13), and to increase awareness about vocational pathways. In 2013, the Vocational Courses were extended to upper-secondary education (OECD, 2014b). The project requires schools to establish a protocol for work-based learning with local businesses as a pre-requisite to the creation of a vocational course. This is seen as a way of reducing skills mismatch and the over-supply of graduates in certain fields. Vocational Courses allow the transition between VET and general education, as well as the other VET pathways at upper-secondary education (e.g. Professional Courses and Apprenticeship Courses). They also aim to enable students' transition into tertiary education.

Portugal introduced a short tertiary education cycle in 2014-15: Professional Technical Superior Courses (*Cursos Técnicos Superiores Profissionais*, TeSP). These are courses spread over 4 semesters that award 120 ECTS, provided by polytechnic institutes and situated at level 5 of both the NQF and EQF[2] (Governo de Portugal, 2014). The courses are established alongside the Technological Specialisation Courses (*Cursos de Especialização Tecnológica*, CET) that correspond to the NQF and EQF level 5, and can be administered by a variety of institutions.

Both types of courses are technical and vocational in nature and provide a continuum to VET courses offered at the upper-secondary school level. The specific characteristic of TeSPs is that they aim to develop close relationships with regional businesses to define curriculum contents and the provision of internship opportunities. CET is a post-secondary non-tertiary education pathway that leads to a technological specialisation diploma. In 2012/2013, 10 341 students were enrolled in CET courses (DGEEC, 2015). These courses, which last between 12 and 18 months, award between 60 and 90 ECTS. In polytechnic institutes they are being replaced by TeSP from the 2015/2016 academic year.

The introduction of new education pathways – partly as a complement to existing pathways – may present challenges in terms of managing the system and in clearly communicating its purpose to the users (i.e. the youth being trained, their families, employers etc.). Developing a clear communication and implementation plan, as well as monitoring implementation, will be needed to achieve the intended results.

[2] European Qualifications Framework

In several OECD countries, career pathways are being used to better align the education system with the needs of the labour market (OECD, 2014g). In particular, these approaches have been used in the United States to strengthen the alignment of the vocational education system with employers' needs. To create these pathways, community colleges typically re-map existing courses into job-specific clusters and create new industry-recognised credentials for each cluster. Students can build up their qualifications to move along a career pathway or up a career ladder. Formal career ladders are typically created in partnership with local employers. In addition to helping design curricula for these programmes, employers may provide instruction, sponsor work study, internship, or apprenticeship positions, provide funds for training, including state of the art equipment, and recruit students (U.S. Department of Labor, 2014).

Box 10. Postsecondary VET in Austria, Germany and Switzerland offers avenues of progression that are both attractive to upper-secondary VET graduates and meet labour market demands

Many countries have tried to emulate the dual apprenticeship systems of Austria, Germany, and Switzerland that alternate on the job training with school-based education. Such attempts have sometimes failed because of insufficient attention to the institutional context, including the range of further routes of progression. In Austria, Germany and Switzerland, the upper secondary vocational tracks are reinforced by labour market relevant post-secondary options for their graduates. These career and learning routes help to professionalise the occupation by establishing a career structure and routes of progression.

In Germany, the two main pathways of short-cycle professional education and training include advanced vocational examinations, which effectively link upskilling to recognition of prior learning; and *Fachschulen* (trade and technical school) qualifications, which have a clear value for both students and employers. The professional education and training (PET) system in Switzerland is comparably well articulated with upper-secondary VET. It offers progression opportunities for graduate apprentices through professional college (*höhere Fachschulen*) programmes and national professional education and training (PET) examinations that include the Federal Diploma Examination (*Eidgenössische Berufsprüfung*) and the Advanced Federal Diploma Examination (*höhere Fachprüfung*). The Austrian postsecondary VET system is highly diverse with different programmes and institutions offering access to further and higher education. Austria has a range of professional examinations designed to deepen or widen the professional skills of graduates of the apprentice system that resemble the arrangements in Germany and Switzerland.

In all three countries, preparation courses for postsecondary VET examinations are rarely mandatory but most examinees attend them. Austria and Germany both have master craftsman examinations (*Meisterprüfungen* and *Befähigungsprüfungen/Fortbildungsprüfungen*) that entitle individuals to run their own business and train apprentices or to be promoted in a company. In the Swiss VET system, all examinees of the Advanced Federal PET Examination receive the uniform designation "with Advanced Federal PET Diploma" (*mit eidgenössischem Diplom*). This reflects the classical progression from apprenticeship to *meister* level, enabling the examinees to carry out their profession independently, run their own business, and train apprentices. Recently, the scope of this examination type has been widened to include other non-technical professions in the commercial, manufacturing, agricultural, and service related sectors.

Sources: Fazekas, M. and S. Field (2013), *A Skills beyond School Review of Germany*, OECD Reviews of vocational Education and Training, http://dx.doi.org/10.1787/9789264202146-en; Musset, P., et al., (2013), *A Skills beyond School Review of Austria*, OECD Reviews of Vocational Education and Training, http://dx.doi.org/10.1787/9789264200418-en; OECD (2014f), *Skills Beyond School: Synthesis Report*, OECD Reviews of Vocational Education and Training, http//dx.doi.org/10.1787/9789264214682-en.

Increasing the responsiveness and adaptability of VET systems to emerging needs

Qualifications are designed and developed to reflect the different occupational needs of countries' economies and labour markets. Obtaining a qualification in the Portuguese VET system requires the completion of school and technical components, organised in modules (ANQEP, 2014). Some shortcomings regarding the responsiveness of Portugal's qualifications system to regional contexts were identified by workshop participants.

Portugal's National Catalogue of Qualifications encompasses the strategic and relevant qualifications for the country's economic and social development, as well the competitiveness of companies (ANQEP, 2014). It reflects national standards that, due to their broad nature, do not always correspond to local needs. However, the catalogue has gradually been creating alternative responses to sectoral, regional and even local specificities with the creation of different sets of optional Short Duration Training Units, which are designed to meet local and

regional needs. While recognising that much has been done, workshop participants identified an insufficient degree of flexibility in adapting curricula to different local occupations.

The responsibility for integrating, excluding and updating qualifications in the catalogue mainly lies with the Sector Councils for Qualifications and the entities of the National Qualifications System, through the Open Model of Consultation (*Modelo Aberto de Consulta*) created by ANQEP. This inclusive model allows any entity to request to ANQEP changes for an existing qualification and formalises the submission of proposals to update the National Catalogue of Qualifications.

In spite of this, workshop participants reported that they find the process of creating and adding new qualifications very slow. Such concerns point to the need to further strengthen the overall responsiveness and flexibility of the National Catalogue of Qualifications so that it is more able to meet rapidly emerging regional and sectoral needs (IESE/Quaternaire, 2013).

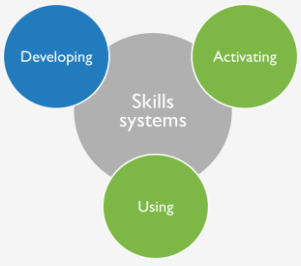
Improving the quality of the certification process of training providers

VET may be provided by private training providers, employers and other types of public institutions, as well as public education and training institutions. Private training providers (except those under the aegis of the ministries responsible for education and vocational training) need to be certified by the Directorate-General for Employment and Labour Relations (DGERT, *Direção-Geral do Emprego e das Relações de Trabalho*) when the training they are providing seeks public funding and/or is defined within the National Qualifications System.

Public funding in Portugal is almost exclusively directed towards training provision included in the National Qualifications System. However, workshop participants voiced concerns regarding the mode of assessment currently used by DGERT to analyse training plans and training programmes, and also questioned whether DGERT has the sufficient capacity and organisational framework to perform quality assessment. Proposed training courses are validated through the examination of a paper application, with no field visit conducted by DGERT at any stage of the certification assessment process. This one-dimensional *ex ante* evaluation approach would benefit from a more practical assessment of training quality and relevance to ensure that private institutions wishing to provide training courses meet the quality standards required.

Strengthening the capacity for monitoring VET

Portugal's approach to the definition and regulation of qualifications contributes to quality assurance and transparency, which are highly valued by employers, training providers and students. While this has had a positive impact on the development of vocational education and training, additional steps are still needed to strengthen the VET system. Portugal should further develop VET monitoring mechanisms to evaluate existing programmes. Tracking the achievement of graduates and employment rates after graduation is an example of potential evaluation activity.



How is a more responsive VET system interlinked with other parts of the skills system?

Well-designed VET programmes adapted to current and emerging needs of the labour market will increase the match between supply and demand for skills in Portugal, increase employability of VET graduates and contribute to reducing unemployment (Challenges 4 and 5). Involving business and industry in designing and delivering VET programmes will enhance employer engagement (Challenge 9), improve conditions for entrepreneurship and innovation (Challenges 7 and 8), as well as allowing the system to better respond to local skills needs (Challenge 11).

CHALLENGE 3: TARGETING ADULT EDUCATION AND LIFELONG LEARNING TOWARDS THE LOW-SKILLED

A selection of challenges identified by Portuguese workshop participants:

"Raise the qualification level of low-skilled adults"

"Limited investment in lifelong learning"

"Provide more incentives to qualifications or re-qualification"

"Improving the system of recognition and validation of competencies"

"Better diffusion of information from employment entities to improve the training offer for adults"





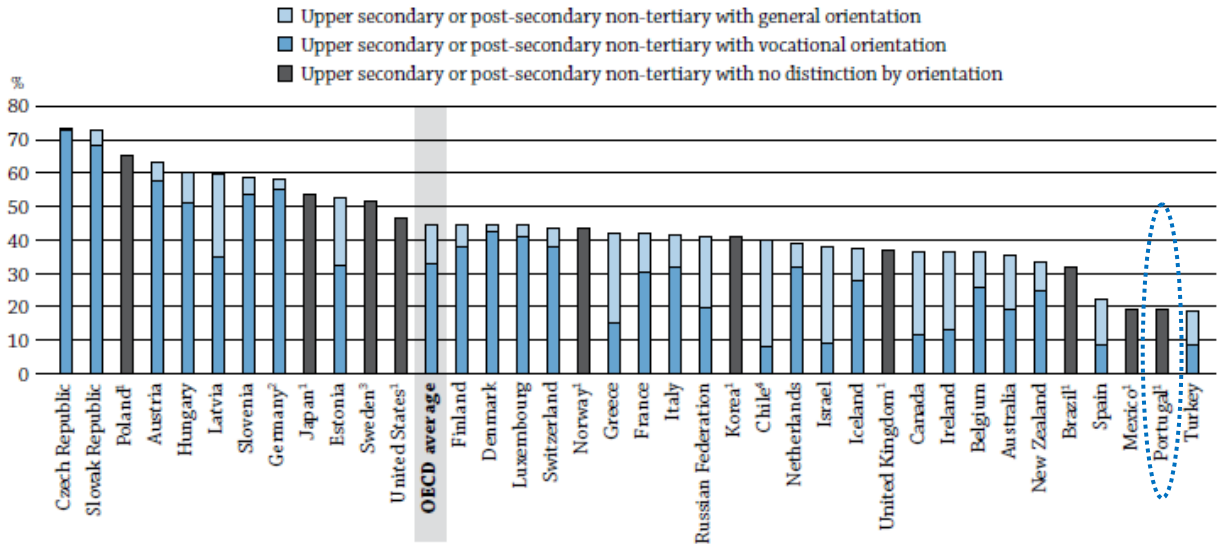
In Portugal, low-skilled workers represent the majority of those currently in employment. If Portugal is to boost productivity and competitiveness, it must increase adult participation in formal and non-formal education and training activities. This challenge is common across several OECD countries, where economic competitiveness and technical advances have generated more demand for human capital and highly skilled workers than ever before (CEDEFOP, 2013; Eurofound, 2014; OECD, 2013e).

The call for broader upskilling was highlighted in the February 2014 European Vacancy Monitor, which showed a constant decline in recruitment levels that have made entering or returning to the job market especially difficult for lower-skilled people (European Commission, 2014b). A thorough analysis of Portuguese adults' skills levels and use in the labour market would be beneficial for understanding the need for further education and training. Although data are not available for Portugal, the results of the Survey of Adult Skills (PIAAC) conducted in over 20 countries, have helped to shed light on adults' skills and provided insights that are relevant for all countries.

Few Portuguese adults have completed upper secondary education

Educational attainment levels vary considerably across OECD countries, however a clear cross-generational gap is observed between today's youth and adults aged 55-64 (OECD, 2013b). Portugal has a long history of low educational attainment, which finds its origins in a long period of under-investment in education at the national level. It is currently one of the five OECD countries with the largest proportion of adults without an upper secondary diploma.

Figure 14. Population of 25-64 year-olds whose highest level of attainment is upper-secondary or post-secondary non-tertiary education, by type of programme orientation



Notes:
1. Countries for which no information about programme orientation is available.
2. Persons with ISCED 4A attainment in Germany have successfully completed both a general and a vocational programme. In this chart they have been allocated to vocational.
3. Figures for Sweden include about 10% of 25-64 year-olds who have attained ISCED levels 3 or 4 in programmes that cannot be allocated by orientation.
4. Year of reference 2011.
Countries are ranked in descending order of the percentage of 25-64 year-olds with upper secondary or post-secondary non-tertiary attainment (ISCED 3/4) as highest level of attainment, regardless of the orientation of the programmes.

Source: OECD (2014e), *Education at A Glance 2014*, http://dx.doi.org/10.1787/eag-2014-en.

In 2012, only 20% of adults aged 55-64 in Portugal had completed upper secondary education, while the OECD average was 64%. Tertiary education attainment rates for this cohort in Portugal were also low at 11%, and far below the OECD average of 24% (OECD, 2014e).

For younger cohorts the situation is better, but still lags far behind the OECD average. In 2012, only 58% of 25-34 year-olds in Portugal had completed at least upper secondary education, compared to an OECD average of 82% (OECD, 2014e). This represents the second lowest rate after Turkey and Mexico (46% in both countries) among OECD member countries. The share of people from this age cohort who have attained tertiary education is also low: 28% in 2012 compared to an average of 39% in OECD countries (OECD, 2014e).

Structural weaknesses are still hindering the current education and training system, often contributing to the reproduction of undesirable cycles of under-qualification. Some of the main factors behind this have been identified as persistently high levels of school dropout rates, but also labour market specific dynamics that, despite rapidly changing labour market and social needs, create low-qualified work opportunities for large segments of the population. As examined in the sections below, this is further exacerbated by low levels of participation in lifelong learning activities among low-qualified adults, thereby limiting the chances of achieving significant improvements in people's skills beyond those acquired in their initial education (QREN, 2009).

Box 11. Adult education and training in Portugal

In Portugal, adult education corresponding to primary, lower- and upper-secondary education levels is provided through various schemes, in particular the **Adult Education and Training Courses** (C*ursos de Educação e Formação de Adultos,* EFA). The EFA courses aim to raise the qualification level of the adult population and target people over the age of 18 who have not attained the level of upper secondary education. The EFA courses are flexible, modular and tailor-made pathways to obtain either double certification (academic and professional) or only an academic one. They are based on the Key Competences standards for Adult Education and Training for basic education in order to obtain a school certification (4, 6 or 9 years of schooling) and, since the beginning of 2007, on the Key Competences standards for Adult Education and Training for upper secondary education to obtain a 12 years of schooling certificate. They are also based on training standards in order to obtain a professional certification.

The **Upper-secondary recurrent education** (*Ensino secundário na modalidade de ensino recorrente*) offers four scientific-humanistic courses (Sciences and Technologies, Socioeconomic Sciences, Languages and Human Sciences and Visual Arts) for adults who did not complete upper-secondary education at school age. Adults who successfully complete the upper-secondary recurrent education are awarded a secondary education diploma which entitles them to apply for higher education.

Certified Modular Training (*Formações Modulares Certificadas*, FMC) is also available to adults who are not interested in taking a full qualification programme. FMC allow learners to embark upon a flexible, gradual and creditable training by taking individual units as described in the training standards of the National Qualifications System. It is often the opportunity for individuals to increase their knowledge and expertise in a field that they are already familiar with.

Since 2000, Portugal has developed a systematic approach to the **recognition, validation and certification of competences: the RVCC process**. This process of recognition can lead to basic level qualifications (corresponding to four, six or nine years of schooling), secondary level qualifications (corresponding to 12 years of schooling) and/or vocational certifications. The recognition process is carried out according to the Competency Standards for each qualification. To enter into the process, candidates must be at least 18 years old and those who are between 18 and 23 years old must have a minimum of three years' professional experience. The recognition process can lead to the award of a complete or partial certification. In the latter case, the recognition and validation of prior learning can be complemented with an education and training programme (e.g. an EFA course or certified modular training). The qualifications obtained by certified modular training or RVCC process are also referenced to the qualification levels of the National Qualifications Framework.

Portugal has also introduced a "**Basic Skills Programme**" targeted towards the acquisition of basic skills (literacy, numeracy and ICT) in order to enter an EFA course or RVCC process.

Sources: CEDEFOP (2012), *VET in Europe: Country Report – Portugal*, http://www.cedefop.europa.eu/EN/Information-services/vet-in-europe-country-reports.aspx; European Commission/EACEA/Eurydice (2011), *Adults in Formal Education: Policies and Practices in Europe*.

Portugal has witnessed high levels of participation in adult education

In Portugal, almost three out of ten upper secondary education graduates in 2011 were over 25 years old, which was the highest graduation rate of adults at this level among OECD countries (OECD, 2013f). Statistics at the European level also show that in 2011, Portugal had the fifth highest participation rate in formal education of its 25-64 year-old population among EU27 countries, after countries such as Sweden and the United Kingdom. In 2012, Portugal maintained its position above the EU27 average of 9%, with 10.6% of its adult population engaged in further formal education and training (Eurostat, 2013; EC/EACEA/Eurydice, 2013).

Between 2007 and 2011, participation in lifelong learning activities increased among all age ranges of the Portuguese population. Adults aged 35-44 showed the most significant increase as their participation rates grew from 29% in 2007 to 52% in 2011 (Eurostat, 2014; INE, 2013). The New Opportunities Initiative (Box 12), which ran from 2005 to 2013, contributed to achieving these results.

Box 12. Portugal in focus: The New Opportunities Initiative ("Iniciativa Novas Oportunidades")

The New Opportunities Initiative was launched in 2005 and was, at that time, the largest governmental programme dedicated to upgrading the qualifications of the Portuguese population. The initiative aimed to: 1) give low-qualified adults a formal recognition of skills acquired through informal and non-formal learning; and 2) build on their professional experience and skills developed though their working lives to obtain a secondary school diploma, by expanding the provision of adult education and training. The programme also targeted young people (15-18 years old) who had only completed lower secondary education and/or who had dropped out of the education system before completing 12 years of schooling.

The initiative was jointly implemented by the National Qualification Agency (ANQ), the Ministry of Education, and the Ministry of Labour and Social Solidarity. It was funded by the Portuguese government and the European Social Fund.

Several targeted media campaigns to reach both younger people and adults were carried out to raise awareness and encourage participation in lifelong learning. The process of recognition, validation and certification of competencies (RVCC process) was carried out in the New Opportunities Centres, and acted as the doorway for qualification. These centres were operated by public and private schools, training centres and firms. By 2010, a total of 454 New Opportunities Centres had been set up across the country.

The New Opportunities Initiative set ambitious targets, including qualifying one million active workers by 2010; 650 000 through the RVCC process and 350 000 through adult education and training. By the end of 2010, over half a million adults had attained a certification which granted them a NQF level.

The New Opportunities Initiative was the subject of two external evaluations. The first evaluation (Carneiro et al., 2010) focused mainly on the implementation of the initiative and participants' experiences. A survey carried out among 1 300 participants showed a large increase in self-esteem and self-confidence, use of ICT/Internet, motivation for further education/training and a desire to improve work prospects.

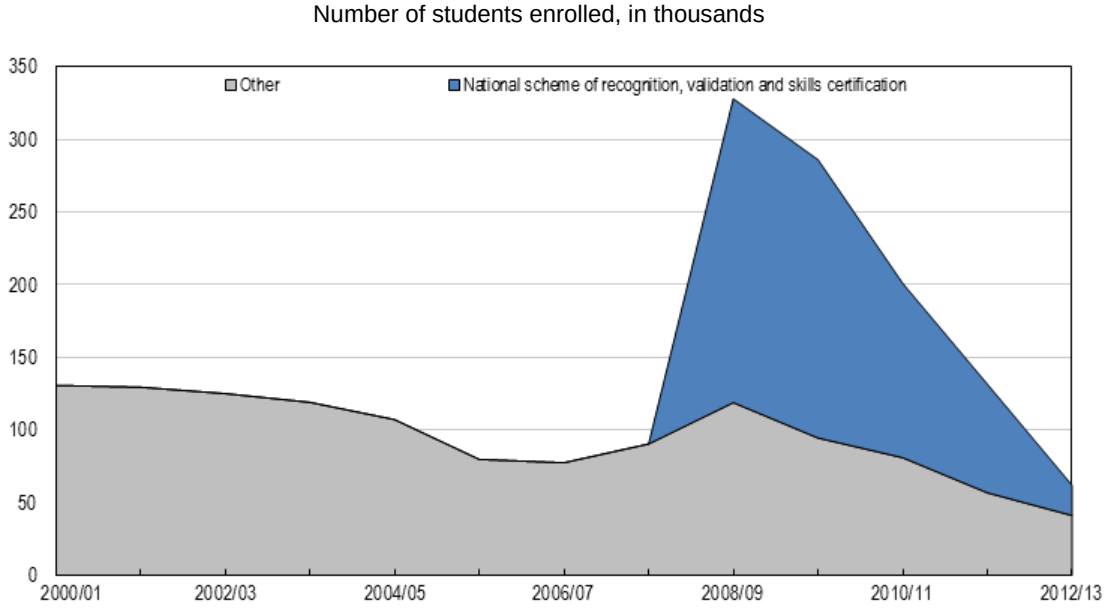
The second evaluation (Lima, 2012) focused on labour market outcomes and comprised two studies: one on the RVCC process and the other on the adult education and training courses and the FMC. The results from the first study indicate that RVCC processes only improved employability in the case of participants enrolled in professional RVCC, or when school RVCC (basic level of education) was supplemented with Certified Modular Training (FMC), and showed little or no effect on wages. The results of the second study showed that EFA courses increased the probability of moving from unemployment to employment, while the FMC had a positive effect on this transition, although not so significant.

Sources: Carneiro, R. et. al. (2011), *Accreditation of prior learning as a lever for lifelong learning: lessons learnt from the New Opportunities Initiative*, Portugal, http://www.ucp.pt/site/resources/documents/CEPCEP/Accreditation_final.pdf; Carneiro, R. et. al. (2010), *Iniciativa Novas Oportunidades: Resultados da Avaliação Externa* (2009-2010); European Commission (2014c), *Education and Training Monitor, Portugal and "New Opportunities" Initiative* (2008), https://joinup.ec.europa.eu/node/134123; Lima, F. (coord.) (2012), *Os Processos de Reconhecimento, Validação e Certificação de Competências e o Desempenho no Mercado de Trabalho*; OECD (2014c), *OECD Economic Surveys: Portugal 2014*, http://dx.doi.org/10.1787/eco_surveys-prt-2014-en; UNESCO (no date), *Promising Practices in TVET*, www.unevoc.unesco.org/go.php?q=Promising+Practices+List&id=2.

The New Opportunities Initiative was discontinued in 2013. The New Opportunities Centres were restructured to become Centres for Qualification and Vocational Education (CQEPs). The period of restructuring contributed to a sharp decline in enrolments in the RVCC scheme, which is clearly shown in Figure 15, and which also shows a drop in the number of participants in Adult Education and Training courses (EFA) and Certified Modular Training (FMC). The time needed for restructuring and setting up the Centres for Qualification and Vocational Education, as well as the significant drop in financial resources devoted to adult education, is likely to have contributed to this downward trend.

The continuation and further development of adult learning initiatives is fundamental for achieving greater equity and productivity by raising the skills level of Portuguese adults. A particularly important challenge for Portugal will be to further invest in adult education and to foster the participation of adults in lifelong learning.

Figure 15. Adult enrolment in return to education initiatives

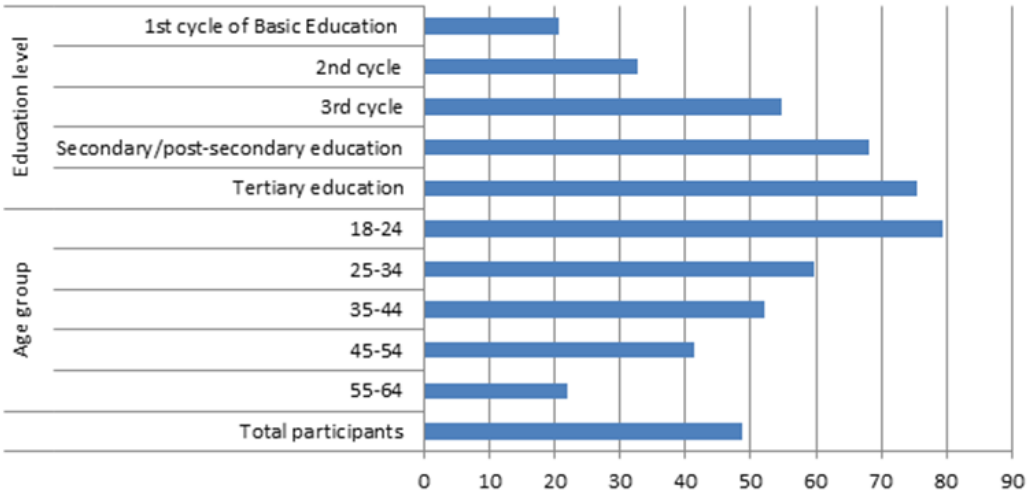


Source: OECD (2014c), *OECD Economic Surveys: Portugal 2014*, http://dx.doi.org/10.1787/eco_surveys-prt-2014-en.

Low-qualified adults participate the least in education and training

The participation of adults in lifelong learning activities varies considerably depending on age and educational attainment. As in other OECD countries, evidence shows that it is the youngest cohorts and the most qualified segments of the population in Portugal that are most likely to engage in lifelong learning activities (Eurostat, 2013; INE, 2013). These trends are consistent across formal and non-formal education.

Figure 16. Share of participants in lifelong learning activities, by age and education level, in 2011



Source: INE (2013), *Aprendizagem ao Longo da Vida - Inquérito à Educação e Formação de Adultos, 2011.*

Despite improving significantly since 2007, in 2011 the participation of the lower-skilled and lower-educated (ISCED 0-2) only accounted for 8.3% of participants in formal adult education. This participation rate is substantially lower than that of people with upper secondary and post-secondary non-tertiary education (13.4%) and those with tertiary education (15.4%) (Eurostat, 2014).

Portugal's findings are consistent with results from the Programme for the International Assessment of Adult Competencies (PIAAC), which show a weak participation of low-skilled adults in adult education and training across countries (OECD, 2013e). A similar trend can also be seen at the EU28 level, both in formal and non-formal education. However, the particularly low education levels of half the population makes this challenge a more pressing one in Portugal than in other European countries. Further efforts are necessary to target and incentivise low-skilled adults to engage in further education and training.

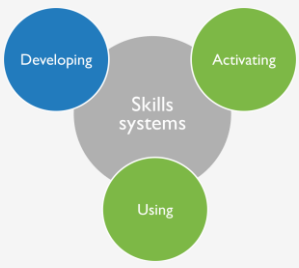
Removing obstacles and creating incentives for low-skilled adults to engage in education and training

A number of obstacles to participation in lifelong learning activities exist in all countries. Among the most common are a lack of time, family responsibilities, the cost of training programmes, and whether or not there is an education provider close to home or the workplace.

Many countries have attempted to counter these challenges by implementing a range of measures targeted at low-skilled adults. These initiatives aim not only to raise awareness among low-skilled workers of the opportunities they have to tackle labour challenges better, but also empower them through the validation of prior and newly acquired learning.

Throughout Portugal, the Centres for Qualification and Vocational Education (CQEPs, *Centros para a Qualificação e o Ensino Profissional*) play a structural role in reinforcing academic and professional qualification, employability, and youth and adult social inclusion (Governo de Portugal, 2014). CQEPs provide guidance to students in co-ordination with school guidance and psychology services, and to youth and adults in co-ordination with the Public Employment Service, when applicable. CQEPs seek to create a stronger relationship between education, training and employment, with a view to boosting employability. In providing their guidance, they make use of local qualification networks to ensure that supply is adjusted to labour market demand (Governo de Portugal, 2014).

Conducted by the CQEPs, Portugal's RVCC process is embedded in the National Qualifications Framework and also acts as an enabler for low-skilled workers. Levels 1 to 4 of the NQF can be attained through the RVCC process. By validating skills acquired in formal, non-formal and informal contexts, this process can also raise interest in pursuing further learning (Governo de Portugal, 2014). Similarly to Portugal, Denmark has endorsed a national system called Recognition of Prior Learning (RPL) in order to promote the participation of all citizens in continuous education and training, with a focus on low-skilled workers (CEDEFOP, 2013).



How is adult education interlinked with other parts of the skills system?

Participation in adult education has become an essential requirement of the modern working world. Everyone needs opportunities to regularly update their skills and for those with low foundation skills levels, adult education and training offers an opportunity to improve basic skills. Low foundation skills limit people's capacity and propensity to acquire skills later in life, thereby reducing their adaptability and flexibility in a changing labour market, and increasing the risk of unemployment (Challenge 5). A lack of foundation skills may be a disincentive for employers to hire and invest in training. Yet a shortage of sufficiently highly skilled workers is often cited as one of the main obstacles to entrepreneurship and innovation (Challenges 7 and 8). Employers tend to invest more in skills development for highly skilled employees, so incentives may be needed to ensure that they provide similar opportunities for low-skilled adults (Challenge 9).

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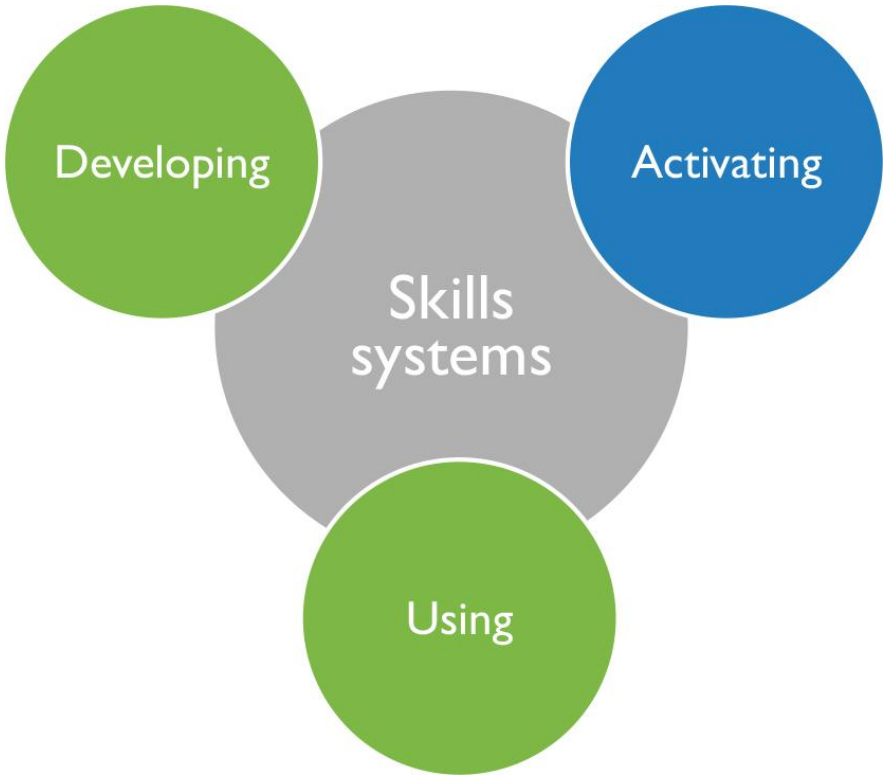
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ACTIVATING SKILLS



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CHALLENGE 4: REDUCING YOUTH UNEMPLOYMENT AND NEETS

A selection of challenges identified by Portuguese workshop participants:

"Large number of NEETs"

"Providing incentives and adjusting labour market legislation for young people and adult workers to engage in education and training"

"Promote measures of insertion in businesses for highly qualified individuals"

"The regulation of, and follow-up system for, professional internships"

"Improving information systems on education and labour market needs"





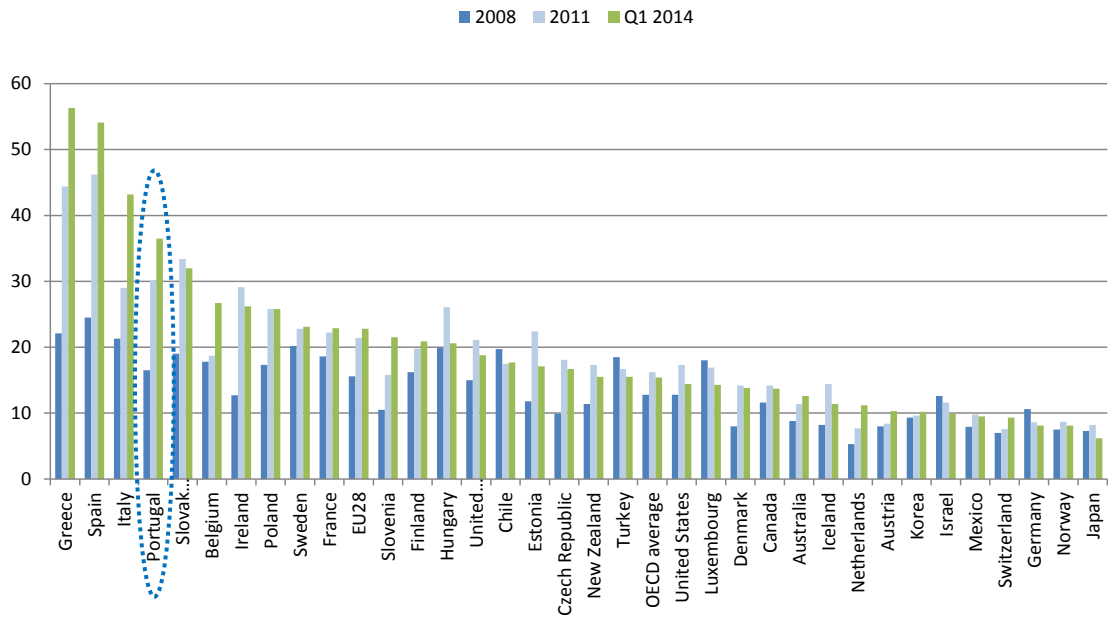
Levels of youth unemployment and the number of young people who are not in employment, education or training (NEETs) have hit record highs in many OECD countries, and are particularly pressing in countries such as Greece, Spain, Italy and Portugal. The economic crisis has affected all layers of the economy and society in Portugal, but some groups, such as youth, have been particularly hard-hit. Skills challenges, a lack of job-specific experience, significant entry barriers to the labour market, and lower job protection have made youth in Portugal particularly vulnerable to economic shocks.

Reducing youth unemployment and NEET rates through reforming the broader skills system is a key challenge for Portugal that requires a whole-of-government approach. Targeting these issues must be embedded in reforms of the labour market and further fiscal reforms, and financed through better targeting of public spending towards disadvantaged groups (see Challenges 6 and 10). While Portugal has already implemented a number of important reforms, more targeted action towards supporting youth and those who face higher risks of becoming NEET remains a priority.

Levels of youth unemployment are unsustainably high

The rate of unemployment amongst youths (15-24 year-olds) has increased dramatically since the financial crisis, although significant differences amongst OECD countries exist (Figure 17). In 2014, the average rate of youth unemployment reached 15.5% in the OECD and 23% in the EU28 countries (OECD, 2014a). In Portugal, the youth unemployment rate was 37.7% in 2012 (OECD, 2014a), and declined slightly to 36.5% in the first trimester of 2014 (OECD, 2014b), which is still the fourth highest youth unemployment rate among OECD countries after Italy (43.2%), Spain (54.1%) and Greece (56.3%) (OECD, 2014a). Although youth unemployment rates are slowly declining, they remain unsustainably high in many OECD countries including Portugal.

Figure 17. Youth unemployment rates at ages 15-24, in percentages



Source: OECD (2014c), *OECD Statistics, Unemployment Rates by Age and Gender*, http://stats.oecd.org.

Young people with low qualifications were the hardest hit by the economic crisis and their unemployment rate rose steeply by 23 percentage points, compared to 8 percentage points for highly qualified youth (OECD, 2014d).

However, it should be noted that Portugal's pre-crisis youth unemployment levels were also high compared to the OECD average, due in part to the lack of incentives to hire youth, few opportunities for youth to gain work experience while in education, and the limited relevance and responsiveness of education to the demands of the labour market (OECD, 2015a). These non-cyclical challenges indicate the need to undertake profound changes with regard to the quality and relevance of the country's education and training system, and the need to implement measures that facilitate the school-to-work transition, for example through internships. Over the past few years, Portugal has made substantial progress in each of these areas and is expected to continue to do so.

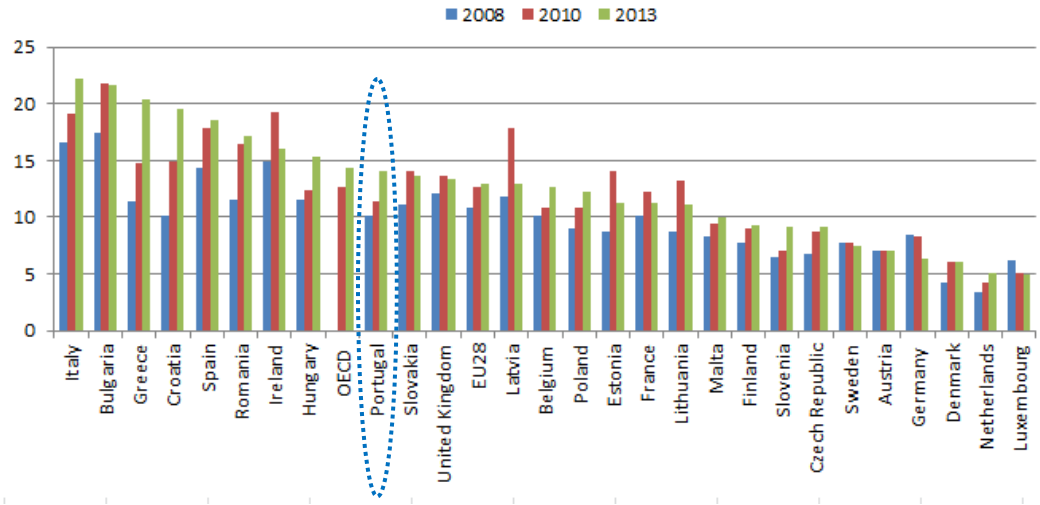
There are also cyclical challenges to youth unemployment in Portugal, relating to low aggregate demand (e.g. the number of jobs available) as a result of the economic crisis. Businesses' inability to survive the crisis and adjust to economic fluctuations without closing has led to the sharp rise in unemployment of the low educated youth. Such cyclical challenges indicate the need for demand-driven activation measures and the need to increase job creation and, for example, resort to temporary wage subsidies. An important distinction between cyclical and non-cyclical youth unemployment should be made in Portugal, as each type calls for the response of different activation measures.

NEET numbers have steadily increased

An increasing share of young people in Portugal are neither employed, nor registered as unemployed, or in education or training (NEET). This high degree of inactivity implies that not only are young people failing to acquire new skills, but that they are also losing their previously acquired skills and, as a result, may find it more difficult to (re-)enter the labour market.

Inactivity rates are substantial in many OECD countries, but vary significantly. While NEET rates in Greece, Italy and Turkey reached 20% in the fourth quarter of 2012, they are at 6% or lower in countries such as Denmark, Iceland and the Netherlands (OECD, 2014d). In Portugal, the NEET rate has increased steadily since 2008 to 14.1% for youth aged 15-24 in 2013 (Eurostat, 2014a), which is slightly lower than the OECD average rate of 14.3% and slightly higher than the EU28 average rate of 13% (Eurostat, 2014a; OECD, 2014c).

Figure 18. Young people neither in employment nor in education or training in EU countries, in 2008, 2010 and 2013 (youth aged 15-24)



Sources: Eurostat (2014a), *Participation of Young People in Education and the Labour Market*, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Participation_of_young_people_in_education_and_the_labour_market; OECD (2014c), *Employment Outlook 2014*, http://dx.doi.org/10.1787/empl_outlook-2014-en.

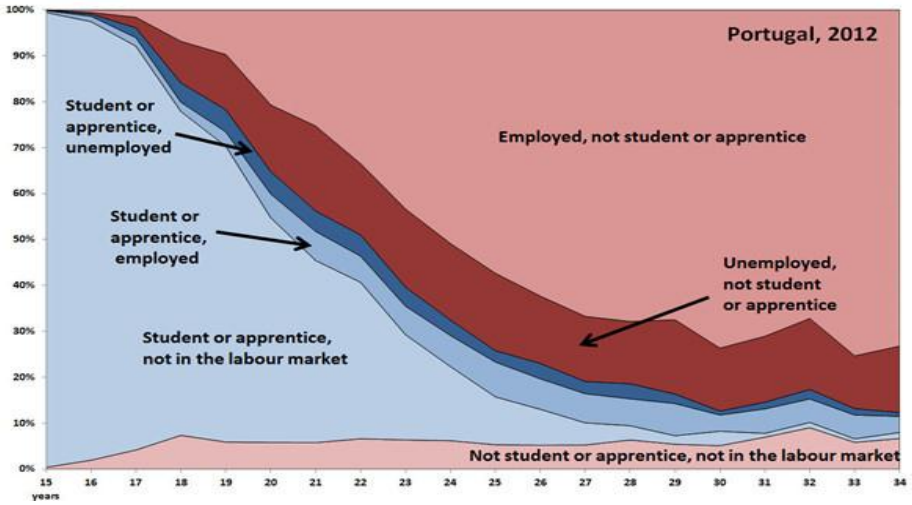
Relatively few young people in Portugal are simultaneously following education while being in the labour market. In addition to regular youth unemployment (after study completion), Figure 19 shows that there are also young people in Portugal who are enrolled as apprentices but do not have a job (the "Student or apprentice, unemployed" category). Apprenticeship programmes consist of a schooling component and a work-based learning component. Although thin, this share of young people positively reflects some of the outcomes of Portugal's integrated VET strategy. A challenge for Portugal is to continue ensuring that stronger links are built between the education system and the labour market, not only in a way that better prepares young people to enter the workplace, but also in a way that makes work opportunities available to them through effective apprenticeship programmes and internships.

Within the broader 15-29 age group, average NEET rates across the OECD are higher for people with a low level education than for those with a high level of education (OECD, 2014d). In contrast, EU28 data reveals a lower proportion of NEETs at ISCED levels 0-2 (6.4%) than at levels 3-6 (9.4%) in EU member states on average (Eurostat, 2014a).

In Portugal, the NEET rate differential across qualification levels has shrunk, with tertiary-educated youth being less at risk than in other European countries. In 2013, 8.8% of young people with pre-primary and lower secondary school qualifications were NEET, compared to 7.9% for youth with higher qualifications (Eurostat, 2014a). The NEET rate for highly qualified youth in Portugal is below the EU28 average while for lower-qualified youth is above the average. These results highlight the need to increase efforts to support and target lower-qualified youth.

While unemployment in Portugal is high for both the high- and low-skilled, NEET rates are particularly high for the low-skilled as a result of major job destruction in traditionally low-skilled sectors. The Portuguese economy's low levels of resilience has resulted in a failure to recover and create new jobs for the lower skilled. Low-skilled youth thus require special attention in the form of retraining, but also in supporting them to re-enter the labour market by registering them in active labour market programmes.

Figure 19. Participation of young people in education and the labour market



Note: Those in education are colour-coded in blues of different intensity, depending on their labour status. Those not in education are colour-coded in pink.

Source: Eurostat (2014a), *Participation of Young People in Education and the Labour Market*, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Participation_of_young_people_in_education_and_the_labour_market.

Information and guidance services could be further strengthened

Additional investment in career guidance and counselling services will help young people make more informed choices, and services such as job-search support may be particularly beneficial for those without work experience. Public employment institutions have an active role to play in the provision of such services, and examples can be found in several European countries, such as Belgium, Ireland and Scotland, as detailed in Boxes 13 and 14.

In Portugal, several kinds of guidance services co-exist: The Institute for Employment and Vocational Training (IEFP), Career Guidance Services in schools and higher education (MEC) and Centres for Qualification and Vocational Education (CQEPs). IEFP has established Vocational Guidance and Information units in each of its regional and local job centres across the country (IEFP, 2014a). In addition, counsellors provide career guidance services in schools and higher education institutions to help young people prepare their next steps in education and make an effective school to work transition. These structures work in co-ordination with the CQEPs, who provide advice on existing qualifications, vocational education pathways and the required set of skills that young people need to find a job (CQEP, 2014; Governo de Portugal, 2014).

Box 13. Career guidance and advisers in Scotland

Scotland has a well-developed and comprehensive system of career guidance, offered in various institutions such as schools, colleges, local authorities and Job Centres. Co-ordination of services can be a challenge in a system involving many providers, but Skills Development Scotland acts as the strategic leader, collaborating closely with schools, colleges, local authorities and other bodies and organisations, such as employer representatives. Multiple institutions involved in career guidance and different channels of provision allow the system to reach out to different groups, including young people seeking entry to further and higher education, and unemployed people.

Contrary to many other OECD countries where there is no specific profession of career advisers (career guidance often being provided by school teachers and psychologists), Scotland recognises that "career guidance is a distinct, defined and specialist profession which demands a unique set of core skills and expects all career guidance practitioners to be professionally qualified". This approach to career management involves helping individuals to understand their strengths, the objectives that they wish to set for themselves and the networks and resources that will help them reach these objectives. The aim is therefore to help individuals plan their career independently by equipping them with relevant tools and knowledge. Career services also include support from Career Coaches who engage with young people through talks, group sessions and individual coaching. Young people who need support to make a successful transition into employment receive one-to-one sessions, as does any young person who needs additional advice.

Source: Kuczera M. (2013), *A Skills beyond School Commentary on Scotland*, www.oecd.org/edu/skills-beyond-school/ASkillsBeyondSchoolCommentaryOnScotland.pdf.

Workshop participants identified several challenges related to the quality of services provided by career guidance institutions in Portugal. Unemployed individuals' profiles in job centre databases are not regularly updated and there is a general concern that relevant job information is not efficiently communicated to the target groups (i.e. the low-qualified and youth). While information systems on education, training and career development in Portugal do exist, more needs to be done to use the available tools more effectively. The Via@s website is a good step in the right direction. Created by the IEFP, the website provides information on vocational pathways, labour market trends, required skills, and advice on career self-management (IEFP, 2014b).

Portugal needs to strengthen its capacity to convey information to unemployed workers, in particular youth, to help them make appropriate education and labour market choices. Improving information and guidance services, and better tailoring them to specific target groups, will contribute to reducing unemployment and the probability of individuals becoming inactive.

An important part of ensuring the effective use of these services is also to ensure that public employment service (PES) professionals do not have an unreasonable caseload of unemployed people that limits their ability to provide meaningful, individualised support.

Sustained investment in programmes to support youth will be needed

Internship programmes have been key in supporting the entry of Portugal's youth to the labour market. As a door to professional employment, the use of internships is widespread across OECD countries and considered a best practice. Internships provide a way to engage in effective work-based learning and allow young people to develop specific occupational skills not acquired through education. However, provisions should be made to ensure that internships do not simply become a source of cheap labour or precarious working conditions for students and workers.

Portugal was one of the first European countries to have implemented the EU Youth Guarantee programme in 2014. The objective of the Youth Guarantee is to ensure that all young people under the age of 30 benefit from a good employment, training or internship offer within four months of becoming unemployed or having completed formal education. Its implementation relies on partnerships with several public and private entities.

Box 14. Employment and training guidance services in Belgium and Ireland

The public employment service of Flanders (VDAB) introduced a Job Focus initiative in 2008 under the assumption that any guidance or training activity would be a further step towards employment. When this initiative was started, only 55% of trainees leaving VDAB competence centres would immediately find a job. By 2011, 65% of them did. The success of this project relied on intensive non-cognitive skills coaching, as well as job coaching and language coaching at the workplace. The focus on non-cognitive skills development was central to the VDAB strategy and success for entry into the labour market, as trainees learnt how to manage their stress, respect rules and persevere.

The Ballymun Job Centre (BJC) in Ireland was created with the objective of helping individuals develop their skills and labour market aspirations. The Centre provides support to jobseekers that focuses not only on the improvement of their employability skills, but also career development and sustainable ways to stay connected with the labour market. A particular focus is given to low-skilled individuals, long-term unemployed, early school leavers and those who face specific barriers to employment, education and training. Distinctively, the BJC places a high value on improving the skills of the guidance staff as a way of maintaining the quality of the services.

Source: CEDEFOP (2013), *Empowering Vulnerable Adults to Tackle Labour Market Challenges*.

This rapid implementation was helped by the fact that Portugal had already launched several national youth programmes in previous years, for example, professional traineeship programmes that support unemployed young people with qualification levels from 2-8 of the National Qualifications Framework to find their first experience in the workplace through a nine-month internship. Similar to the Youth Guarantee, these internships are designed to facilitate young people's school-to-work transition and allow them to develop socio-professional skills. Youth employability success rates between 2004 and 2011 reached 82% for men and 81% for women within 42 months from the day the traineeship started (Costa Dias and Varejão, 2012).

Financial incentives contribute to the success of some specific youth and skills programmes in Portugal. Financial compensation is provided to all youth and organisations participating in the professional traineeship programmes. Despite the absence of a formal obligation to hire, an organisation that has not hired at least one third of its interns at the end of a two-year period will no longer be able to participate in the programme (IEFP, 2014a). Portugal's Stimulus 2013 programme (*Estímulo 2013*) subsidises private companies who, for six months or longer, hire individuals registered in the IEFP database or at professional training centres (Governo de Portugal, 2014). Stimulus 2013 has also established mandatory training in the workplace, which is expected to be provided by the hiring companies. Portugal now faces the challenge of continuing to support these programmes and improve their effectiveness at a time when education and training budgets are under significant pressure.

Targeted programmes are needed for the low-skilled NEETs

NEETs run the risk of becoming so demotivated that they stop looking for a job. A more targeted and individualised approach is therefore necessary to reach low-skilled young NEETs. Successful examples of international programmes have been based on an integrated approach to self-development, focusing on cognitive, social and emotional skills development, mentoring and vocational education and training.

Portugal has taken steps to address this risk through such initiatives as the Active Youth Employment (*Emprego Jovem Activo*) programme launched in July 2014. The programme's mandate is to facilitate the social insertion of young people who have not completed compulsory education. Selected low-qualified youth are invited to contribute to a project for six months under the supervision of higher-qualified individuals (IEFP, 2014a). The programme aims to promote peer learning and the development of professional, social and emotional skills, such as the ability to meet deadlines, collaborate with others and work autonomously. Participation in the programme also aims to incentivise young people to return to formal education and training pathways or the labour market. The outcomes of the Active Youth Employment programme are not yet available, given its recent launch.

Box 15. The Glasgow Youth Employment Partnership

The Glasgow Youth Employment Partnership was able to draw on the piloting of the Scottish Activity Agreements programme to meet the needs of young people identified as at risk in their penultimate year of compulsory education. The programme provides coaches who work with youth on a one to one basis.

In many cases – particularly at the start – it requires a proactive approach where the coach will go to the client's home. This provides an opportunity to gauge the home setting, but it also recognises that the client's low self-esteem may make them reluctant to attend a formal appointment. Coaches use the initial meeting to establish the relationship and follow up quickly with a second meeting, which is used to set out and agree a negotiated Activity Agreement. The young person will set goals and establish a programme of participation to move them towards a positive destination. Initially, this might involve small steps, but the aim is to move them into education, employment or training over a 24-week period. The young person receives an allowance of GBP 30 per week for participation and completion of the agreed steps.

The feedback and results of this initiative in Glasgow have been encouraging. The national evaluation of the pilots shows that the city has undertaken more agreements than any other area and with a higher rate of success – 48% of the city's 601 participants have achieved positive outcomes as a result.

Source: OECD (2014b), *Job Creation and Local Economic Development*, http://dx.doi.org/ 10.1787/9789264215009-en.

Programmes that foster social cohesion and provide a multi-faceted response to low skilled youth unemployment (e.g. helping to develop technical skills, stimulating intellectual curiosity and motivation) can potentially help tackle youth unemployment challenges in Portugal. Such programmes are particularly suited to reaching youth that do not benefit from standard training opportunities.

Systematic monitoring of programmes is underdeveloped

Portugal has invested in many programmes and initiatives targeted at its youth during the last decade, and in order to maximise the efficiency and effectiveness of those programmes, it would benefit from further investment in monitoring mechanisms, allowing for an assessment of the quality of opportunities available to young people. Investment in monitoring may appear onerous, given Portugal's challenging fiscal circumstances, but it could help maximise value-for-money in the delivery of targeted interventions for NEETs. In turn, this may free up resources to be diverted to the most effective programmes, and would allow for a regular update of programme modalities and components related to changes in the labour market and employers' shifting skills demands.

Demand-side activation measures remain essential

While many initiatives are underway to ensure that better links are forged between education and the labour market, and that young people have information on developing relevant skills for employment, a key precondition for successful activation measures is ensuring that employment opportunities are available in the first place. Government-sponsored training and job creation programmes will have limited impact, without innovation-driven economic growth and the effective use of existing skills – which is the subject of the next section.

Box 16. Skills Obstacle Course: Catarina

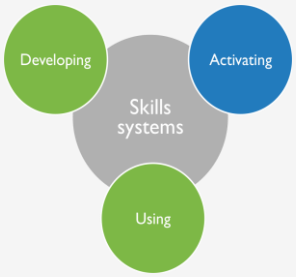
Task: During the workshops, participants were given cards describing fictional characters who were having difficulties in navigating Portugal's skills system. Participants first identified the challenges each character faced and then the resources they would need in order to achieve their goals.

Profile: Catarina is 24 years old. Eighteen months ago, she graduated from her Masters at the New University of Lisbon in Business and Finance. She then undertook a 12-month internship and has been looking for a job since it ended, but is having difficulty in getting called back for interviews.

Goal: Getting her first job to begin her professional career.

Challenges:
Learning how to professionally present herself and her skills.
Lack of networking contacts.
Lack of recognition, by the labour market, of her educational and professional experiences.

Resources:
Try to get an international professional experience.
Attend an entrepreneurial skills training.
Enlarging her job search (using the internet, social networks, etc.).
Establishing her own business.
Getting support and guidance via employment centres and mature professionals.



How is youth unemployment and NEETs interlinked with other parts of the skills system?

Portugal has a large pool of young people whose skills are not currently activated in the labour market. This has severe negative effects at the individual level as well as for society at large. The majority of young unemployed people and NEETs have low levels of qualification. Improving quality and equity in the education system, including strengthening the VET system (Challenges 1 and 2), is therefore crucial to increase employability today and greater adaptability to changing labour market demands in the future. The lack of young people entering the labour market can also limit the level of entrepreneurship and innovation (Challenges 7 and 8).

CHALLENGE 5: INCREASING LABOUR MARKET RE-ENTRY FOR THE LONG-TERM UNEMPLOYED

A selection of challenges identified by Portuguese workshop participants:

"High level of long-term unemployment, which impacts on individuals' motivation and perceived benefits of engaging in lifelong learning"

"Improve information systems on education, training and career development"

"Adjusting programmes to the needs of the target population"





Persisting levels of high unemployment, a contraction in the demand for labour and the displacement of workers (whose jobs and occupations may no longer exist in the local labour markets) have contributed to growing numbers of the long-term unemployed in Portugal. The country is also undergoing long-term changes in the economy as it transitions from manufacturing to services, and into a globalised division of labour to which the economy has not yet fully adjusted. These changes can also lead to long-term unemployment.

A critical step for Portugal is to reduce unemployment levels and to counter the risk of long-term structural unemployment whereby those who were cyclically unemployed due to the economic crisis see their skills and employability diminish. The growing number of long-term unemployed in Portugal is a priority issue that requires a range of measures in addition to those covered in Challenge 4, such as igniting job demand and retraining certain segments of the labour force.

Long-term unemployment in Portugal is above the OECD average and is highest among older workers

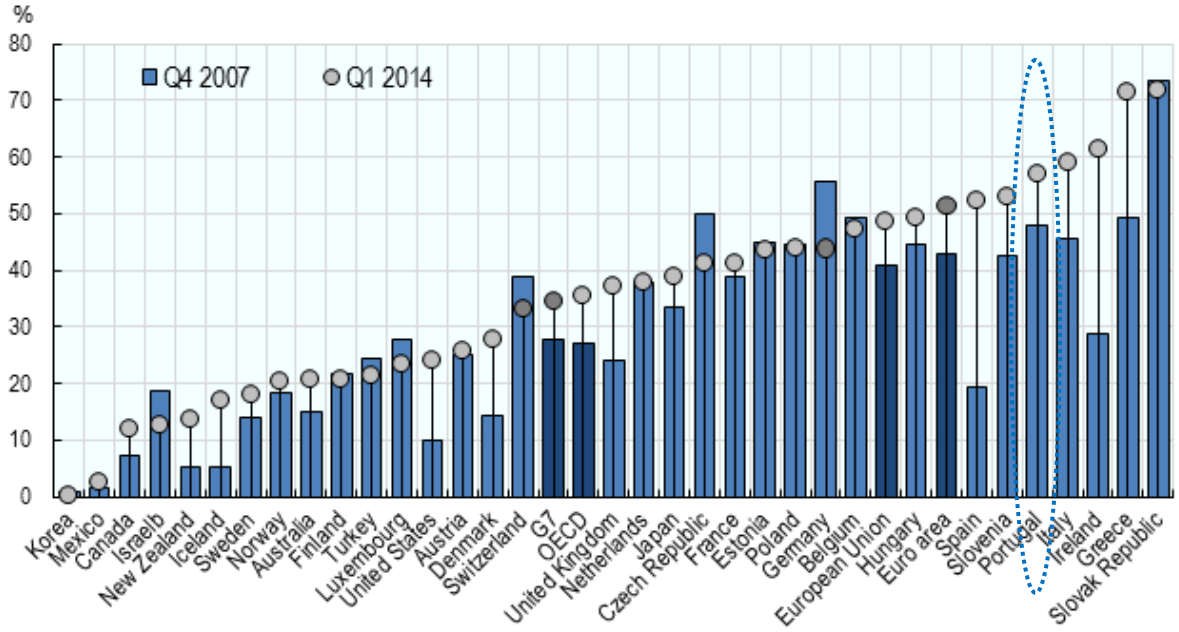
Unemployment is a major concern for most OECD countries and has been exacerbated by the economic crisis. In Portugal, record unemployment levels reached 17.4% at the peak of the crisis (OECD, 2014e). Despite recent improvements, in September 2014, 13.6% of the labour force was still unemployed. While this figure is well above the pre-crisis level (8.6%) in Portugal and the current OECD average (7.4%), unemployment rates have been steadily declining since 2013 (OECD, 2014e).

Long-term unemployment is a priority challenge for more than half of OECD countries, and while levels vary, a general trend points to a rise. Figure 20 shows that the proportion of long-term unemployed as a percentage of total unemployed in the first quarter of 2014 was significantly higher in Portugal (57%) than in OECD countries on average (33.5%) (OECD, 2014f). Furthermore, percentage rates have been increasing across all age ranges since 2009 for both Portugal and EU28 countries on average (Eurostat, 2014b).

However, high levels of long-term unemployment in Portugal date from before the crisis, showing that it is by no means a new phenomenon and points to an important non-cyclical component of long-term unemployment. Contrary to Spain, whose long-term unemployment levels are similarly high, the long-term unemployment issue in Portugal appears to be more a result of workers' displacement and structural unemployment, than simply a cyclical contraction in aggregate demand.

Figure 20. Long-term unemployment has risen in most countries, but sharp hikes are confined to only a few, Q4 2007 and Q1 2014

Long-term unemployed (more than one year) as a percentage of total unemployed



Note: Countries are shown in ascending order of the incidence of long-term unemployment in Q1 2014.
a) Data are not seasonally adjusted but smoothed using three-quarter moving averages. OECD is the weighted average of 33 OECD countries excluding Chile.
b) 2013 for Israel.

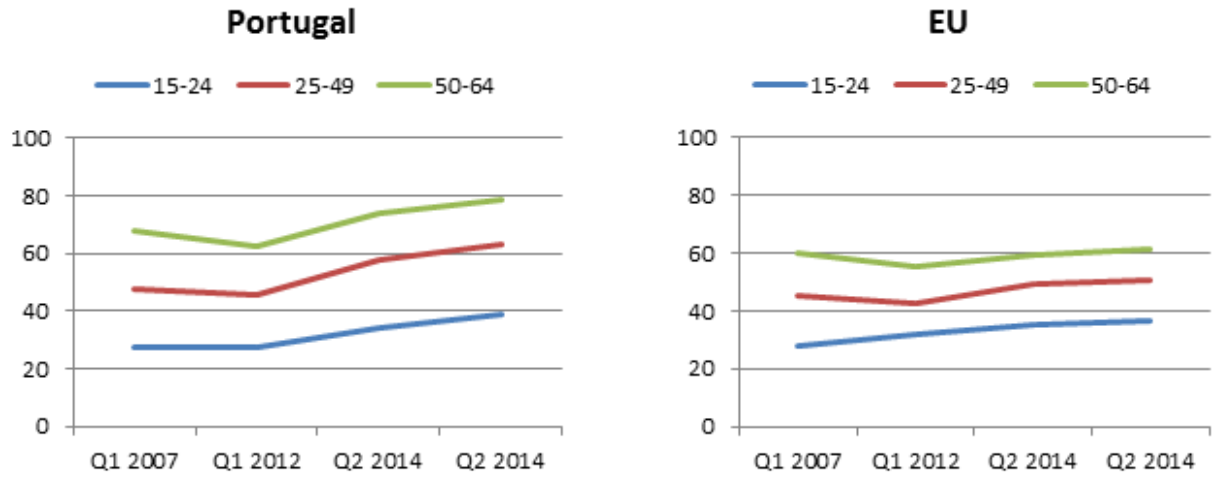
Source: OECD calculations based on quarterly national Labour Force Surveys (Cut-off date: 4 July 2014).

The older segments of the workforce constitute the largest share of long-term unemployed in Portugal (see Figure 21). The share of long-term unemployed 50-64 year-olds within the total unemployed population in this age group has risen steadily since the first quarter of 2012 (62.8%), and reached 79% in the second quarter of 2014 (Eurostat, 2014b). Conversely, long-term unemployed 15-24 year-olds and 25-49 year-olds formed 38.7% and 62.8% respectively of the total unemployed population in their age groups in the second quarter of 2014 (Eurostat, 2014b).

A similar scenario is reflected at the EU level, although at much lower rates (see Figure 21). The low levels of educational attainment seen in Portugal, especially among the older cohorts, are likely to contribute to the disparity that is observed between Portugal and the EU average. Evidence shows that the lower-qualified have more difficulty finding employment than higher-qualified groups (CEDEFOP, 2013). Low levels of education thus increase the likelihood of falling into long-term unemployment, which may partly explain why older workers are particularly vulnerable in Portugal.

Despite not representing the largest group, the share of 25-49 year-olds in long-term unemployment has been growing at a fast pace over the past few years; increasing by over fifteen percentage points between the first quarter of 2012 (45.5%) and the second quarter of 2014 (62.8%) (Eurostat, 2014b).

Figure 21. Long-term unemployment as a percentage of the total unemployment, by age



Source: Eurostat (2014b), *Long-term unemployment as a percentage of the total unemployment, by age*, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsq_upgal&lang=en.

Long periods of unemployment hinder workers' employability

Long-term unemployment is defined as those who are unemployed for a period of one year or more. The persistence of a large number of long-term unemployed over long periods of time generates huge social and economic costs in terms of passive labour market expenditure and/or on social assistance systems which can provide support when the long-term unemployed exhaust their rights to unemployment benefits (European Commission, 2012a). Long periods of unemployment have negative impacts on individuals' well-being, self-esteem and motivation, as well as negative implications for career prospects. Skills' deterioration happens over time as a result of unused skills and can severely hinder employability (OECD, 2013a).

There are several reasons behind long-term unemployment. The economic crisis and its aftermath have triggered high and persistent levels of unemployment that have resulted in a decline in the demand for goods and services. This has, in turn, led to a decrease in employers' demand for workers. The crisis has also led to a change in occupational structures, which means that workers may be lacking not only basic skills, but also the key competences and/or job-specific skills needed to meet labour market demands. In addition, employers may view the long-term unemployed less favourably based on an assumed lack of proactivity, motivation and determination in finding employment (European Commission, 2012a).

These issues are further compounded in the case of older workers who comprise the largest share of long-term unemployed and often worked in industries that no longer exist. Older workers tend to have low skills, particularly in a country such as Portugal where educational attainment levels have been historically low. Lower skills are often considered as non-transferable and imply lower productivity compared to younger workers as well as higher costs, as wages may increase with age. From an employer's perspective, it may be more beneficial to retrain and hire younger workers than those who are older and long-term unemployed, as they are expected to contribute to the business for more years.

Experiencing long periods of unemployment can result in a progressive social detachment from the labour market. Social detachment limits the number of ways of finding employment, such as social networks and other connections. The long-term unemployed may eventually transition to a status of discouraged workers under which they are still interested in getting a job, but no longer actively look for it, which can result in their own exclusion from the labour force (OECD, 2014g). Older workers may also exit the labour force and/or take early retirement given a perceived lack of other available options (European Commission, 2012a). Improving job-search assistance services and retraining programmes can contribute to reaching out to the long-term unemployed and helping them reconnect with the labour market.

Box 17. Skills Obstacle Course: Fernando

Task: During the workshops, participants were given cards describing fictional characters who were having difficulties in navigating Portugal's skills system. Participants first identified the challenges each character faced and then the resources they would need in order to achieve their goals.

Profile: Fernando is a 46-year-old father to Daniel (13 years old) and Carla (9 years old). He completed a professional course in tourism and worked in the hospitality sector for many years for a company that provided services to small businesses (i.e. organisation of receptions and other events). Fernando lost his job as the company had to shut down in 2012. Since he stopped receiving unemployment benefits, the whole family has been living on his wife's salary.

Goal: To get back on the labour market as a middle-aged, medium qualified professional.

Challenges:

Age
Limited mobility due to family obligations
Being unaware of available education and training opportunities
Potential loss of professional skills
Being unaware of current labour market needs
Undervalued professional experiences

Resources:

Career guidance provided by Employment Centre
Training providers
Centre for Qualification and Vocational Education (CQEP) – recognition and validation and certification of competences (RVCC process) and career guidance
VET courses
Networking skills
Opportunity to engage in programmes such as *Vida Ativa*

Generous unemployment benefits may discourage certain groups from seeking work

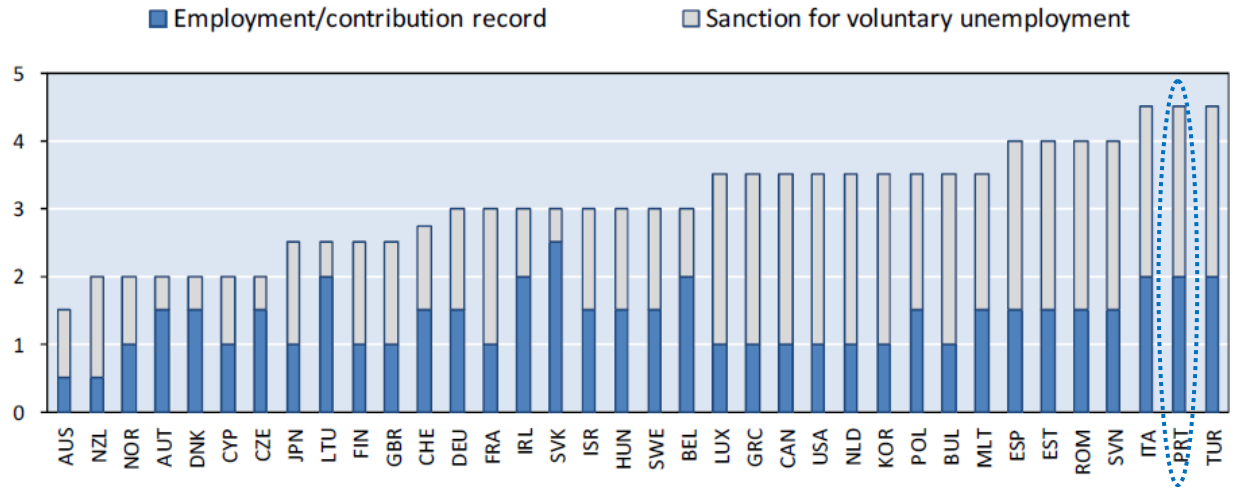
It is important that the design of unemployment benefits does not produce adverse effects on incentives to employment. Generous social benefits and assistance entitlements, coupled with a high tax burden for low-earners, act as disincentives for individuals to re-enter the labour market at the risk of taking up low-paid work. The opportunity cost of moving from unemployment to employment can become too high. High unemployment benefits can thus act as a disincentive to work.

In 2010, Portugal ranked as the most generous EU27 member state in terms of unemployment benefit, with an unemployment assistance and social assistance net replacement rate of over 60%. It also provided higher qualifying periods for unemployment insurance. While about half of countries used qualifying periods between 50 and 52 weeks, Lithuania, Portugal and Slovakia had qualifying periods of 64 weeks or longer, with Portugal second only to Slovakia (European Commission, 2013). A challenge for Portugal, therefore, is to ensure that high unemployment benefits do not act as a disincentive to work.

Although they are generous, unemployment benefits in Portugal follow tight eligibility requirements that limit the coverage of young workers and exclude the self-employed (Figure 22) (OECD, 2014e; Venn, 2012). The revision of the Labour Code in May 2012 has attempted to correct some of the possible disincentives to work created by the system of unemployment benefits, as well as equity concerns in terms of coverage (European Commission, 2012b).

Figure 22. Strictness of entitlement conditions

Indicator scored from 1 (least strict) to 5 (most strict)



Source: Venn, D. (2012), "Eligibility Criteria for Unemployment Benefits: Quantitative Indicators for OECD and EU Countries", *OECD Social, Employment and Migration Working Papers*, No. 131, http://dx.doi.org/10.1787/5k9h43kgkvr4-en.

The 2012 reform resulted in the extension of benefits entitlement to self-employed workers who meet certain requirements and the reduction of the minimum required contribution period for unemployment insurance from 15 to 12 months (OECD, 2014e). The ceiling on monthly unemployment benefits has also been lowered to 1 048 euros, with a 10% benefit reduction after six months and a reduced overall maximum duration (OECD, 2014e). In addition, jobseekers taking up a full-time job that pays less than their former unemployment benefits can now make a request to retain a portion of their benefits in addition to their salary (OECD, 2014e).

Although there have been changes in the conditions of access to benefits and the length of entitlement periods, the system continues to favour older workers as unemployment benefit duration remains strongly dependent on age. Portugal needs to ensure not only that the generosity of benefits towards older workers does not constitute a disincentive to re-enter the labour market, but also that those resources are not used at the expense of young people and other segments of the population who could benefit from additional support (see also Challenge 10).

Targeted information may not be reaching the unemployed and those most at risk of becoming unemployed

A first step towards enhancing support to the unemployed and long-term unemployed is to make information accessible and to clarify what options are available in the various education, training and career development systems. Greater effort by public education and employment services is needed to inform the unemployed how to make the most effective use of the programmes designed to support them in productive ways, for example the RVCC process developed by CQEPs. The unemployment benefit system and back-to-work incentives should, however, go hand-in-hand with active labour market policies so that the unemployed remain connected to the labour market.

Box 18. Targeting services to the long-term unemployed and those most at-risk of becoming unemployed

In 2009, **Estonia**'s public employment services introduced job clubs for older workers to create a small community where jobseekers can get together and share their views and the difficulties they encounter in reintegrating into the labour market. Through various social activities (e.g. role plays), jobseekers learn how to network and are encouraged to develop social and presentation skills that should help them in securing employment.

Germany launched *Perspektive 50+* in 2005, a regional employment pact for long-term unemployed. The 50+ employment programme seeks to facilitate the integration of the long-term unemployed age 50+ into the labour market through innovative projects and strategies that favour the development of a regional network and raise employers' awareness on active ageing. The programme relies on cooperation between job centres and regional partners, such as enterprises, employers' associations, trade unions, churches and municipal and educational institutions. Key measures include counselling, training, integration subsidies and coaching for improved self-perception. Coaching is also available after individuals re-enter the labour market. In 2011, 200 000 older people got involved in the programme, out of which 70 000 found employment. One third (34%) were employed using integration subsidies.

In 2008, **Poland** launched a programme focused on improving public employment services' (PES) staff skills in order to cater for the specific needs of older workers. PES staff received e-learning and specific counsellor training to improve their ability to respond to the needs of this client group.

Source: European Commission (2012b), *PES and Older Workers: Toolkit for Public Employment Services*.

Box 19. Portugal in Focus: Keeping the unemployed connected to the labour market

In Portugal, the Occupational Programmes (*Programas Ocupacionais*) focus on the prevention of unemployment stagnation, rather than directly on enhancing employability. The programmes provide individuals with opportunities to engage in social and professional activities to help them maintain contact with the world of work.

In contrast, the Employment-Insertion Contracts (*Contratos Emprego-Inserção*) were designed to improve individuals' employability. These contracts focus on the long-term unemployed, including older unemployed workers (aged 55 +) and the disabled. This measure seeks to prevent the unemployed from becoming fully inactive, and avoid skills depreciation and social exclusion from the labour market. The programme is of a maximum of 12 months and subject to financial compensation for its participants.

Source: IEFP (Instituto do Emprego e Formação Profissional) (2014a), *Apoios*, www.iefp.pt/apoios.

Job-search support and guidance could be strengthened

With a high share of older workers in unemployment, a rapidly ageing population, and a working-age population with comparatively low levels of education, Portugal needs to ensure support to those in society who are most at-risk.

Employment centres play an essential role in ensuring that resources are effectively allocated to target specific populations, and that those in need have access to the programmes that will benefit them the most and that are in line with their ambitions, levels of education and experiences. Effective job-search assistance also requires better outreach to employers and more effective use of the available information on jobseekers and available vacancies (OECD, 2014e).

In Portugal, the Personal Employment Plan (*Plano Pessoal de Emprego*, PPE) is a positive attempt to strengthen the support of public services to the job-search process (European Commission, 2012c). However, the regular updating of the profile of unemployed candidates in job centres' databases has repeatedly been identified by workshop participants as a challenge. More can be done to improve job-search assistance and the quality of support provided to the unemployed.

Box 20. Portugal's Personal Employment Plan (PPE)

Created in 1998, the Personal Employment Plan plays a crucial role in the reintegration of the unemployed, including the long-term unemployed, into the labour market. Developed by employment centres in collaboration with the unemployed individual, the PPE is a contract whose conditions, if breached, result in a reduction in unemployment benefits. It involves activities offered by the IEFP, such as occupational training, soft skills and employability skills training, and RVCC to improve the overall employability of the unemployed. The employment centre has the responsibility to monitor the process from which the results are registered in the IEFP database.

Source: European Commission (2012c), *EEO Review: Long-term Unemployment 2012, Portugal*.

Tightening job-search monitoring and applying sanctions in practice

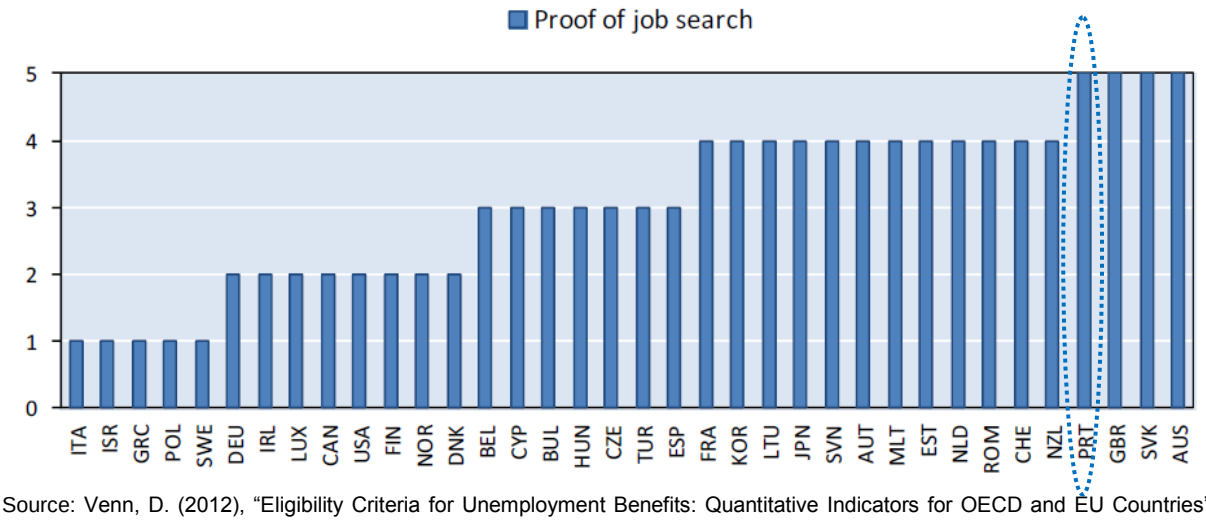
Proof of job-search activity is a strong element of the system in Portugal. Following good practice in countries such as Australia and the United Kingdom, Portuguese recipients of unemployment benefits are required to prove, on a bi-monthly basis, their job-search activity. The minimum steps considered as active searching are defined in their personal employment plan (Venn, 2012).

Unemployment benefit recipients are subject to sanctions if they do not accept a suitable job offer or participation in active labour market policies without a good reason. In Portugal, an offer of suitable employment consists of tasks that can be performed by the unemployed, in accordance with his or her qualifications, professional experience and physical skills, despite not necessarily being in the same sector as their previous work (Venn, 2012). During the first 12 months of unemployment, suitable employment should guarantee a gross pay equal to or greater than the value of the unemployment benefit plus 10%. After 12 months of unemployment, the pay must be equal or greater than the unemployment benefit (Venn, 2012).

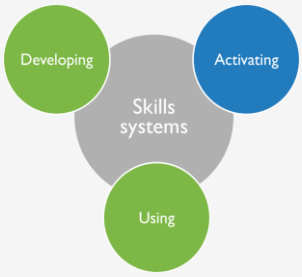
Additional actions deemed unjustified, such as refusal to accept a PPE or to participate in vocational training, subsidised employment or other active labour market policies, may lead to the suspension of unemployment benefits and restricted access to job centre services. This approach is also implemented in the United States, Greece, Turkey, Luxembourg, Italy and Ireland (Venn, 2012). However, while very strict in principle, the practical reality of proof of job-search activity is much more lenient, and benefits in Portugal are rarely cancelled (see Figure 23) (OECD, 2014e). The IEFP is currently developing a project to address this challenge and to re-design the control mechanisms so that they are notified when unemployed jobseekers in receipt of benefits fail to comply with the agreed conditions. This tightening of job-search monitoring and sanctions is, in practice, likely to contribute to raising the number of long-term unemployed re-entering the labour market.

Figure 23. Strictness of sanctions

Indicator scored from 1 (least strict) to 5 (most strict)



Source: Venn, D. (2012), "Eligibility Criteria for Unemployment Benefits: Quantitative Indicators for OECD and EU Countries", *OECD Social, Employment and Migration Working Papers*, No. 131, http://dx.doi.org/10.1787/5k9h43kgkvr4-en.



How is long-term unemployment interlinked with other parts of the skills system?

Long-term unemployed face the risk of becoming permanently detached from the labour market, as their skills atrophy and become less relevant while their motivation for seeking employment drops over time. Providing opportunities for adult learning (Challenge 3) is important for retraining and upskilling. High levels of long-term unemployed is challenging for the economy as a whole, as it leads to high spending on unemployment benefits and a reduction in tax revenues (Challenge 10).

CHALLENGE 6: REDUCING BARRIERS TO EMPLOYMENT

A selection of challenges identified by Portuguese workshop participants:

"Reduce fiscal burden on employment"

"Rationalisation of employment measures"

"Improvement and continuity of labour reform"

"Increased flexibility in legislation of temporary employment"

"Reduction of social contributions for businesses"





Portugal faces significant employment challenges: the unemployment rate is the third highest in the OECD after Greece and Spain, and the share of long-term unemployed, who have been out of work for one year or more, and that of workers on temporary contracts is high. Though recent measures have been taken to address these issues, the level of dualism in the labour market is still significant. The tax burden on employment also remains high in Portugal, especially considering the low skill levels of the workforce.

Recent work on skill atrophy has argued that long spells of unemployment can result in skill rates falling, meaning that temporary spells of unemployment can have long-term effects (OECD, 2011; OECD, 2012). Employers can be reluctant to hire workers who have been unemployed for long periods of time, so the longer Portugal's unemployment issues persist, the greater the likelihood of long-term effects from the crisis. A critical step for Portugal is thus to further reduce the various barriers to employment, by reducing segmentation in the labour market, improving equity in unemployment benefits and providing better support to jobseekers.

Job-search support must account for, and address, barriers to internal mobility

Barriers to employment can be two-fold: they refer both to barriers to accepting a job offer and barriers for employers to hire. The geographical location of employment vacancies can represent a challenge in effectively matching jobs with workers. In a country with high territorial variations such as Portugal, some regions may show more employment opportunities than others, but can also experience skills shortages (see Challenges 11 and 12). However, relocating to another city or region to seek better job prospects can be a difficult choice to make for people with families or care responsibilities for older relatives. The necessity to relocate can lead many to reject employment offers, even where these have been obtained with the support of job centres.

Strict policies have been established to address these challenges. Unemployed jobseekers should accept a suitable employment opportunity unless key criteria are not met.[3] Geographical pre-requisites for suitable employment state that the average time of travel between home and work should not exceed 25% of working hours, except in situations where the beneficiary has children who are minors or dependents, for which the percentage is 20% (Venn, 2012). Travel time can exceed 25% of working hours as long as it does not exceed the travel time in the previous job. The cost of travel to work should not be more than 10% of the gross monthly

[3] Criteria for suitable employment also take into account the qualifications, professional experience and physical skills of the unemployed (Challenge 5).

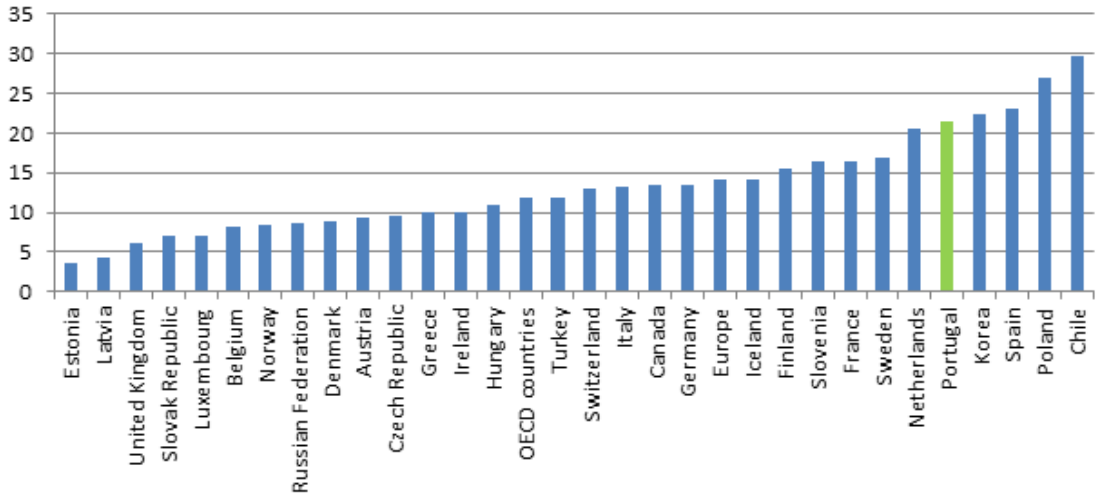
pay or the travel expenses of the previous job, unless the employer pays for travel costs (Venn, 2012). Although these provisions are important, labour mobility remains lower in Portugal than it could be.

Barriers to stable employment and good quality jobs

A large share of workers in Portugal is employed on fixed-term contracts. In 2013, 21.5% of contracts in Portugal were temporary, compared to 11.8% for OECD countries on average. This share is even higher for youth, at 60.9% (OECD, 2014h). This high level of labour market segmentation raises significant equity issues as workers on these contracts face a higher degree of job insecurity than employees on regular contracts. Greater convergence in contract types is thus recommended, either by making permanent contracts more flexible or by making temporary contracts more stringent. Recent development show positive sign as the large majority of jobs created in 2014 were on permanent contracts (Governo de Portugal, 2014b).

Labour market dualism has direct implications for skills. Workers on short-term contracts are generally less likely to receive employer-funded education and training than those on long-term contracts. In countries such as Portugal that have a high degree of labour market dualism, a large proportion of workers on short-term contracts, as well as a significant proportion of low-skilled adults, the cumulative impact of this dualisation on the skills of the working-age population may be significant. While recent measures to reduce labour market dualism are going in the right direction, they have rarely been framed in terms of their implications for the skills available in the workforce or the long-term impact on productivity and innovation.

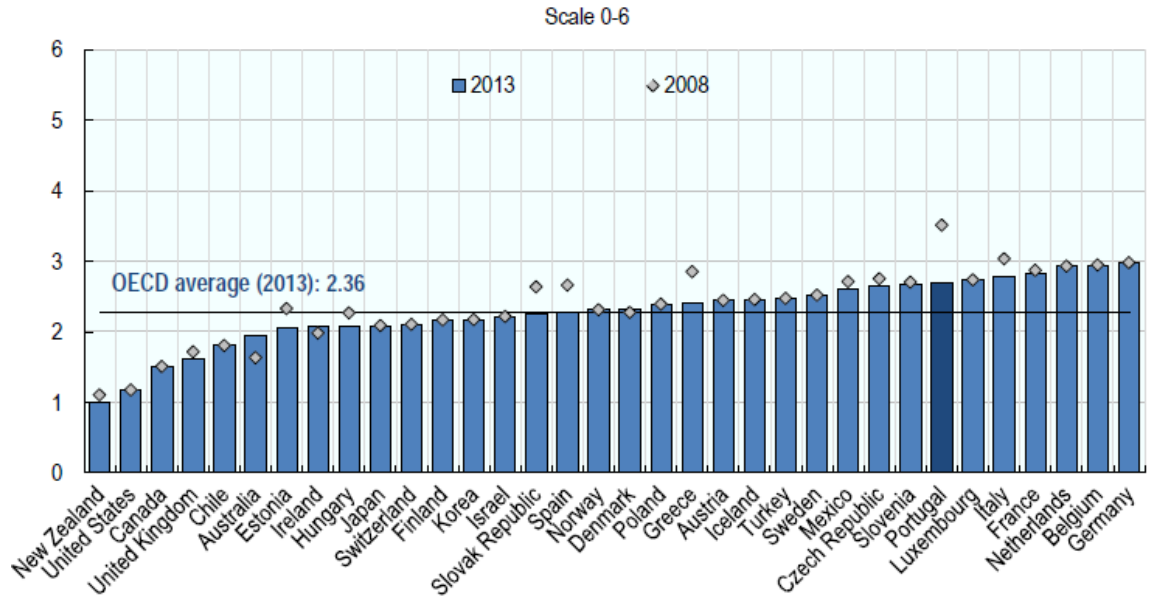
Figure 24. Share of temporary employment, in 2013 (%)



Source: OECD (2013b), *Share of temporary employment*, http://stats.oecd.org/Index.aspx?DatasetCode=TEMP_I.

Recent reforms have brought employment protection for permanent and temporary contracts in Portugal closer to the OECD average and should help reduce labour market segmentation and support productivity growth (OECD, 2014e). While in 2009 Portugal showed the highest level of protection for permanent workers in the OECD, these protections have been noticeably reduced by recent reforms. Among the amendments introduced are working time arrangements (which include overtime work pay), holiday entitlement arrangements, parenting rights and a social security regime that is equal for all new workers (Governo de Portugal, 2014b).

Figure 25. Protection of permanent workers against individuals and collective dismissal, 2008-13



Source: OECD (2014e), *Deepening Structural Reform to Support Economic Growth and Competitiveness*, http://dx.doi.org/10.1787/9789264217270-en.

Box 21. Portugal in Focus: Tackling labour market dualism: recent labour market reforms

- A revision of the legal framework on reduction/suspension of the employment contract for economic reasons. Individual dismissals for economic reasons no longer need to adhere to a pre-defined order of seniority, but those based on worker capability have become possible in a wider range of circumstances. In both cases, the employer is required to assess whether the employee could be transferred to a position compatible with his or her professional qualifications (OECD, 2014e).

- Severance pay was reduced from 30 to 18 days per year in October 2013 for the first 3 years and 12 days for each additional year. However, these reductions only affect new contracts signed after 2011. Many workers preserve entitlements accrued under the old rules. The trial period for open-ended contracts remains short, at 90 days for most workers (OECD, 2014e).

- The authorities have recently worked towards reducing the scope for lengthy lawsuits following dismissals by defining a hierarchical list of criteria for companies to decide upon whom to dismiss in the case of staff reductions (OECD, 2014e).

Sources: Governo de Portugal (2014b), *Portuguese Labour Law Reform*; OECD (2014e), *Deepening Structural Reform to Support Economic Growth and Competitiveness*, http://dx.doi.org/10.1787/9789264217270-en.

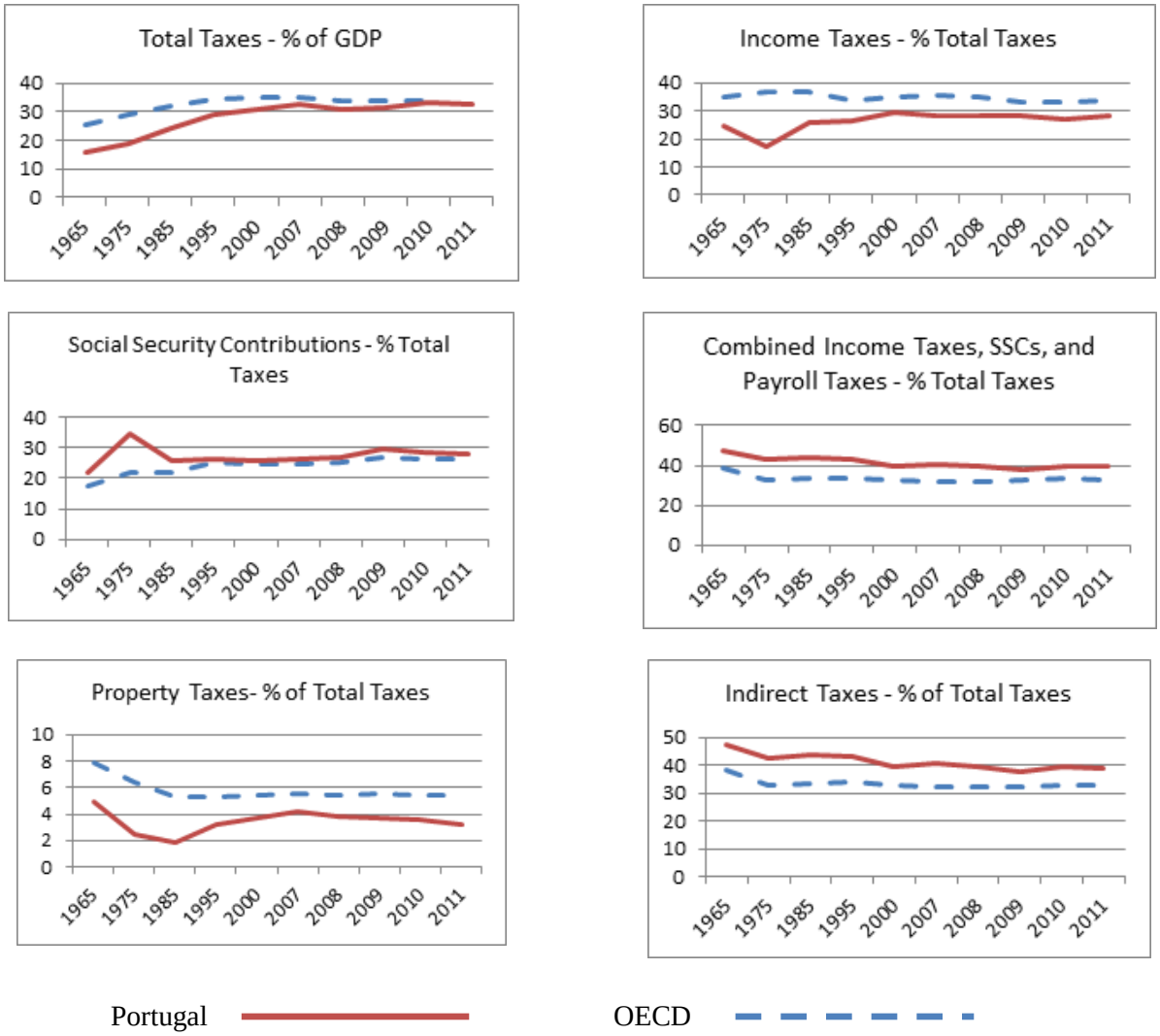
Portugal, like many other OECD countries, relies heavily on taxing labour income

A key factor in determining the financial incentives for employees to work and employers to hire is the effect of taxes on labour income. Income taxes, social security contributions, payroll taxes, and other hiring costs create a wedge between what it costs to hire a worker, and what the worker takes home as disposable income. When this wedge becomes too high, it can become too costly for a firm to hire a worker. It can also become insufficiently rewarding for a worker to work or to upskill.

Portugal's share of taxes raised (Figure 26) has historically been just below the OECD average, but has slowly risen, coming closest to the OECD average in the period just after the onset of the financial crisis. Portugal relies somewhat less on income taxes, and significantly less on property taxes, than other OECD countries. On the other hand, it relies more on indirect taxes and on social security contributions than the OECD average. Previous OECD (2010) research has suggested that a shift away from taxes on labour and corporate income and towards taxes on property and indirect taxes could have positive impacts on economic growth.

It is important for skills activation that the overall tax burden on labour is kept moderate in order to increase incentives for companies to create jobs or internships. This is examined in the figure below (panel 4), which shows the overall share of taxes raised from income taxes, payroll taxes and social security contributions. In Portugal, this share has historically been higher than the OECD average.

Figure 26. The Tax Mix in Portugal



Note: Income Taxes are the '1000' category from Revenue Statistics, Social Security Contributions are the '2000' category, Property Taxes the '4000' category, and Indirect Taxes the '5000' category, the 'Combined Income Taxes, SSCs, and Payroll Taxes' is the combination of the 1000, 2000 and 3000 (Payroll taxes) categories.

Source: OECD (2013c), *Revenue Statistics 2013,* http://dx.doi.org/10.1787/rev_stats-2013-en-fr.

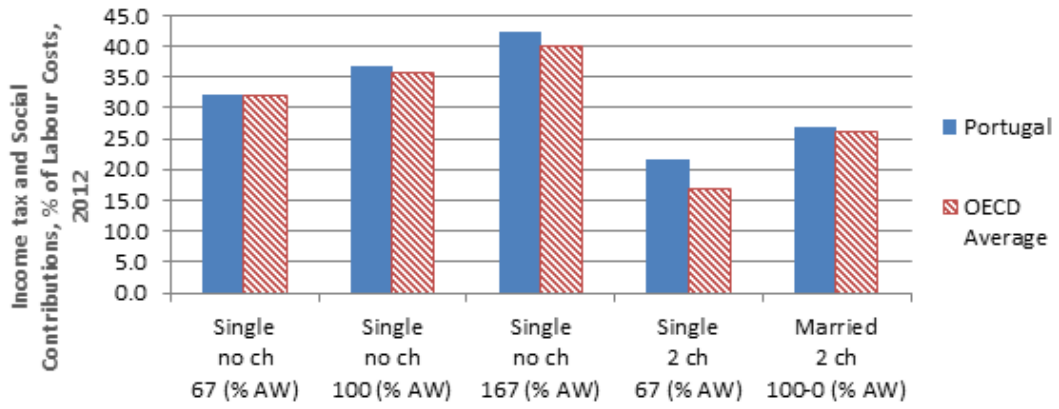
Portugal's tax code places a higher burden on hiring than the OECD average

Higher rates of revenue from labour taxes in Portugal are reflected in the tax rates faced by workers. Figure 27 shows average tax rates faced by various family types and income levels in 2012. The progressivity of the Portuguese tax system can be noted in these graphs with tax rates rising sharply as income rises, which is seen as beneficial for equality. However, average tax rates are higher than the OECD average for most of these family types, which raises concerns as to whether or not the Portuguese system is providing sufficient incentives for workers to join the labour force and find employment, and for employers to hire.

In comparison to the rest of the OECD, tax rates are particularly high for single parents. These rates are a concern given that single parents often face additional barriers and costs (such as childcare costs) to entering the labour market. Research within and outside the OECD has shown that the labour supply elasticity (the propensity to not work in response to taxation) of single parents is often much higher than that of other taxpayers (Bargain et al., 2014). In other words, higher taxes are more likely to cause single parents to leave the labour force than other taxpayers. In order to avoid this, countries across the OECD tend to have lower tax rates for these taxpayers. As shown in Figure 27, although Portugal has lower tax rates for single parents, they are not quite as low as in other OECD countries. This may reduce skill activation among single parents.

These figures suggest that there could be potential efficiency gains from reducing taxes on single parents. Countries such as Ireland, Sweden, the United Kingdom and the United States have implemented refundable tax credits, sometimes targeted especially at single parents, with a view to increasing skill activation among these groups.

Figure 27. Average Tax Rates for Various Family Types and Wage Levels



Note: Income taxes, plus employee and employer contributions less cash benefits, 2012, as a % of labour costs, by family-type and wage level. The Married category assumes no spousal income.

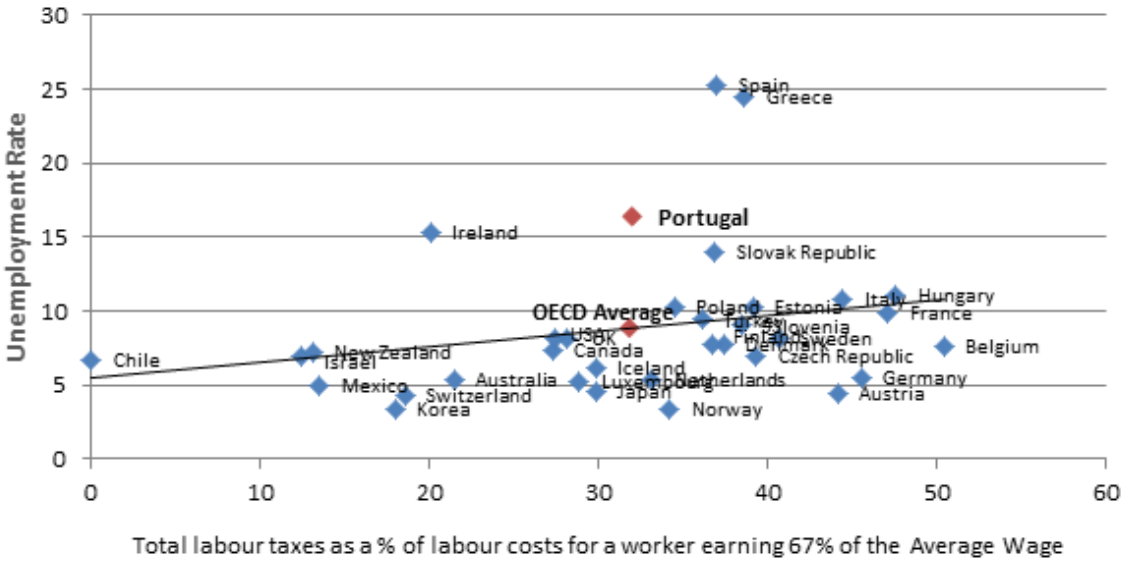
Source: OECD (2013d), *Taxing Wages 2013*, http://dx.doi.org/10.1787/tax_wages-2013-en.

While tax rates on labour in Portugal are only somewhat higher than the OECD average, it is questionable that they should be as high as they are given the country's high level of unemployment and low skill levels. As the marginal value of labour is low relative to international competitors (i.e. skill levels are low), improving the employment picture means that the costs of hiring must stay competitive. A shift in the tax mix from labour taxes towards other taxes, such as residential property taxes and environmental taxes, could thus be a positive policy option. Other countries facing similar policy challenges to Portugal are pursuing similar steps (OECD, 2010).

Removing tax barriers for lower income workers may boost employment

While Portugal has one of the highest top tax rates in the OECD (56.5% in 2013), it only begins to apply at 16 times the average wage, as part of its high level of tax progressivity. Research has suggested that high top statutory rates do not have a large impact on employment (Saez, 2002), so it is unlikely that Portugal's high income tax rates will have a negative effect. In contrast, there is evidence that labour supply elasticities do matter at lower levels of income (Kimmel and Kniesner, 1998). Figure 28 demonstrates a positive relationship between labour taxes at lower income and the unemployment rate, which suggests that reducing the tax burden on these with a lower income could have a positive effect on employment.

Figure 28. Tax wedge on labour income and unemployment in OECD countries



Note: Income taxes, plus employee and employer contributions less cash benefits, 2012. Employment data from OECD Labour Force Statistics.

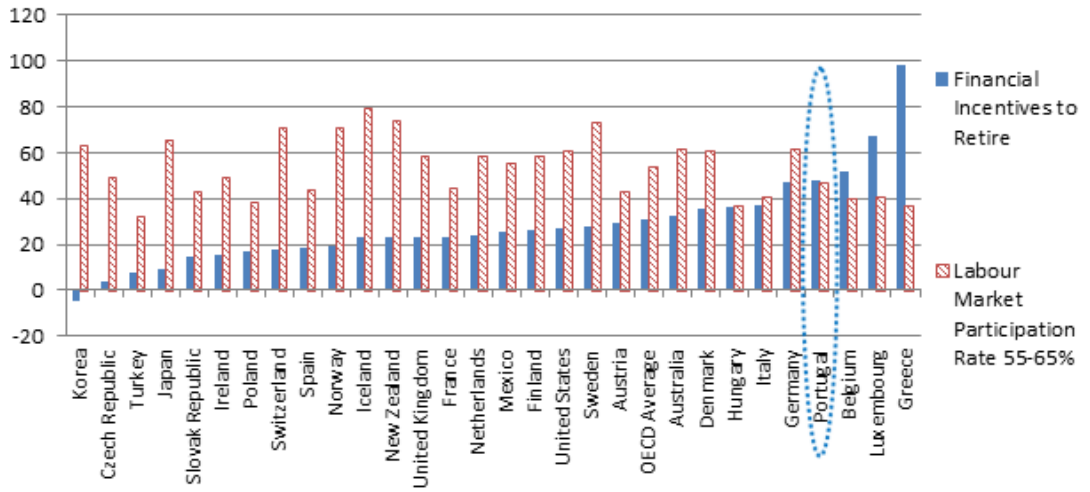
Source: OECD (2013d), *Taxing Wages 2013*, http://dx.doi.org/10.1787/tax_wages-2013-en.

Reducing taxes and social security contributions should only be considered in the context of Portugal's overall budget situation. Some evidence suggests that payroll tax reductions may be a costly way of promoting labour market activation (Skedinger, 2014). Thus, these tax reductions could be used in combination with other non-tax policy approaches, such as labour market activation policies, and subject to budget constraints.

Effects of the tax wedge on employment may be especially large among older workers

Different groups respond more or less to financial incentives. As with single parents, older workers have a high response to financial incentives, and increased tax rates may encourage retirement. Figure 29 shows the financial incentives to retire of older workers in a sample of OECD countries. The Financial Incentives to Retire Indicator measures the impact of retiring early on changes in earnings, accounting for changes in net pension wealth from increased work, as well as changes in tax liability (OECD, 2011). The financial incentives to retire in Portugal are high in comparison to many other OECD countries. This is particularly worrying given the fact that the labour market participation rate of workers from ages 55 to 64 is below the OECD average (OECD, 2014i).

Figure 29. Labour Market Participation for Older Workers and Financial Incentives to Retire



Note: Data are from 2012. Data on Financial Incentives to Retire are from Taxation and Employment (2011); and refer to the incentives to defer retirement from 60-65, for a single person at 100% of the Average Wage.

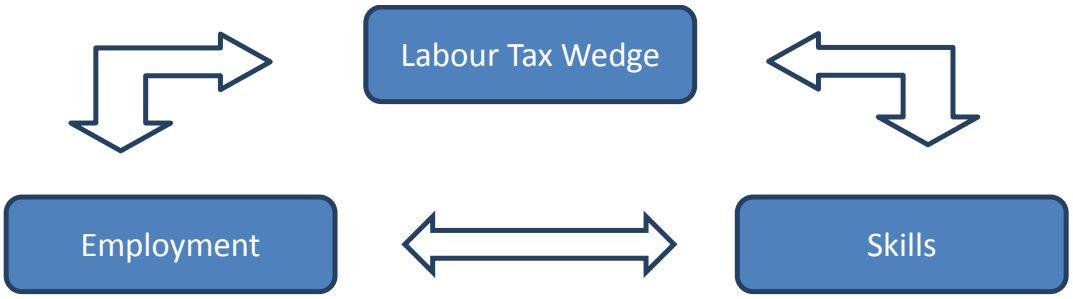
Source: OECD (2015b), *Data on Labour Market Participation Rates from OECD Employment Outlook*, www.oecd.org/els/emp/kt-sources.htm.

Reducing financial incentives to retire could be a way of boosting the skills activation of these older workers in Portugal. Improving their labour market attachment may also be a 'win-win' policy measure from a budgetary perspective, as increased labour market participation from older workers can lead to increased tax revenue and reduced public pension expenditure (see also Challenge 10).

Breaking the cycle of underuse and underinvestment in skills

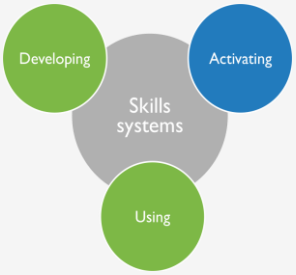
Low levels of skills activation among workers can also have detrimental effects on workers' incentives to develop skills. A key motivating factor to invest in new skills is the likelihood of increased rewards that these skills will earn in the labour market. This means that people who have low levels of labour market attachment, or who simply anticipate being unemployed for long periods of time, can face reduced incentives to upskill. If someone is unemployed or underemployed, the financial rewards to upskilling may not cover the financial and other costs of further education. This can lead to reduced levels of skills investment, which in turn may reduce skills activation in a vicious cycle.

Figure 30. Reciprocity between skills activation and development, as mediated by the tax wedge



If the tax code reduces incentives to work, or reduces the probability of workers being hired, it can also have a knock-on effect on workers' incentives to invest in skills. Skills activation and skills development are therefore influenced by one another, implying that increased activation incentives through removing financial or other barriers to skills activation can have positive impacts on skill development.

Certain demographics may be particularly discouraged from investing in skills. As previously shown, tax rates for single parents are above the OECD average in Portugal. If single parents leave the labour market while childrearing, their skills may atrophy, potentially leading to long-term joblessness and contributing to structural unemployment problems. As a result, it is important that financial incentives for at-risk groups are carefully aligned with employment objectives.



How are barriers to employment interlinked with other parts of the skills system?

Barriers to employment include disincentives for people to seek jobs and accept job offers as well as disincentives for employers to hire. Not having the skills employers seek is an obvious barrier to employment for individuals. For employers, not finding the right skills the company needs will mean that positions remain unfilled. Skills issues can be addressed both through the formal education system (Challenges 1-3) and by on-the-job training (Challenge 9). Removing disincentives to seek jobs and to hire people will have a positive impact on unemployment rates (Challenges 4 and 5). Tax and benefit schemes also need to be designed to be "skills-friendly" so that they do not pose barriers to employment.

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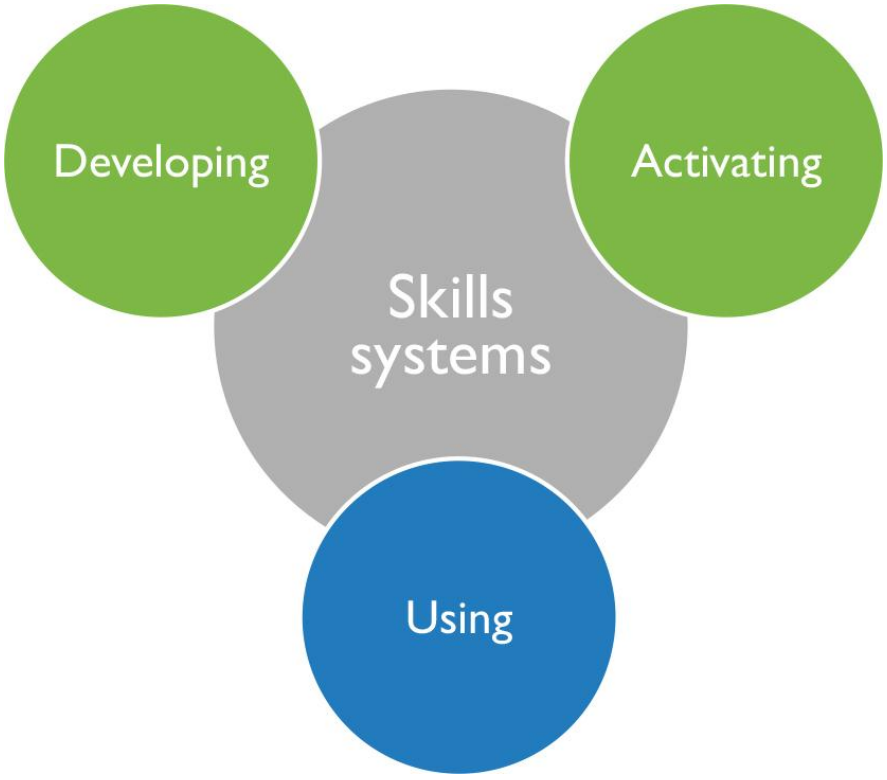
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USING SKILLS



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CHALLENGE 7: PROMOTING ENTREPRENEURSHIP

A selection of challenges identified by Portuguese workshop participants:

"Need to promote soft skills development and entrepreneurial skills"

"Difficulty in finding capital for new projects"

"Mobilising inter-municipal communities in support of entrepreneurship and training opportunities"

"Need to strengthen entrepreneurship"

"Reinforcing the entrepreneurship component in school curricula"

"Need incentives for the creation of self-employment (advice, guidance and follow up, access to funding)"

"Developing transversal and entrepreneurial skills"





Entrepreneurship and entrepreneurs are important sources of innovation, economic growth and job creation. Countries affected by the financial crisis have a particular interest in promoting entrepreneurship as an essential element to foster a 'job-rich' recovery, economic growth and structural change.

In Portugal, small firms account for larger shares of value added than in other countries: firms with fewer than 10 employees account for 84% of employment, and only 3% of employment takes place in firms with over 50 employees. This trend has increased over the last decade, with Portugal having more small and fewer large firms in 2009 than in the 1980s. This is contrary to the trend in other countries, including countries of similar size. About a quarter of Portuguese exports today come from firms under 10 years old, and almost half the jobs created in Portugal can be found in young firms (OECD, 2014a).

Creating good conditions for new firms to enter the market and for young firms to grow can therefore play a key role in fostering job creation. It was therefore an encouraging sign when Lisbon won the European Entrepreneurial Region award in June 2014 as it recognised Lisbon's efforts to boost entrepreneurship and implement key EU policies, such as the Small Business Act and the Europe 2020 Strategy for Growth and Jobs (European Union, 2014).

Box 22. Skills Obstacle Course: Maria

Task: During the workshops, participants were given cards describing fictional characters who were having difficulties in navigating Portugal's skills system. Participants first identified the challenges each character faced and then the resources they would need in order to achieve their goals.

Profile: Maria is a 28-year-old masters graduate from the University of Minho. She has been working as an engineer in Germany for four years. She is full of ideas and wants to come back to Portugal to actively contribute to the economy of her country.

Goal: To set up an engineering consulting firm of her own in Portugal.

Obstacles:
Setting up a business plan with risk evaluation analysis.
The financial and economic context in Portugal.
Awareness of the legal and fiscal complexity.
Acquiring new competencies (i.e. managerial skills).
Low frequency of training modules available in management, marketing, information systems, HR management, etc.
Need to obtain specific certifications for certain projects.
Bureaucracy.
No repertoire of clients.
Identification of collaborators.
Adaptation to the labour market.
Lack of networking culture in Portugal.
Need to hire people with the right competencies.
Reduction in revenue for undetermined period of time.
No fiscal benefits to start entrepreneurial activities.

Resources:
Four years of professional experience abroad.
Language skills.
Network – contacts.
Existing instruments for the creation of businesses that support the activation of start-ups.
Institutional and technological partners (i.e. ANJE, IAPMEI, *Empresa na Hora*).
Training opportunities exist, but are costly. Advanced training for executives is available in a wide range of education sectors.
Resorting to private entities.
For staff recruitment: IEFP, social networks (i.e. LinkedIn), recruitment companies.

There has been progress in reducing administrative burdens on business start-ups

The level of business start-ups remains below the pre-crisis level in most euro area economies. However, in Portugal, Sweden and the United Kingdom, business start-ups have returned to pre-crisis levels and have even shown a positive trend (OECD, 2014b). Several initiatives have contributed to this positive development in Portugal. The Portuguese government has defined entrepreneurship and innovation as priorities in the national reform programme, Portugal 2020, and has introduced a Strategic Plan on Entrepreneurship and Innovation (+E+I) in 2011.

The reform agenda has eased the heavy administrative burdens on business start-ups, addressed regulatory and administrative lack of transparency, and removed barriers to competition.

Recent actions taken by the government have included the implementation of the Zero Authorisation initiative for many services and industrial projects, and eliminating licensing surcharges levied by municipalities. A "silence-is-consent" rule has also been put in place for many licensing issues.

Today, due to the considerable progress made in recent years, reducing administrative 'red tape' is no longer considered a priority reform area for Portugal in its search for economic growth (OECD, 2015).

Access to capital is still limited

Several workshop participants highlighted the difficulty entrepreneurs in Portugal face in finding capital to start up new projects and businesses. This is not unique to Portugal, as access to finance represents one of the most significant challenges for small and medium-sized enterprises (SMEs) and entrepreneurs starting and growing firms, and has been exacerbated in many countries by the recent financial and economic crisis.

OECD data show that due to investors' risk aversion caused by the financial crisis, venture capital in Portugal was over eight times lower in 2012 than in 2007, while the cost of credit for companies remains high. SME lending declined more than total business loans over the period 2007-2012, and it has been especially difficult for SMEs to access short-term financing to cover cash flow problems (OECD, 2014c).

A recent positive development is the narrowing of the gap in lending costs between large firms and SMEs. The authorities also recently established a Financial Development Institution to provide financing to SMEs (*Banco de Fomento de Portugal*), which became operational at the end of 2014 (OECD, 2014a).

Enhancing the prominence of entrepreneurship in the education system

In addition to improving administrative and economic framework conditions to unleash entrepreneurial potential in Portugal, the education system has a key role in building an entrepreneurial culture. The entrepreneurial culture of a country reflects the attitude that individuals have towards entrepreneurship, the likelihood of choosing entrepreneurship as a career, the ambition to succeed, the readiness to start again after a failure, or the support provided to family and relatives planning to set up a business. All of these aspects of the culture play a role, although there is little empirical evidence on their relative importance across countries (OECD, 2013a).

There are two elements to the role that skills and the education system play in driving entrepreneurship in a society. First, the entrepreneurial mindset can be built through education, with important issues including teaching strategies, course content, learning environments and learning outcome assessments to promote entrepreneurship in a broad sense (entrepreneurship as a key transversal competence). Second, the practical competences and skills to start and grow new ventures can also be built, for example, training can be offered to people who are motivated to, or who have already decided to start their own business.

According to the Key Competence Framework developed by the European Union, the entrepreneurship key competence refers to "an individual's ability to turn ideas into action". It includes creativity, innovation and risk taking, as well as the ability to plan and manage projects in order to achieve objectives (European Commission/Eurydice, 2012).

How entrepreneurship is included in steering documents and curricula varies between countries. More countries make explicit reference to entrepreneurship education in their steering documents at secondary rather than primary level. The cross-curricular approach is widespread, as is the integration of entrepreneurship education into other compulsory or optional subjects. Some countries teach entrepreneurship education as a separate subject at lower secondary level. In Lithuania and Romania, entrepreneurship education is a compulsory subject, in Bulgaria, it is compulsory for students choosing the technology branch, and in Denmark and Spain, it is an optional subject. At upper secondary level, all countries recognise entrepreneurship education in their steering documents, and more than two thirds of all European countries are integrating entrepreneurship education in optional subjects (European Commission/Eurydice, 2012).

Box 23. Promoting entrepreneurship education in Europe

Entrepreneurship education is currently being promoted in most European countries. Some countries have specific strategies/action plans focused exclusively on the integration of entrepreneurship education, other countries have broader educational or economic strategies that incorporate objectives for entrepreneurship education, and some countries have developed individual or multiple initiatives related to entrepreneurship education.

In six countries and two regions, specific strategies for the implementation of entrepreneurship education in primary and general secondary education have been launched.

The government of the **Flemish Community of Belgium** launched the Action Plan for Entrepreneurship Education 2011-2014 at the end of 2011. This is a shared initiative between the Prime Minister, Minister for Economy and Agriculture, Minister for Education and Minister for Employment. The objective is to prepare students for self-employment as well as providing teachers with the training needed to help them create positive attitudes towards entrepreneurship and self-employment. The Action Plan is also a contribution to the economic growth strategy Flanders in Action 2020.

In **Denmark**, the strategy for education and training in entrepreneurship (2009) was developed in a partnership between the Ministry for Science, Technology and Innovation, the Ministry of Culture, the Ministry of Education and the Ministry of Economic and Business Affairs. It describes an active investment in entrepreneurship training at educational institutions. In the future, laws, executive orders and performance/development contracts will address education and training in entrepreneurship wherever relevant, involving every level of education, earmarking funds and including entrepreneurship in the management of educational institutions.

In the **Netherlands**, the ministries of Economic Affairs, Education, Culture and Science, and Agriculture, Nature and Food Quality have been promoting entrepreneurship and enterprise in education since 2000. In 2005, the ministries started with the Programme Partnership Leren Ondernemen which was followed by the Education and Entrepreneurship Action Programme 2007 (Actieprogramma Onderwijs en Ondernemen, O&O 2007) and the Education Networks Enterprise 2009 (Onderwijs Netwerk Ondernemen, ONO 2009), through which the Netherlands provide a specific subsidy scheme to help educational institutions to integrate entrepreneurship education into their policies, organisation and curricula. The objective is to have more students demonstrating an entrepreneurial mindset and behaviour and to increase the number starting up their own business within a period of five years following the completion of their education.

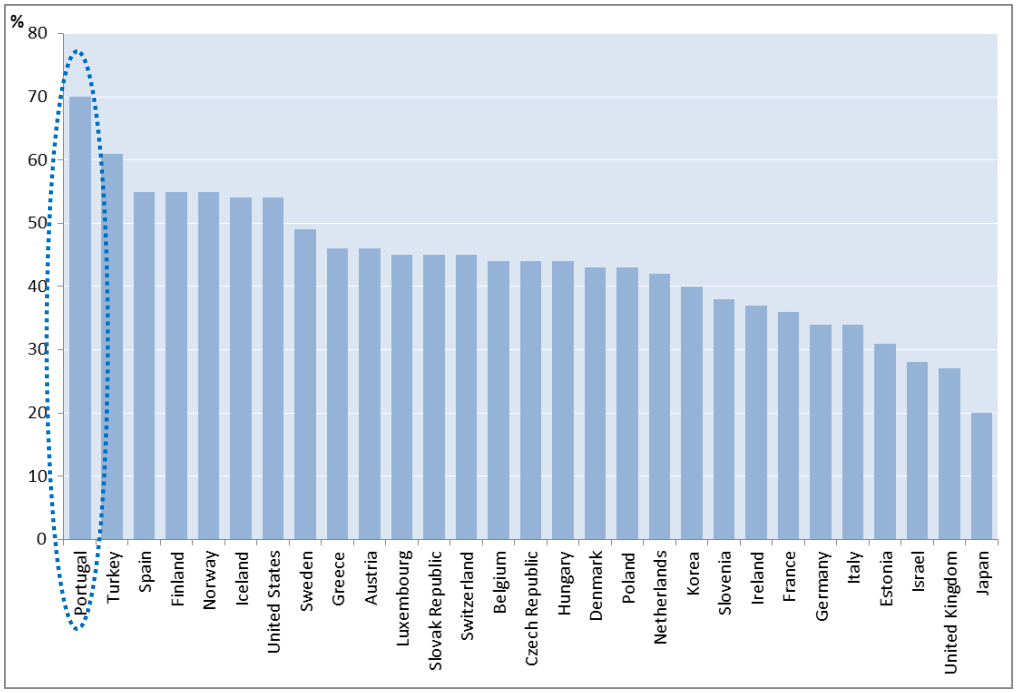
Source: European Commission/Eurydice (2012), *Entrepreneurship Education at School in Europe National Strategies, Curricula and Learning Outcomes*.

In Portugal, entrepreneurship is currently identified as a key transversal skill that individuals should develop through lifelong learning, and the school should provide a favourable culture for knowledge and the development of attitudes, skills and values of entrepreneurship. The Ministry of Education and Science is currently co-ordinating the development of a National Reference Framework for Entrepreneurship Education, including guidelines, to improve the implementation of entrepreneurship education in primary and secondary education. Several stakeholders are involved in this work, which is scheduled for launch in the academic year 2014/2015.

Some of the workshop participants argued that a culture of entrepreneurship exists in Portugal, despite little available training in the field, but suggested that there was a need to reinforce entrepreneurship education in schools. In a 2012 Eurobarometer Survey, 70% of the adults participating in the survey in Portugal agreed that their school education provided them with the necessary skills to run a business, compared to less than half in the majority of OECD countries (Figure 31).

Figure 31. Impact of entrepreneurship education, 2012

Proportion of adults aged 15 to 64 who agree that their school education provided the skills and know-how to run a business



Source: European Commission (2013), "Entrepreneurship in the EU and beyond", *Flash Eurobarometer 354*.

Box 24. Portugal in focus: Entrepreneurship Education in Portugal – examples of recent initiatives in primary and secondary education

The national ideas competition *INOVA! – Young Creatives, Entrepreneurs for the XXI Century,* is a competition held under the Strategic Programme for Innovation and Entrepreneurship (+E+I) with the aims of helping students in primary and secondary education to develop innovation and creativity, fostering the analytical and critical thinking of young people in the context of detecting business opportunities, and encouraging risk taking among young people. It provides the experience of participating in a competition and rewards and disseminates the most innovative ideas. The first competition was held in 2011/2012, in which 1 662 students with 188 projects from 110 schools participated. In 2012/2013, 3 020 students with 176 projects from 139 schools participated, and in 2013/2014, 10 437 students with 245 projects from 141 schools.

Tools for students' self-assessment of entrepreneurial competencies have recently been developed for use across all educational levels, together with teacher support material (Assessment Tools and Indicators for Entrepreneurship Education (ASTEE).

As part of the National Project on Education for Entrepreneurship (2006/2009), 136 teachers took an accredited training course on "Education for Entrepreneurship at School". Another training course is being planned for Entrepreneurship Education in Schools connected with the National Reference Framework for Entrepreneurship Education. This will target primary and secondary teachers and is planned for the school year of 2015/2016.

Source: DGE (Direção-Geral da Educação) (2014), www.dge.mec.pt/educacaocidadania/index.php?s=directorio&pid=129.

Promoting comprehensive entrepreneurship training programmes

The reason for the failure of many new and small firms is not necessarily due to the business idea's lack of viability, but often a lack of basic managerial skills. Training can therefore play a significant role in reducing enterprise failure and improving business outcomes. Various institutions can provide training to small firms, for example, private sector provision in the United States is common, whereas in Germany, industry chambers and associations play a lead role. Colleges, universities and public organisations are all important providers in many countries.

Good practice indicates that targeting training to groups of entrepreneurs that share similar problems and challenges, or arranging it to serve group needs (e.g. women, youth, exporters, IT-based firms and others), can be a useful approach. Training should be offered in a flexible manner, for instance through modules of varying duration at times convenient for employers and employees; and be delivered through local bodies able to adapt schemes to local needs (OECD, 2003).

The best training programmes provide a comprehensive package of training, financing and mentorship. An example of such an integrated start-up support programme, "enterprise" in Germany, is aimed at young adults under the age of 27, in the Federal States of Brandenburg and Saxony-Anhalt (Box 25).

Box 25. Enterprise programme, Germany

The programme provides four phases of training, followed by micro-finance to support the launch of a business:

1. **Orientation and profiling**: This informs potential entrepreneurs about the risks and opportunities of business creation, where to go for support, and the skills needed to be a successful entrepreneur. The aim of this phase of training is to motivate young people to view entrepreneurship as a long-term career option. Approximately half of the potential entrepreneurs complete this initial phase of training.
2. **Planning and training**: This phase assists entrepreneurs in developing their business concept with support from professional consultants and business coaches. Optional seminars and workshops are also available. Only half of the potential entrepreneurs that enter this phase develop a commercially viable concept that can be used to launch a business.
3. **Business launch**: This phase provides individual support during the start-up process to increase the participants' chances of success. This includes support from professional consultants and coaches.
4. **Growth and consolidation**: Following the launch of the business, the project maintains contact with the participants and monitors their activities. Specialised seminars and networking events are also provided.

Following these four phases of training, the project offers micro-finance (EUR 5 000 to EUR 15 000) to help participants launch their business. An important feature of the micro-finance offer is that the financial assessment is undertaken by an independent loan officer to ensure it is impartial.

To date, the following results have been achieved:

- Over 10 000 young adults have participated in "enterprise" and more than 1 500 have launched a business.
- Over 70% of businesses launched continue to operate after three years; the majority of those that are no longer operating have been abandoned in favour of paid employment.
- Half of the businesses launched have created at least one additional new job.
- The cost of operating "enterprise" is approximately EUR 5 000 per business start-up (including the training costs of those who did not create a business).

For more information on Enterprise see: http://iq-consult.com.

Source: OECD/The European Commission (2013), *The Missing Entrepreneurs: Policies for Inclusive Entrepreneurship in Europe*, http://dx.doi.org/10.1787/9789264188167-en.

Box 26. Portugal in focus: Support to Entrepreneurship and Business Creation Programme (PAECPE – *Programa de Apoio ao Empreendedorismo e à Criação de Empresas*)

Portugal's government introduced an integrated support programme for business start-ups as part of an active employment policy in 2009. The programme is managed by the IEFP and was established to support self-employment for recipients of unemployment benefits by giving guaranteed loans, interest rate subsidies and investment credit. The credits are established with banking institutions and mutual guarantee societies. The programme includes technical support for the creation and consolidation of projects, and business management training is offered at no cost to the entrepreneurs who receive financing.

When a recipient of unemployment benefits submits a project to create at least their own job (but no more than 10 jobs), the total amount of unemployment benefits may be payable in one payment, which must be applied in its entirety to financing the project. This support may be combined with the measures to support the creation of small enterprises or the National Microfinance Programme.

In collaboration with ANQEP, IEFP has developed a set of entrepreneurship training modules that are integrated in the National Catalogue of Qualifications, which can be integrated in apprenticeship courses, CEF courses and vocational courses for young people or in adult education and training: 1) Profile and potential of the entrepreneur (diagnosis/development); 2) Ideas and business opportunities; 3) Business plan - the creation of micro-business; 4) Business plan - the creation of small and medium businesses.

Source: IEFP (2014), www.iefp.pt/fr/empreendedorismo.

A broad range of stakeholders have a role to play in promoting entrepreneurship

Local authorities, companies and other actors can take practical and relatively inexpensive steps to influence attitudes to entrepreneurship, for example, simply drawing attention to potential business opportunities may support start-up activity. Concrete measures could include the creation of public award schemes for successful entrepreneurship, and business idea competitions that create interest and develop skills at the same time. Local actors could publicise entrepreneurial success stories, sponsor various forms of interaction between local businesses and schools, and encourage the creation of entrepreneurship clubs in educational institutions. Where local bodies play a role in the design of educational curricula, steps could be taken to ensure that all students have access to entrepreneurship courses (OECD, 2003).

There are several examples in Portugal of entrepreneurship being promoted by sub-national entities, non-profit organisations and companies.

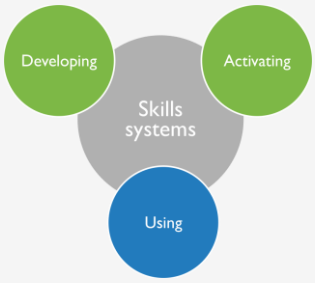
Box 27. Portugal in focus: Local initiatives to promote entrepreneurship in education

ANJE – *Associação Nacional de Jovens Empresários* (National Association of Young Entrepreneurs) is a private association for young Portuguese entrepreneurs. It promotes entrepreneurship and supports entrepreneurs through a range of activities, including: training programmes, consultation and information, support for business start-ups, the annual Road Show to promote entrepreneurship through school visits, the Entrepreneur Fair, the Young Entrepreneur Award, and the annual Portugal Fashion Show in collaboration with the Textile and Clothing Association of Portugal. ANJE has formal status as a social partner and has approximately 5 000 associates, over 50 employees and several regional centres and local delegations in Portugal.

The Inter-Municipal Community of Comurbeiras, composed of twelve municipalities in central Portugal, launched a Promoting Entrepreneurship programme in 2013. The programme targeted primary and secondary schools, including those providing vocational education and training, and involved more than 1 500 students, with the support of 88 teachers. Promoting Entrepreneurship brought students to participate in Entrepreneurship Fairs, contests of ideas and other events organised within the territory. Participants were encouraged to develop projects in a collaborative manner.

The Platform for Entrepreneurship Education in Portugal (PEEP) was created in 2010 with a similar ambition. The PEEP is a not-for-profit association of individuals, educational organisations, company, government entities and civil society organisations that aims to develop an integrated national programme in entrepreneurship education and training in Portugal. With the support of several higher-education institutions throughout the country, PEEP conducts research projects, education and training and public policy development in the field of entrepreneurship.

Sources: ANJE (2014), www.anje.pt; Ges Entrepreneur (2013), *A GesEntrepreneur e o Programa Escolas Empreendedoras,* www.gesventure.pt/newsletter/info_especial_ee_gesentrepreneur.htm; PEEP, (2014), *Missão da PEEP*, www.peep.pt/.



How is entrepreneurship interlinked with other parts of the skills system?

Enhancing entrepreneurship on all levels of the education system is important to build a culture for entrepreneurship and the necessary skills for entrepreneurs to succeed (Challenges 1-3). Optimising conditions for entrepreneurship and entrepreneurs can contribute to job creation and reducing unemployment rates (Challenges 4 and 5). Local stakeholders and local partnerships can play an important role in promoting entrepreneurship to meet the needs of the local economy (Challenges 11 and 12).

CHALLENGE 8: STIMULATING INNOVATION AND CREATING HIGH-SKILLED JOBS

A selection of challenges identified by Portuguese workshop participants:

"Lack of incentives to keep qualified people in the country"

"Improve the linkage between research units (in universities or elsewhere) and businesses"

"Professional PhD: having businesses involved in PhD thesis"
"PhD recruitments by the private sector"

"Co-ordination of the competencies agenda with the innovation agenda"

"Increase the number of industrial patents by simplifying the registration process and improving information"





Several workshop participants stated that Portugal now has a large pool of highly qualified and skilled people and the main challenge is to stimulate innovation and the creation of high-skilled jobs to match the available skills and retain young and highly qualified people in the country.

High-skilled jobs are associated with better job quality in terms of higher wages, better labour market security and improved quality of the working environment, which underlines the need for not only creating more jobs, but focussing on the creation of more high-skill, high-quality jobs (OECD, 2014d).

During the financial crisis, Portugal, as with several other countries in the south of Europe, has seen a growing number of people leaving the country in search of jobs. The majority of those leaving are highly qualified, and this dynamic, often referred to as "brain drain", slows economic and social recovery. According to data released in August 2014 by the Portuguese National Institute of Statistics (INE), the population between the age of 15 and 29 decreased by half a million during the last decade, with a large share having moved abroad to find work. It is estimated that about 53 000 people in this age group emigrated in 2012, and about 50% are now considered permanent migrants (INE, 2014).

A broad mix of skills is needed to drive innovation

Innovation includes a wide range of activities, in addition to research and development (R&D), such as organisational changes, training, testing, marketing and design. The Oslo Manual defines innovation as "the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations". By definition, all innovation must contain a degree of novelty.

A broad range of workforce skills and occupations are involved in innovation. They are not restricted to scientific and engineering occupations, but also involve production workers, tradespeople, technicians and those in marketing, financial management and human resources. The involvement of a broad range of occupations is due to the fact that most innovations take the form of incremental change in products, services, processes and organisational structures. Such change relies largely on learning by doing and learning by using, and upon workers reflecting critically on the tasks they undertake, the equipment and software they use in supplying a good or service and on the design of the products and services they make (Toner, 2011).

Research and development expenditure is at the OECD median for government, but low for business

Research and development comprises creative work that is undertaken on a systematic basis in order to increase the stock and use of knowledge. Expenditure on R&D is still considered a key indicator of countries' innovative efforts. In Portugal, expenditure is at the OECD median, while industry-financed R&D is among the lowest in the OECD area.

Between 2005 and 2009, Portugal's gross expenditure on R&D increased significantly, but then fell from 2009 on, especially in the private sector. Portugal's public R&D expenditure as a share of GDP is now at the OECD median. Portugal's Research and Innovation Strategy 2014-2020 aims to raise R&D expenditure to 2,7% of GDP by 2020.

R&D performed by business is considered important for innovation, as it tends to have a particularly positive impact on long-term economic productivity, and tends to be more closely linked to the creation of new products and techniques than R&D performed at the government and higher education sectors. Within business R&D, experimental development is most likely to turn into rapid innovation, as it is "directed to producing new materials, products or devices, to installing new processes, systems and services, or to improving substantially those already produced or installed" (OECD, 2014e).

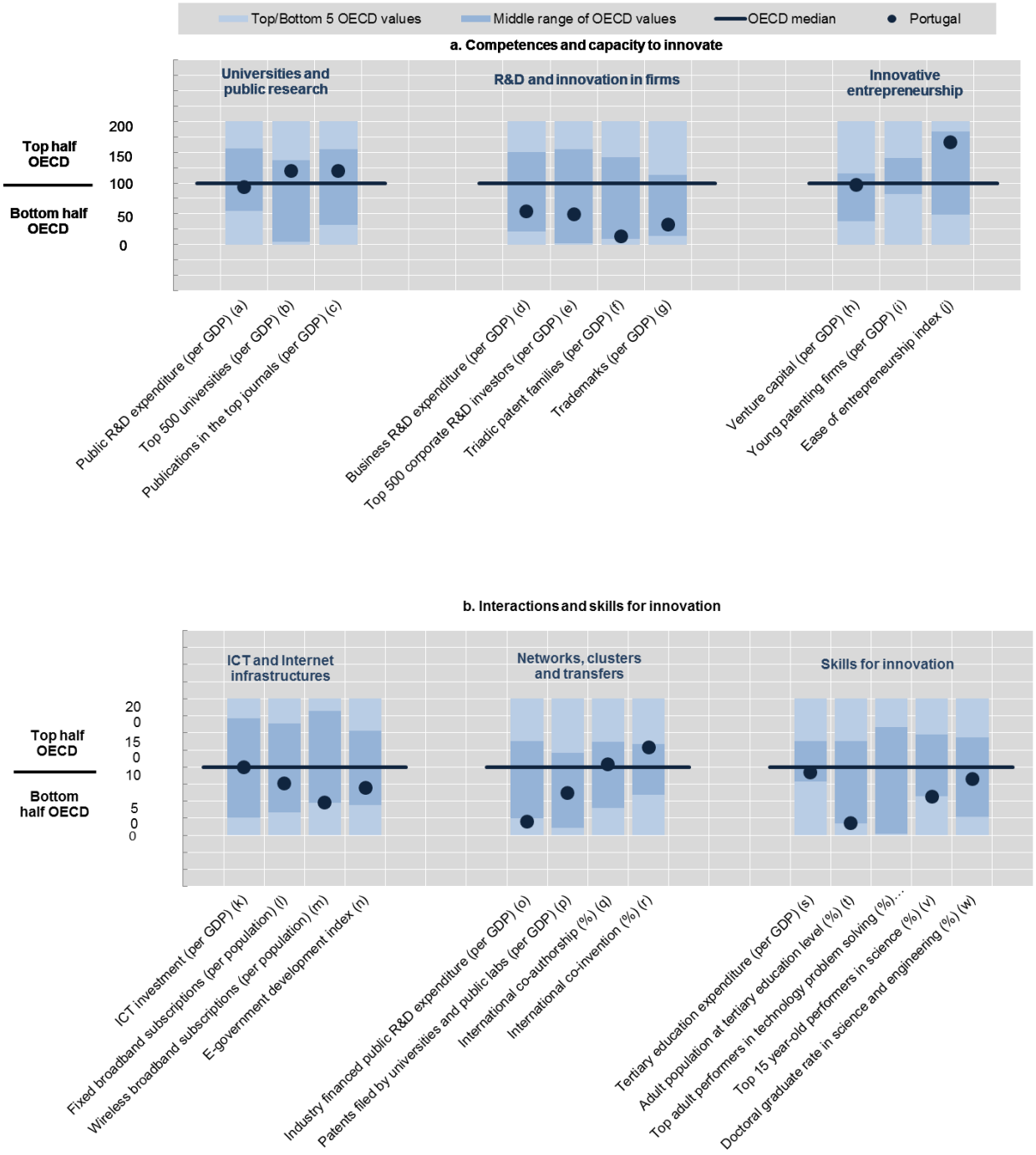
Business R&D expenditure in Portugal is among the lowest in the OECD area. Compared with other European countries, large companies in Portugal spend relatively little on R&D (OECD, 2014e). Performance is also comparatively low on other indicators of innovation in firms, such as patents and trademarks (see Figure 32).

Stronger linkages between research and business could stimulate innovation

Science is a key contributor to innovation. Most basic scientific research is carried out by the public sector as strong institutional mechanisms are needed to facilitate the funding of multidisciplinary research and encourage research institutions to work more closely with industry to bring ideas to market. Barriers and regulations that limit effective interaction among universities, firms and public laboratories should be removed, and collaborative arrangements that facilitate the formation of networks improved (OECD, 2010).

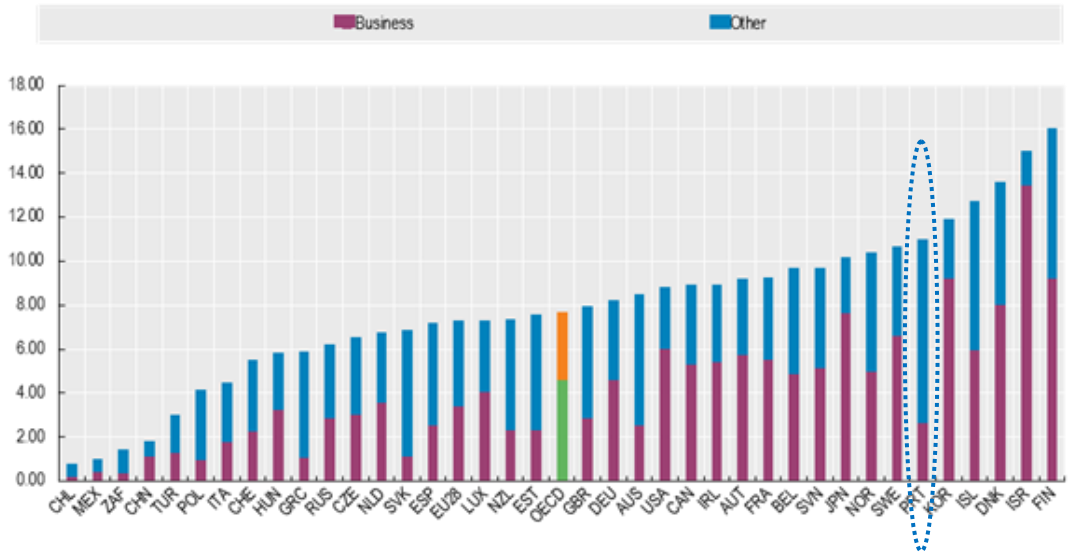
The utilisation of public research results has long been at a low level in Portugal as there is little tradition of linking scientific research with innovation. Relatively few of Portugal's many researchers are engaged in the business sector compared to other OECD countries (see Figure 33), and the creation of new high-tech firms from academia has been weak. The low level of R&D performance of Portuguese firms translates into weak industry demand for and interest in academic research.

Figure 32. Comparative performance of Portugal's science and innovation systems, 2014



Source: OECD (2014e), *Science, Technology and Industry Outlook 2014*, http://dx.doi.org/10.1787/sti_outlook-2014-10-en.

Figure 33. Researchers (per thousand employed)



Source: OECD (2014f) *Factbook 2014: Economic, Environmental and Social Statistics*, http://dx.doi.org/10.1787/factbook-2014-en.

A recent revision of university statutes aims to facilitate the exchange between academia and business by allowing university teachers to join companies to develop projects. The Strategic Plan on Entrepreneurship and Innovation (+E+I) also seeks to promote knowledge transfers from academia to industry. Even though these are steps in the right direction, Portugal still lacks an effective connection between research efforts made at universities and their commercialisation in the private sector (OECD, 2014a).

Incentive mechanisms play a fundamental role in the effectiveness of knowledge transfer and commercialisation strategies. The challenge for policy makers is to allow for the potential of commercialisation, while retaining the integrity of research institutions (in particular for universities). They also need to find useful arrangements to link teaching, research and commercialisation (OECD, 2013b).

Portugal has made efforts to improve its public research system for several years. The 2007-2013 National Strategic Plan for Research and Innovation (NSPRI) emphasised co-operative innovation projects, fellowships and research contracts. In 2012, two high-level advisory councils for research and innovation were established, chaired by the prime minister: the National Council for Science and Technology, and the National Council on Entrepreneurship and Innovation. In December 2014, the government approved the National Strategy for Research and Innovation for 2014-2020 to better link research and innovation (OECD, 2014e).

The Foundation for Science and Technology (FCT) is the Portuguese national funding agency for science, research and technology. FCT provides more than 400 million euros per year for research, which accounts for approximately 30% of Portugal's annual public funding in science, and its budget has been increased over the past two years. FCT supports researchers in all career stages, including individual support for graduates wishing to study for a PhD in an R&D centre or in industry and, since 2012, industry-based PhD programmes. FCT also works to encourage industry to invest in R&D, to participate directly and actively in graduate training, and in the uptake of talented scientists by providing direct funding for industry partners (FCT, 2014). In 2012, the FCT Investigator Programme was created to recruit people holding a PhD, both in order to incentivise highly qualified people to stay in the country and to attract highly qualified people from other countries. Candidates are selected by international panels according to very stringent criteria and are offered grants and five-year contracts. During the first three years, a total of 596 scientists in all scientific areas have been selected, including 94 from foreign R&D institutions.

Box 28. Programmes to support knowledge transfer and commercialisation of public research

The Linkage Scheme in Australia (ARC) aims to enable public and private sector organisations to develop and undertake research projects jointly with university-based researchers. Target groups are the industry, higher education institutions and public research institutions. Partner organisations are required to enter into arrangements with the university regarding intellectual property and to support the research financially, and may use the research findings and share in any intellectual property created, consistent with those arrangements. Australian Postdoctoral Fellowships (Industry) and Linkage Industry Fellowships are available under the ARC's Linkage Projects scheme to encourage the mobility of human resources between university and industry.

The Regional Attention and Action for Knowledge Circulation (RAAK) in the Netherlands aims to encourage university and SME collaboration. The scheme awards subsidies to regional innovation programmes that are aimed at the exchange of knowledge, and that are executed by a consortium of one or more education institutes and one or more businesses. These regional innovation programmes have to focus on innovation demands from SMEs in the region. To be eligible for funding, the RAAK requires involvement of at least five SMEs and/or at least two public institutions (or one overarching organisation).

The Technology Strategy Board (TSB) in United Kingdom holds regular competitions for funding of collaborative R&D projects with the objective of assisting the industrial and research communities to work together on R&D projects in strategically important areas of science, engineering and technology. Projects range in value from GBP 10 000 to over GBP 100 million. Over 900 projects are currently being supported with a combined business and government investment of over GBP 1 billion, with just over half the funds committed by business.

Note: See www.arc.gov.au for more information on the Linkage scheme in Australia, www.innovatie-alliantie.nl/?id=492 for more information on RAAK in the Netherlands, and www.innovateuk.org for more information on the collaborative research and development in United Kingdom.

Source: OECD (2013b), *Commercialising Public Research: New Trends and Strategies*, http://dx.doi.org/10.1787/9789264193321-en.

The University Technology Enterprise Network (UTEN) was created in 2007 between the Portuguese Government and the University of Texas at Austin with the primary objective to lead, facilitate, and accelerate the commercialisation of science and technology innovations created by Portuguese researchers. UTEN's main activities for the 2013-2017 period are technology business incubation, international business acceleration and business development. UTEN's main funding source is FCT. It also works closely with the Council of Rectors of Portuguese Universities. Among UTEN's achievements are the creation of technology transfer offices, training of Portuguese professionals and scientists, the catalysing of a large increase in patent filings and support for the launch of more than 100 new technology-based companies (UTEN Portugal, 2014).

Promoting clusters and specialisation strategies to attract, retain and maximise use of skills

A recent policy trend in many OECD countries and regions is combining clusters policies and specialisation strategies. Clusters are a geographic concentration of firms, higher education and research institutions, and other public and private entities that facilitate collaboration on complementary economic activities. While some of the world's leading clusters specialise in high-technology industries (e.g. Silicon Valley, Bangalore) they are also found in sectors ranging from wine making to automobiles to biotechnology. The main rationale for public policies to promote clusters through infrastructure and knowledge-based investments, networking activities and training, is an increase in knowledge spillovers among actors in clusters and thus the generation of a collective pool of knowledge that results in higher productivity, more innovation and increased competitiveness (OECD, 2014e).

A Portuguese example of such a cluster is the CEiiA – the Centre for Excellence and Innovation in the Automotive Industry.

Box 29. Portugal in focus: CEiiA – Centre for Excellence and Innovation in the Automotive Industry

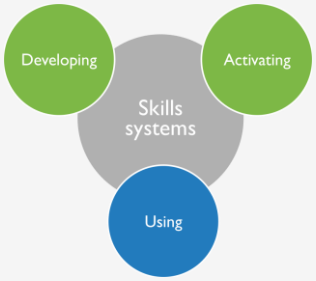
CEiiA is a non-profit private organisation that links the main Portuguese Associations, Technical Universities, R&D Centres, Public Agencies and Suppliers from the automotive and aeronautical industry. It is a center for research and product and process development that aims to bridge the knowledge produced in universities and its application to new products, processes and technologies, thus contributing to a more innovative and higher value-added industry.

CEiiA is accredited by DGERT (Directorate-General for Employment and Labour Relations) to provide qualified training on national and international level, and is a member of the Association of European Research Establishments in Aeronautics.

Source: CEiiA (2014), www.ceiia.com.

The concept of "smart specialisation" has been promoted at EU level through the establishment of the S³ Platform. Smart specialisation is a strategic approach to economic development through targeted support to research and innovation. The platform aims to assist regions and member states develop regional smart specialisation strategies and identify high value-added activities that offer the best chances of strengthening their competitiveness (European Commission, 2014a).

A potential smart specialisation for Portugal to develop further is renewable energies, as its progress in this field is promising. Portugal has particularly taken a pioneer role in wind energy, and by building on this success it has the potential to create high-skill jobs, become a leader in the application of renewable energies, and export its expertise (OECD, 2014a).



How is innovation interlinked with other parts of the skills system?

Forging stronger links between university research and business would contribute to better use of high-skilled human resources in Portugal and contribute to creating good quality jobs while boosting global competitiveness. Improved innovation capacity may contribute to reducing unemployment rates (Challenges 4 and 5) and will have positive impact on economic growth, thus contributing positively to the overall financing of the skills system (Challenge 10). Securing the high skills levels needed in the future will require attention not only to tertiary education but also to promoting high quality upper and post-secondary VET programmes with more advanced curricula and flexible pathways between VET and higher education (Challenge 2).

CHALLENGE 9: PROVIDING EMPLOYERS WITH INCENTIVES TO ENGAGE IN SKILLS DEVELOPMENT, ESPECIALLY SMES

A selection of challenges identified by Portuguese workshop participants:

"Need to involve all partners in a funding model for the system of provision of education and training"



"Need to develop better management skills in SMEs"

"Increase the participation of private companies in non-formal education"

"Capacity-building programmes in SMEs, especially support to management"

"Lack of fiscal incentives to continue investing in education at the firm level"



Employers can play a major role in raising skills outcomes among their employees and the workforce more broadly. Employer-sponsored education and training can help raise employees' skills both in terms of their foundation skills and occupation-specific skills, which in turn will contribute to raising productivity and innovation. While firms of all sizes can benefit from skills investment, often SMEs face significant barriers to accessing and delivering education and training for their employees.

The statements above from the workshops indicate different approaches to the issue of engaging employers in skills development. One is about engaging companies as real partners in the system for education and training, and the other is about raising the actual skill level within companies in Portugal. In this regard, several workshop participants highlighted the fact that managers in many SMEs have lower qualifications and lower skill levels than the staff they are hiring, which may lead to uncertainty and hesitation when recruiting people with better education and skills. More importantly, a lack of management skills may imply that work organisation, skills utilisation, and skills development within companies are not optimal.

Employer engagement in skills development is key to aligning education and training systems with labour market needs

Beyond initial education and training, employers are an essential source of skills development for the working population. Employer engagement is necessary to ensure that education and training systems offer programmes that are relevant to meet the needs of the labour market, for example by collaborating with training institutions and offering apprenticeships. Studies show that higher level professional, managerial and technical skills are increasingly required, and at the same time work-based learning is too often weak and unsystematic in many countries. Employers and trade unions are sometimes so remote from the development of qualifications that they have limited currency in the labour market (OECD, 2014g).

Employer engagement is important for companies as it helps them to remain competitive by making sure the skills match within the company is optimal, increases quality and productivity, and is attractive for employees who wish to have opportunities to evolve and progress.

Employer driven training can take place either in the workplace or be contracted outside to external training providers. The training can be of different lengths and either formal or non-formal, i.e. resulting in the award of certificate or not. Employer engagement can include workplace learning, offering internships and apprenticeships, setting up study programmes and co-operating with universities.

Recognition of informal training through qualifications also offers a pathway for skills development as part of an employee's lifelong learning activities. Studies show that firms use informal more than formal skills development, and that they obtain better outcomes from informal than formal activities. In order to increase both the stock and quality of skills for SMEs, the qualifications system needs to find a way to recognise and encourage informal skills development (OECD, 2013c). In Portugal, this part of the qualifications system is formalised through the recognition, validation and certification of competencies process (RVCC process), performed by the Centres for Qualification and Vocational Education (CQEP) (see the Developing Skills section for more information).

Participation in employer-sponsored learning activities in Portugal is high

Continuous vocational training (CVT)[4] is a statutory right for Portuguese employees in the private sector, where they are entitled a minimum of 35 hours of employer-sponsored training per year. A separate legislation is in force for employees in the public sector, with no defined minimum of compulsory training hours per worker.

Training for employees in the private sector is provided either by the employer or by a training entity contracted by the employer. Regardless of which entity provides the training, an annual or multi-annual plan for the development of the training programme is required for approval and formal certification by the DGERT. Only micro-enterprises are exempt from this requirement, however, flexibility is granted in the administration of the 35 hours. On an individual basis, it can be postponed for a maximum of two years under the condition that training is provided to at least 10% of employees each year, without it having to amount to 35 hours (CITE, 2014).

In 2010, 40% of employees in Portugal (all enterprises considered) had participated in continuous vocational training: ranking third among the EU countries after Belgium (52%) and Luxembourg (51%), and above the EU28 average of 38%. In addition, Portugal showed the third highest number of hours (17) completed in CVT courses per employee (all enterprises) after Belgium (18) and Luxembourg (17), and well above the EU28 average of 10 hours (Eurostat, 2014).

One example of a large Portuguese company investing strategically in skills development is the Jéronimo Martins Group (JMG): a Portuguese international company operating in food retail, marketing and distribution. The group is the largest food distributor in Portugal and employs close to 29 000 people. Engaging in skills development is seen as important for competitiveness, for building a company culture and as a tool for better matching skills within the company.

[4] CVT corresponds to training during working time or being paid for at least partially by the employer (for instance evening courses).

Box 30. Portugal in focus: Employer engagement in skills development – The Jéronimo Martins Group

The Jéronimo Martins Group (JMG) offers training programmes both for their own employees and for unemployed people. Some programmes receive government funding, while the majority are funded by the company.

The Jerónimo Martins Training School (EFJM) was set up in 2005 to ensure employees' continuous learning. The EFJM offers various courses, integrated training programmes and internships for learning technical and management skills. Most of their 400 trainers are experienced employees from the companies within the group.

In 2007, the Jéronimo Martins Group had about 5 000 employees with a formal qualification below 9th grade, and 6 000 employees with a qualification below 12th grade. Under the Iniciativa Novas Oportunidades, the JMG launched the project Aprender e Evoluir in 2007, giving these employees the opportunity to study during working hours to obtain the equivalence of the 6th, 9th or 12th grade. Over 1 700 employees completed training and obtained higher qualifications in the period 2007-2013 (the Iniciativa Novas Oportunidades was discontinued by the government in 2013, for more information see Box 12 in Challenge 3).

In 2008, EFJM started the Certified Modular Training project (FMC - Formações Modulares Certificadas) to provide training in several areas defined in the National Catalogue of Qualifications, and combine learning in the classroom with on-the-job training. The target group for the FMC programme is primarily unemployed people, and a large part of this training has been funded through the European Social Fund. More than 1 000 candidates have completed training and received their qualification certificate between 2008-2014.

The JMG also promotes external training for their employees through participation in executive programmes, seminars, congresses and conferences worldwide, as well as through partnerships with training institutions in Portugal and abroad. For example, it established a three-year Business Management Programme, tailored to its business needs, in partnership with the University of Aveiro. This programme combines university courses, tutoring, internships and study visits to companies. For the academic years 2011-2012 and 2012-2013, a total of 45 students were enrolled in the programme, and the first group of students will complete the degree by summer 2015.

For more than 25 years, JMG has had a Management Trainee Programme for selected candidates holding an advanced degree in higher education that aims to prepare the future leadership of the group. More than 500 graduates in Portugal, Poland and more recently in Colombia, started their careers as trainees in the Jerónimo Martins Group, and many of them have reached top management positions.

The Jerónimo Martins Training School (EFJM) is accredited as a training provider by DGERT.

Source: Jerónimo Martins (2014), www.jeronimomartins.pt/o-grupo.aspx?lang=en.

Barriers to employer engagement in skills development needs to be addressed

Out of approximately 775 500 SMEs in Portugal, 740 000 are micro-enterprises, while 31 000 are small and 4 500 are medium-sized enterprises (European Commission, 2014b). Data across OECD countries show that SME participation in training activities is up to 50% lower than for large firms (OECD, 2013c). The reasons for this are well-known: small enterprises may lack the capacity to determine training needs, to systematically plan training for employees, and to file applications for cost reimbursement or grants. Additionally, in small companies, employees are often indispensable to the workplace, and firms may be unaware of the benefits associated with skill development, which can in turn be ascribed to the lack of capacity to determine training needs (Müller and Behringer, 2012).

Box 31. Identifying barriers to employer engagement in skills investment

The OECD has gathered some common themes and experiences regarding the most frequent barriers to employer engagement in skills development (OECD, 2013d). In general, there is a need to achieve greater reciprocal understanding of the perspectives, terminology and approaches to skills used by government and employers in designing and implementing policies for employer engagement in skills.

A number of internal and external barriers to employer engagement have been identified, including:

- Lack of a strong business case to convince top management that skills are central to future business viability.
- Limited time, resources and capacity to analyse own skills needs, engage with training providers and offer high quality apprenticeships – especially among SMEs.
- Employers' reluctance to invest in in-house training or collaborate with other businesses to develop skills due to the risk that competitors will "poach" trained employees.
- Many young people lack basic skills and are not ready for work or apprenticeships.
- Limited flexibility and responsiveness of education and training institutions to employers' fast-changing needs.
- Complexity and inconsistency of government policy design, delivery and funding.

Source: OECD (2013d), *OECD Skills Strategy Spotlight: Employer Engagement to Enhance Skills Investment*, no 02, February 2013, http://skills.oecd.org/developskills/documents/employerengagementtoenhanceskillsinvestment.html.

Creating networks to stimulate employer engagement

To overcome some of the potential barriers to employer engagement in skills development, policy makers can stimulate networks among employers, particularly SMEs, to co-invest and design workplace training initiatives in partnership with vocational education institutions and government.

For example, in Ireland, Skillnets (Box 32) relies on strong local networks of small and medium-sized employers to identify and deliver training to unemployed and employed individuals, and also provides training to managers of SMEs.

In Portugal, there are currently seven Training-Action Programmes (Box 33) for different sectors in the mainland, and two in the Autonomous Regions of Azores and Madeira. The programmes are managed by different institutions, such as business associations, confederations and the Portuguese Agency for SME and Innovation (IAPMEI). Some of the programmes are regional, some are oriented to specific sectors such as service, commerce and agriculture, and some of them have a broader scope that is directed to SMEs in general.

Box 32. Promoting and facilitating workplace training – Skillnets, Ireland

Skillnets was established in 1999 to promote and facilitate workplace training and upskilling by SMEs. It is the largest organisation supporting workplace training in Ireland. In 2011, it had 70 operational networks through which it trained over 40 000 people for a total expenditure of EUR 25 million. It is a state-funded, enterprise-led body that co-invests with enterprises, particularly SMEs, when they co-operate in networks to identify and deliver training suited to their workforces. A network of SMEs, which are mostly sectoral or regional, is guided by a steering group of the local enterprise representatives. The steering group gives strategic direction and guidance to a network manager who co-ordinates all operational activity leading to the delivery of an agreed training plan with learning interventions suited for the member company workforces. The national programme is co-ordinated by Skillnets Ltd, who contract with all networks and provide programme support and monitoring to ensure the delivery of agreed quantitative and qualitative target outputs.

In 2011, these networks were predominantly sectoral, with a national remit and company membership. However 30 of the networks were located in Dublin. In addition, 25% of all Skillnets member companies and 33% of trainees were Dublin-based. While Skillnets has a national impact, its influence is largely confined to SMEs, which account for 94% of its 10 000 member companies. Although it was originally set up to cater exclusively for the employed, since 2010 Skillnets has had a mandate to include the provision of training for jobseekers. This happens both in an integrated manner (with jobseekers attending programmes with employees), and through the provision of dedicated longer-term programmes exclusively for the unemployed (e.g. the Jobseeker Support Programme), which includes a work placement.

Skillnets has also launched a pilot training initiative, ManagementWorks, providing management training to the SME community with a key focus on owner-managers.

Source: OECD (2014h), *Employment and Skills Strategies in Ireland*, OECD Reviews on Local Job Creation, http//dx.doi.org/10.1787/9789264207912-en.

Box 33. Portugal in focus: Training-Action Programmes for SMEs

The objectives of the Training-Action Programmes are to better match the training needs of SMEs with the training provided; improve the competencies of managers, supervisors and employees; and improve the managerial process of SMEs. The programmes are interventions that are tailor-made to the needs of the SMEs, and have three stages: diagnosis and planning, resulting in a diagnostic report; implementation of actions, resulting in an action plan; and assessment of results, resulting in an assessment report. Networks of consultants and trainers provide support services to the enterprises, and both the entrepreneur and the employees are involved. A key feature of the programme is the mandatory participation of the entrepreneur themselves to ensure ownership and implementation.

On average, interventions in the enterprises last for 12 months. The total number of hours per intervention varies according to the size of the enterprise, the nature of the intervention and the number of functional areas included. The total length is usually between 100 and 300 hours, and consists of training of entrepreneurs, training of employees and consultancy. The training of employees can either be specifically designed to meet each enterprise's needs or combined with training courses regulated by the National Qualifications System.

Evaluation results shows that the programmes experience some challenges in recruiting SMEs, either due to the cost and lack of time, or the lack of recognition of the need and utility of the training for the enterprise's activity and success. The selection process is often simply a check on the enterprises' eligibility criteria. In the period 2007-2011 the budget for the programmes was around 100 million euros, and over 8 000 enterprises received training and counselling. Evaluation results of the programmes are, in general, positive, and entrepreneurs who have participated report that they are very satisfied with the programmes.

Source: Quaternaire Portugal (2013), *Training-Action Strategies in Portugal SME*, http://mail.quaternaire.pt/FormacaoAcao_EN.pdf.

Introducing efficient and targeted cost-sharing mechanisms

If the perceived benefits of training are not sufficient to offset costs, employers may not invest in skills development. Furthermore, since many of the costs fall largely on the employer, while the benefits are shared among the employee, the employer and the society at large, the level of employer investment into the skills of their workforce may fall below the optimum.

The cost burden of employer driven training can be shared in varying proportions between employers, the government, unions or the individual receiving the training. Employees are often required to contribute with some of their own time outside of working hours.

Box 34. Costs associated with training of employees

Organisation and administration: costs associated with identifying the skills needs of employees and organising adequate training provision.

The instructor: cost of external training paid by the employer or time of the internal supervisor.

Training material: expenses for tools, written material, classroom infrastructure.

Foregone working time: reduced production of the employee receiving the training.

In Portugal, training expenses for companies are fully tax deductible as an administrative and human resource cost in the year they are incurred. This includes fees, enrolment costs, textbooks and other materials, transportation and accommodation. This scheme is regarded as tax neutral, and exists in almost all OECD countries. To give an explicit tax incentive to training, some countries allow for deductions greater than the costs incurred. Such schemes are easy to apply, inexpensive to administer, allow employers to decide who will be trained (and how), and shift the incentive balance towards training rather than recruiting skills externally.

Careful design of the tax arrangements can specifically incentivise small employers to invest in training, reduce the level of deadweight losses, and prevent the generation of rents by some larger firms. The Netherlands, for example, introduced an extra deduction from taxable profits on training expenditure, and targeted firms with low absolute levels of training expenditure by allowing an additional deduction for those spending less than a specified amount. Malta has developed a targeted tax-related scheme where eligibility for deduction is focused on training of full-time employees in particular sectors, and where the rate of reimbursement is higher for small than for large enterprises. France has long operated a training tax credit for those SMEs that, year after year, invest in CVT beyond the statutory obligation, with a higher credit for firms with fewer than 50 employees (Stone, 2010). It is important that these schemes are well targeted so that they subsidise new training, rather than simply funding training that would have taken place in the absence of a tax break.

Levy schemes are also common for fostering workforce training, and can result in higher levels of employer-based training, while addressing the problem of poaching by requiring all firms to contribute to training expenditures.

Training leave (by statutory right for employees or collective agreements) is a direct means of encouraging CVT. Most study leave schemes are not targeted to a specific firm size, but rather to specific groups of employees, for example those who are, or are at risk of becoming, unemployed (as in Sweden), and employees with low levels of education (as in Denmark). Some countries, such as Spain and South Korea, fund study leave through contributions from both the employer and employee to a special training fund. In the Netherlands, leave is funded through special sector training and development funds. In contrast, employers in Portugal are expected to bear the cost of the compulsory training leave (Stone, 2010).

Targeting low-skilled adults in the workplace

As discussed in Challenge 3, low-skilled adults generally participate less in lifelong learning than high-skilled adults, and additional targeted measures are often needed to specifically reach those with low skills. Many countries target small firms with training subsidies, often in combination with subsidies for special groups of employees.

Box 35. The Programme for Basic Competence in Working Life, Norway

The Norwegian government launched the Basic Competence in Working Life (BCWL) programme in 2006 with the aim of providing adults with the opportunity to develop the basic skills necessary to keep up with the changing demands of modern working life and civil society. The programme focuses on the development of reading, writing, numeracy, and digital skills. Since 2014, the BCWL also includes the teaching of communication in combination with other skills. Any enterprise in Norway, private and public, can apply for funding.

The following criteria have been emphasised:

- The learning activity should be combined with work and basic skills training, and should preferably be linked to other job-relevant learning.
- The courses should strengthen participants' motivation to continue learning.
- The courses must be related to the competence goals expressed in the Framework for Basic Skills developed by the Norwegian Agency for Lifelong Learning (Vox) and approved by the Ministry of Education and Research.

The programme is administered by Vox, and funded by the Ministry of Education and Research.

Special efforts are made to include SMEs in the programme and encourage applications from industries that hire low-skilled workers.

The programme relies on a wide range of training providers, both public and private. Between 2006 and 2013, over 36 000 people have participated in courses. Almost 500 million NOK (62 million euros) have been allocated for a total of 1 558 projects.

A database has been established in order to supply up-to-date reports on the progress of the programme and provide detailed information on participants' profile (gender, formal education, industry etc). The programme is thus monitored in a way that allows it to check whether it is successfully reaching the target groups.

Source: VOX (no date), *The Norwegian agency for lifelong learning*, www.vox.no.

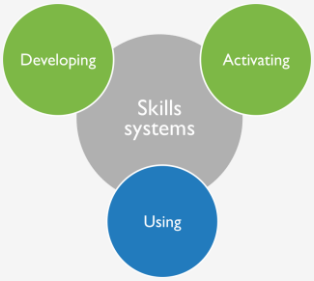
Employers need flexibility to design training schemes that meet the needs of their company

Despite some flexibility in the temporal administration of training in the private sector in Portugal, the mandatory nature of the annual 35 hours was raised as a practical challenge by many workshop participants in their roles as employers and representatives of employer associations. It was argued that industry and company needs differ largely from one sector to another, with the benefit of providing 35 hours of training varying accordingly. Some participants expressed the obligation to 'use these hours in an obsolete way', sometimes with the sole purpose of reaching the annual quota of hours.

The National Qualifications System includes instruments to enhance flexibility (for example, the Individual Skills Handbook) and comprises both training from the National Catalogue of Qualifications (CNQ) and specific training programmes not included in the CNQ. The Individual Skills Handbook presents information about completed training and, if applicable, competence units certified through the RVCC processes. However, the qualification matching constraint imposed by DGERT for the certification of training providers and access to public funding seem to pose additional challenges to the development of personalised

training schemes that meet employers' specific in-company needs. Providing continuous education and training can thus represent a costly measure with little perceived return benefits for some companies.

Boosting employer provision of training is an essential element in strengthening Portugal's skills system. Understanding how mandatory training regulations impact on private companies in practice would provide important insights and inform any future adjustments of the current regulatory framework. Close collaboration will be needed with all relevant stakeholders to design measures that enhance flexibility while ensuring accountability for public resources and improving outcomes for both employers and employees.



How is employer engagement interlinked with other parts of the skills system?

Strong employer engagement is a crucial part of the skills system. Building a system where companies collaborate with schools and education institutions by offering apprenticeships and internships will improve both the quality and labour market relevance of VET (Challenge 2) as well as contribute to developing engaging and work relevant programmes in school, with the potential to reduce drop-out rates (Challenge 1). By offering internships and apprenticeships, employers can help young people obtain initial work experience and acquire more relevant skills, which will improve their employability (Challenge 4). By offering on-the-job training, employers can contribute to expanding opportunities for lifelong learning and improving adult's skill levels (Challenge 3), which in turn creates more favourable conditions for innovation (Challenge 8). Employer engagement contributes to building stronger local and regional networks and partnerships with education providers as well as ensuring that skills policy design and implementation meets local needs (Challenges 11 and 12).

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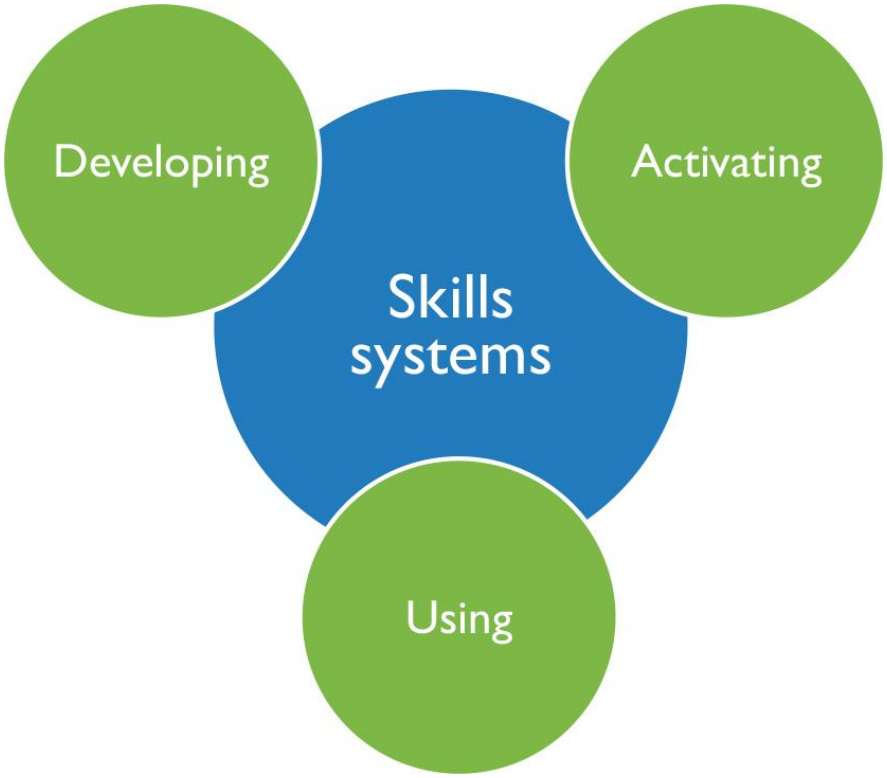
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STRENGTHENING PORTUGAL'S SKILLS SYSTEM



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CHALLENGE 10: FINANCING A MORE EQUITABLE AND EFFICIENT SKILLS SYSTEM

A selection of challenges identified by Portuguese workshop participants:

"Low perception of the value of pursuing studies at the tertiary level"

"Financial limitations have a negative impact on the decision to pursue studies"

"Need to involve all partners in a funding model for the system of provision of education and training"

"Limited investment in lifelong learning"





Portugal has one of the most unequal income distributions in Europe. Between 2004 and 2008, inequality, as measured by the GINI coefficient, was decreasing, but the economic crisis stalled this downward trend. The recession has caused a steep rise in unemployment and a decline in disposable incomes, resulting in a rising number of poor households, and children and youth being particularly affected (OECD, 2014a).

In this challenging context of growing inequality and strong pressure on continued fiscal prudence, it is especially important to examine the financing mechanisms for skills to ensure that they meet the twin requirements of ensuring the efficient use of the limited resources available, and countering inequality. Along with this, creating incentives both for individuals and companies to invest in skills will be crucial for Portugal's ability to recover from the economic crisis and foster inclusive growth, while meeting the increasingly complex demands of working life and global competition.

Due to the multitude of positive social and economic spillover effects from increased skills, governments are advised to manage the organisation, as well as the financing, of skills development. Successful skills financing approaches combine effectiveness, equity and efficiency. Effective skills development enables all individuals to participate in both society and the economy, while at the same time supporting innovation and economic growth. An equitable skills system aims to generate equal opportunities for disadvantaged groups. Public support for skills should thus be proportionate to the income and needs of individuals. An efficient system makes good use of the available resources, reflecting the benefits to individuals, employers, and society as a whole. Efficiency also requires transparency and financial control mechanisms to be embedded in the skills system. This combined approach to skills financing requires a holistic whole-of-government approach in order to avoid the negative consequences of fragmentation in financing arrangements.

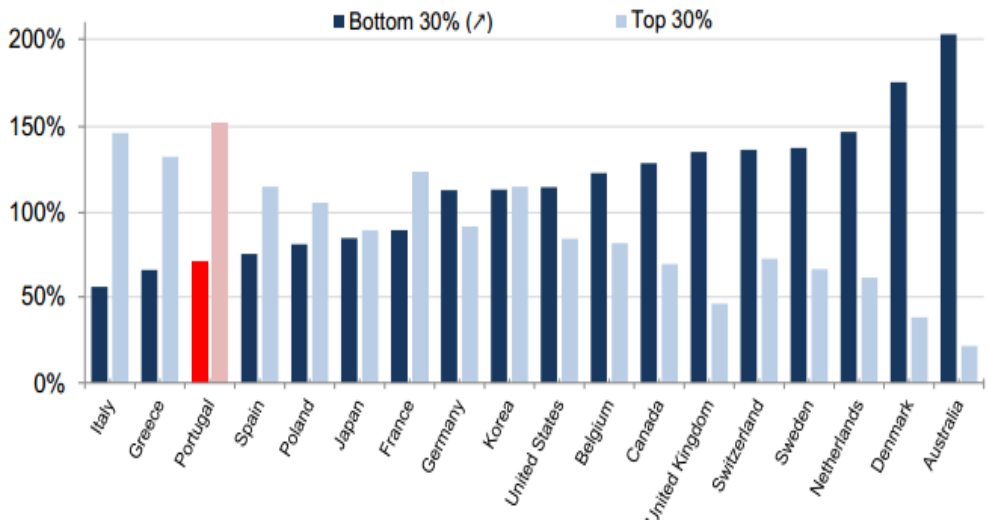
Recent pension reforms have exacerbated redistribution from younger to older generations

Many OECD countries face the challenges that come with a rapidly ageing population, and Portugal has a higher proportion of older people than on average in the EU. Low fertility rates and an increase in life expectancy imply that the share of older people in the population will continue to increase steadily, accompanied by growing health and retirement spending pressures as a result. These challenges have to be added to the unemployment and skills challenges and the continuing imperative for fiscal consolidation.

In Portugal, overall social expenditure is heavily targeted towards the elderly, with 12.5% of GDP spent on public pensions, the fifth highest rate in the OECD (OECD, 2014a). In contrast, despite the high levels of unemployment, public spending for working age people and families is 8.4%, far below the OECD average of 14% (OECD, 2014b). Richer households benefit considerably more from government transfers than lower income households in Portugal (Figure 34).

Figure 34. More cash transfers go to elderly and higher income groups

Cash benefits including pensions, in % of benefits received by the average household



Note: Transfers include all public social benefits. In Portugal, the average total transfer payment received by low-income families (in the bottom 30% of the income distribution) is 71% of the average payment across all families, and less than half of the average benefit payment received by high-income families, who receive 52% more than the average family.

Source: OECD (2014b), *Society at a Glance 2014 Highlights: Portugal: The crisis and its aftermath*, www.oecd.org/portugal/OECD-SocietyAtaGlance2014-Highlights-Portugal.pdf.

Several pension reforms have been implemented to improve the sustainability of the pension system; including reducing accrual rates and rewarding delayed retirement. However, most of these reforms have exempted current retirees through "grandfathering" rules, which has shifted much of the burden of adjustment onto future generations. Projected increases in pension spending over the period 2010-20 are among the largest in Europe, while those between 2020-60 are among the smallest. Two thirds of the burden of benefit reductions has been placed on those who will receive pensions over 20 years from now, compared to an average of about half in the European Union.

Given that the benefit system already contains a significant age bias in favour of older people at present, these long-term pension reforms add to the redistribution from the current young generation to the older generations through public transfer payments, and there is a risk that pensions may crowd out resources available for other transfer programmes (OECD, 2014a).

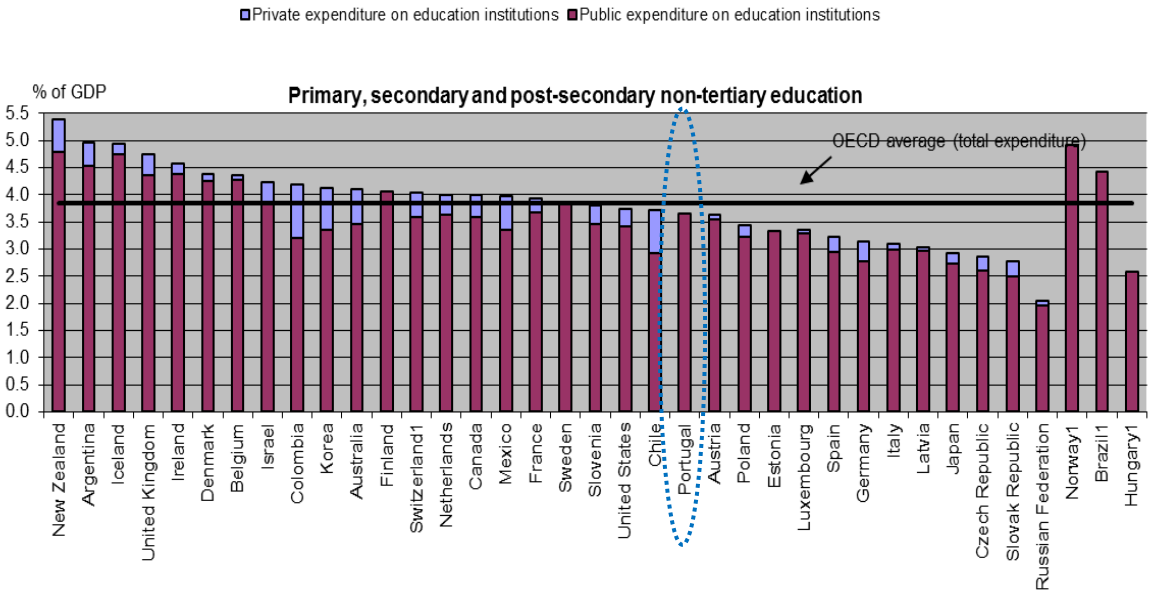
Furthermore, there is significant potential for improving the efficiency of the benefit system, for example by eliminating overlaps and improving means testing. Portugal has several different programmes in place to protect the most vulnerable individuals and households, leading to a fragmented and complex situation of overlapping benefits each operating under a different set of rules. For example, there are 93 different sickness benefits classified in 39 different types related to aspects such as length of payment, industries (e.g. textiles, energy), and type of disease (OECD, 2014a). Such a degree of complexity makes the system difficult for potential beneficiaries and engenders to understand and is an inefficient use of limited resources. As discussed in Challenge 5, the generous unemployment benefit system may also create disincentives for certain groups to seek work, thereby reducing the overall effectiveness of the skills system.

Portugal's education budget has experienced large cuts

While OECD countries spent an average of 6.1% of their GDP on educational institutions in 2011, Portugal spent 5.5%. Seven countries including Denmark, Korea, New Zealand and Norway spent more than 7%. For all levels of education, public investment in education increased by an average of 7% across OECD countries between 2008 and 2011. An average of nearly two-thirds of the expenditure on education in all OECD countries is devoted to primary, secondary and post-secondary non-tertiary education, while a quarter goes to tertiary education, and nearly one-tenth to pre-primary education.

Figure 35. Expenditure on educational institutions as a percentage of GDP (2011)

From public and private sources, by level of education and source of funds



Note: Countries are ranked in descending order of expenditure from both public and private sources on educational institutions in 2011.

Source: OECD (2014c), *Education at a glance 2014*, http://dx.doi.org/10.1787/eag-2014-en.

Portugal's public education expenditure decreased by 5% between 2009 and 2011 (OECD, 2014c). In 2013, education experienced a decrease in government expenditure in Portugal, with funding for primary and secondary education cut by 11.0% in real terms compared to 2012 levels. Further reinforcing this, the State Budget for 2015 was approved in October 2014 and foresees an additional decrease of 11.3% compared to 2014 (European Commission, 2014a). Several factors contribute to explain this decrease, among them a significant reduction in the number of students in the Portuguese education system, the teachers' salaries adjustment following their rise between 2005 and 2011, and fiscal consolidation measures due to the financial crisis, which naturally impacted the public education sector, as this sector has the largest fraction of salaries of all ministries.

Fiscal consolidation in the education sector include salary cuts for personnel working in public education (all personnel above a given salary threshold), the freezing of career progression in the public service (including for teachers), a reduction in school management posts, downsizing of the regional administration for education, and a major rationalisation of Ministry services, which led to a restructuring of its organisation (Santiago et al., 2012).

In the context of fiscal consolidation, greater attention is needed to ensure equitable allocation of educational resources

How resources are allocated in education is just as important as the amount of resources available to be allocated. PISA results show that high-performing countries tend to allocate resources more equitably across socio-economically advantaged and disadvantaged schools, but this is not the case in many countries. On average across OECD countries, while disadvantaged schools tend to have smaller classes, they are more likely to suffer from teacher shortages, and limited or inadequate educational materials and physical infrastructures than advantaged schools (OECD, 2013a).

In Portugal, PISA results show that the gap in the allocation of adequate educational resources between schools with disadvantaged students and those with more advantaged ones is above the OECD average. These differences in educational resource allocation have implications on student performance and also affect the quality of the education system as a whole. Among OECD countries, at least 30% of the variation in mathematics performance across countries can be explained by how equitably resources are allocated across all schools (OECD, 2013a).

More could be done to improve the contribution of the education system to equity objectives in Portugal. As examined in Challenge 1, grade repetition is frequent, and has proven to be a costly measure and negatively related to equity. Policies that target disadvantaged schools, but also disadvantaged students, for example by providing extra teaching time for students who fall behind, can therefore be particularly effective in raising performance and equity levels.

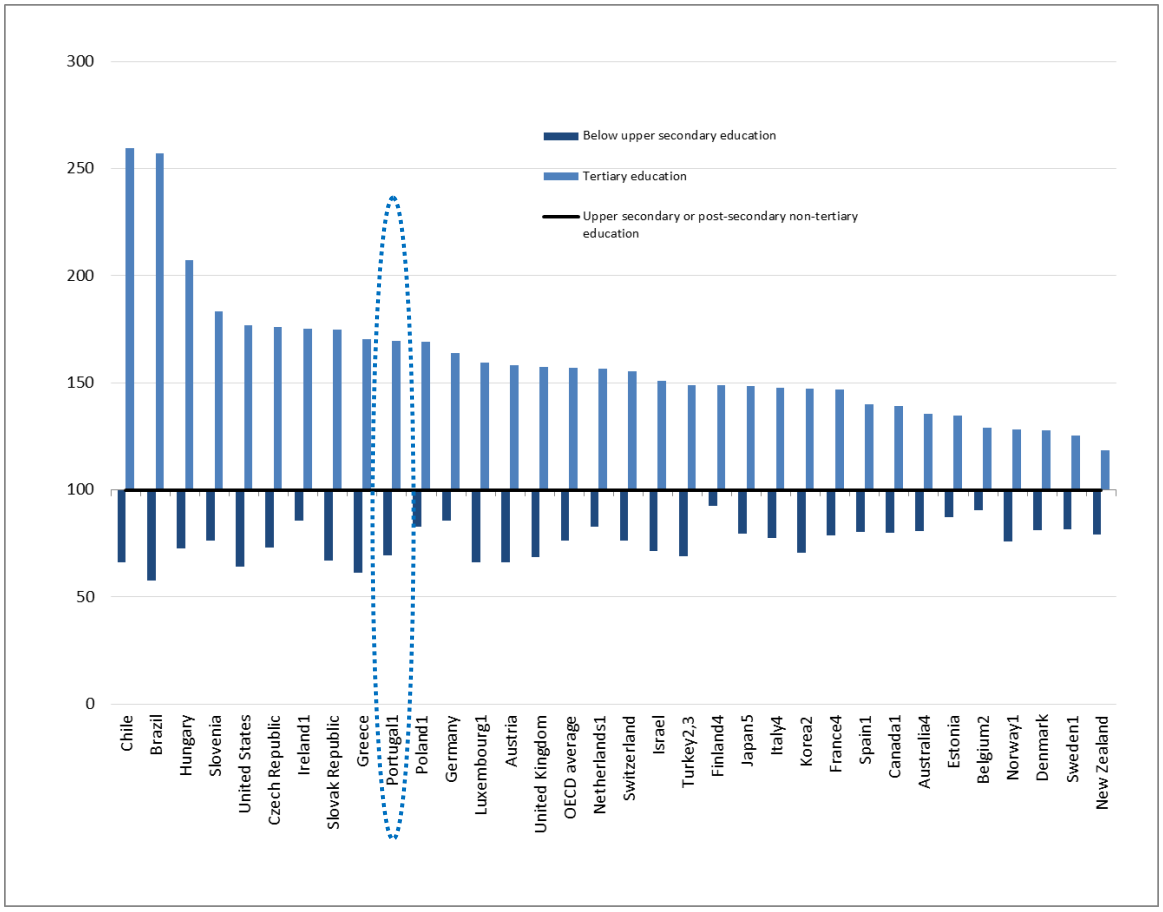
The earnings premium on education in Portugal is high

The economic returns to education are a key driver of individuals' decisions to invest time and money in education and training beyond compulsory schooling. The private returns on investment in tertiary education are substantial, and the public also benefits in the form of greater tax revenues and social contributions. On average across OECD countries, people with higher tertiary education can expect to earn 1.5 times as much as a person with an upper secondary or post-secondary non-tertiary education. In most OECD countries, relative earnings for adults with tertiary education increased between 2000 and 2011 (OECD, 2013b).

In Portugal, the earnings premium of completing higher education is above the OECD average, with the average earning difference between tertiary educated adults and those with upper secondary education at 70 percentage points; 11 more than the OECD average (Figure 36) (OECD, 2013b).

Figure 36. Relative earnings of 25-64 year-old workers, by educational attainment (2011)

Upper secondary or post-secondary non-tertiary education = 100



Notes:
1. Year of reference 2010.
2. Earnings net of income tax.
3. Year of reference 2005.
4. Year of reference 2009.
5. Year of reference 2007.
Countries are ranked in descending order of the relative earnings of 25-64 year-olds with tertiary education

Source: OECD (2013b), *Education at a Glance 2013*, http://dx.doi.org/10.1787/eag-2013-en.

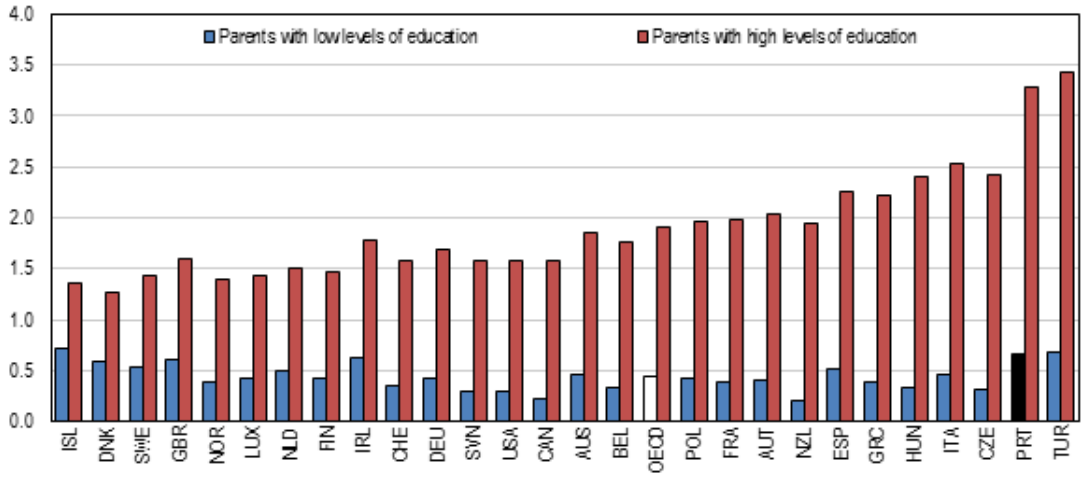
Access to higher education is not a reality for all

Due to its strong links to earnings, employment, overall wealth and the well-being of individuals, education is a key element in combating inequalities in societies, and probably the most effective one in the long run. Addressing inequalities in education is critically important for maintaining social mobility and broadening the pool of candidates for higher education and high-skilled jobs.

Portugal belongs to a group of OECD countries where the relationship between performance and socio-economic status is significantly above the OECD average, as measured by PISA (see Challenge 1). This relationship is also very strong with regards to higher education, as Portugal is one of the OECD countries where young people from families with low levels of education are less likely to attain a higher level of education than their parents (Figure 37).

Figure 37. Relationship between students' participation in higher education and socio-economic status

Odds ratio of being a student in higher education by parents' educational level, 2009



Note: The chart shows the odds of someone from a low (or high) educational background attending higher education. The odds ratio is calculated by comparing the proportion of parents with low (or high) levels of education in the total parent population to the proportion of students in higher education whose parents have low (or high) levels of education. If young people from a low (or high) educational background were as likely to attend higher education as those from more (or less) educated families it would result an odds ratio equal to 1. Countries are ranked in increasing order of difference between the odds ratios of being a student in higher education with low and high educational backgrounds.

Source: OECD (2012a), *Education at a Glance 2012: OECD Indicators*, http://dx.doi.org/10.1787/eag-2012-en.

Several policy options, such as ensuring reasonable costs of higher education and robust student support systems, can benefit students from disadvantaged backgrounds.

Box 36. Portugal in focus: Student support system

All tertiary level students in Portugal pay tuition fees, ranging from EUR 631 to EUR 1 068. The most common forms of student support are grants and loans, either combined or separately. Grants are generally considered as the most generous and direct form of public student support as, unlike loans, the funding provided does not need to be paid back, and unlike tax benefits or family allowances, the payment is made directly to the student.

Student support systems may consider the student either as an individual or as a member of a family that may need support. For example, in the Nordic countries in particular it is the individual who receives support. However, in many other countries, support may depend on overall family circumstances, and some forms of support – tax benefits to parents or family allowances – may be channelled to other members of the family rather than to the student. These forms of support can be found in approximately half of the higher education systems in Europe, including Portugal, which has a system with both tax benefits for parents and family allowances.

Portugal has a system with both merit-based and needs-based grants. In total, less than half of students receive a grant. In 2013/2014, 18% of students received needs-based grants (ranging from EUR 1 068 and 5 679). The merit-based grant is EUR 2 415. Additional grants were provided for the first time in 2014/15 to a maximum of 1 000 students who move to study in regions of Portugal where there is less pressure on the population. There is also a special loan scheme for higher education students at low rates, backed by a government guarantee.

Tax benefits for parents are provided through a tax deduction on educational expenses, and the family allowance (child benefit) is granted to families with children younger than 24 years old enrolled in higher education whose household income does not exceed 1.5 times social support index times 14 (2013: EUR 8 804), or if the family assets are less than 240 times the social support index (2013: EUR 100 613).

Source: European Commission (2014b), "National Student Fee and Support Systems in European Higher Education 2014/15", *Eurydice Fact and Figures*, http://eacea.ec.europa.eu/education/eurydice/documents/facts_and_figures/fees_support.pdf.

Strengthening adult education and training is imperative

Countries need to have an educated and skilled workforce if they want to compete in the knowledge-based global marketplace, secure future economic growth and prosperity. Current global trends in the transfer of low-skilled occupations to countries with substantially lower cost structures suggests that Portugal would be well advised to focus efforts on raising skills levels among its large population of low-skilled workers – and ensuring that young people entering the labour market are well-equipped. Without such measures, Portugal will face increasing social burdens and deepening inequalities that are both difficult and costly to address once people have left initial education.

Data suggest that the head of the household's level of educational attainment is one of the main explanatory variables behind inequality, explaining about 25% of its total level. Higher educational attainments are also associated with lower unemployment and poverty rates (OECD, 2014c).

As examined in Challenge 3, Portugal has the third largest share of adults without upper secondary education in the OECD area, with 62% of 25-64 year-olds without an upper secondary diploma, versus the OECD average of 24%. Most of these adults will be in the workforce for many years to come, hence the need to provide adults with opportunities to participate in lifelong learning and improve their foundation skills.

The consolidation, promotion and further development of adult learning initiatives in Portugal will be fundamental for achieving greater equity, productivity, employability and adaptability to rapidly changing workplaces.

CHALLENGE 11: ADJUSTING DECISION-MAKING POWER TO MEET LOCAL NEEDS

A selection of challenges identified by Portuguese workshop participants:



"Improving relations and co-operation between private companies, the education and training system and relevant ministries"

"Lack of policy alignment and co-ordination due to the high number of actors involved"

"Respond to regional disparities by adjusting the power of decision-making that territories have in national politics"

"Better division and share of available resources"

"Strategic planning at the supra-regional level (i.e. CIMs)"

"Improve the operational function of local actors"

"Provide follow-up at the local level, particularly in transition phases"

"There should be flexibility in the development of policies"



Portugal has a strongly centralised governance structure that leaves little room for adjustment at the sub-national level. While co-ordination has improved at the horizontal level among different institutions, vertical co-ordination remains weak. Effective collaboration across different levels of government needs to be built to achieve coherent and harmonised employment and education and training policies.

Portugal currently faces several challenges in meeting this aim. National policies have been poorly integrated and co-ordinated at the regional level. In addition, strong mechanisms for policy adjustment need to be developed as a lack of flexibility is currently impeding the suitable adaptation of national policies to the needs of the local level. In the past few years, regional disparities have grown and remain high, and there is a clear need to strengthen monitoring frameworks and conduct impact assessments of existing regulations in order to help achieve relevant and targeted policy-making.

Horizontal co-ordination at the national level has improved

Co-ordination between different policy areas at the national level has increased over the past few years. Under the challenging conditions of managing the impact of the recent fiscal and economic crisis, Portugal has demonstrated its capacity to undertake structural reforms and ensure a coherent and co-ordinated cross-government policy response, led in part by the Prime Minister's Office.

Another concrete example, which may be a relevant model when building an effective national skills strategy, is Portugal's National Sustainable Development Strategy, which brings together a number of policy areas under a common framework. Running until 2015, the strategy tackles four domains: qualifications and

skills, territorial approach to growth and innovation, competitiveness and innovation and modernising public administration. The implementation of the strategy requires strong cross-sectoral co-ordination among different policy fields and has led to the creation of a co-ordination cabinet directly reporting to the Prime Minister that ensures the harmonisation of policies (OECD, 2010).

Co-ordination has also substantially improved between employment and vocational training policies in recent years, with the Portuguese vocational education and training system (VET) increasingly calling for the involvement of industries in education through work-based learning and programme design. In addition, growing efforts have been made to link curricula design with labour market needs.

These recent developments have been largely due to the efforts of the National Agency for Qualification and Vocational Education and Training (ANQEP). ANQEP is itself an example of cross-ministerial cooperation, as it was established under the joint supervision of the Ministry of Education and Science and the Ministry of Solidarity, Employment and Social Security, in co-operation with the Ministry of Economy. It has administrative and financial autonomy, as well as the pedagogical independence to pursue its activities itself. It is responsible for co-ordinating the implementation of VET policies, while also promoting the involvement of third parties (i.e. social partners, regulatory advisory bodies).

Portugal has a highly centralised government structure

Portugal is one of the most centralised OECD countries. It has three governance levels: the central, regional (Autonomous Regions of Azores and Madeira) and the local level (Municipalities and Parishes). The central government has legislative powers across Portugal, except for the Azores and Madeira. It also holds general administrative powers that do not fall under the specific responsibility of local authorities. The National Association of Portuguese Municipalities represents local government interests regarding the central authorities.

Division into five regions on the mainland and two autonomous island regions was created to facilitate the administration of the European structural funds (OECD, 2010). Under this framework, the regions are managed by the Commissions for Regional Cooperation and Development (CCDRs) (OECD, 2010).

The governance of the education system follows an equally centralised structure, and since 2011, the Ministry of Education and Science has had responsibility for schooling, higher education and science. The Ministry defines curricula, educational programmes, national examinations, teacher recruitment and the budget distribution at the pre-primary and compulsory education levels. Services such as providing educational facilities, creating school boards and developing complementary educational activities are the responsibility of municipalities. Despite this centralised structure, numerous bodies contribute to shaping educational policy, including ministry services, co-ordinating councils and other advisory bodies (OECD, 2014g).

However, the involvement of sub-national authorities in decision-making is weak in Portugal, and they hold very limited power in influencing how policies will be shaped and what mechanisms will be used for accountability and performance management (OECD, 2010). Local and regional stakeholders mostly assume an advisory function and contribute to policy development through consultations initiated by the central government. Governance structures need to adequately adjust to local contexts and growing demographic trends to remain relevant and effective.

Population distribution at the sub-national level in Portugal is one of the highest in the OECD area. Portuguese municipalities rank among the largest in Europe and are perceived as the central governance unit at the sub-national level. There are 308 municipalities, with an average of 34 000 inhabitants, including 3 091 parishes. People are thus more likely to identify with their local municipality or parish rather than with their wider region. In accordance with this, the sub-national level has been given legal status, allowing the 3 091 parishes to deliver public services (OECD, 2010). It is therefore important that institutional structures and national policies enjoy the degree of flexibility necessary to effectively meet regional needs. Likewise, an

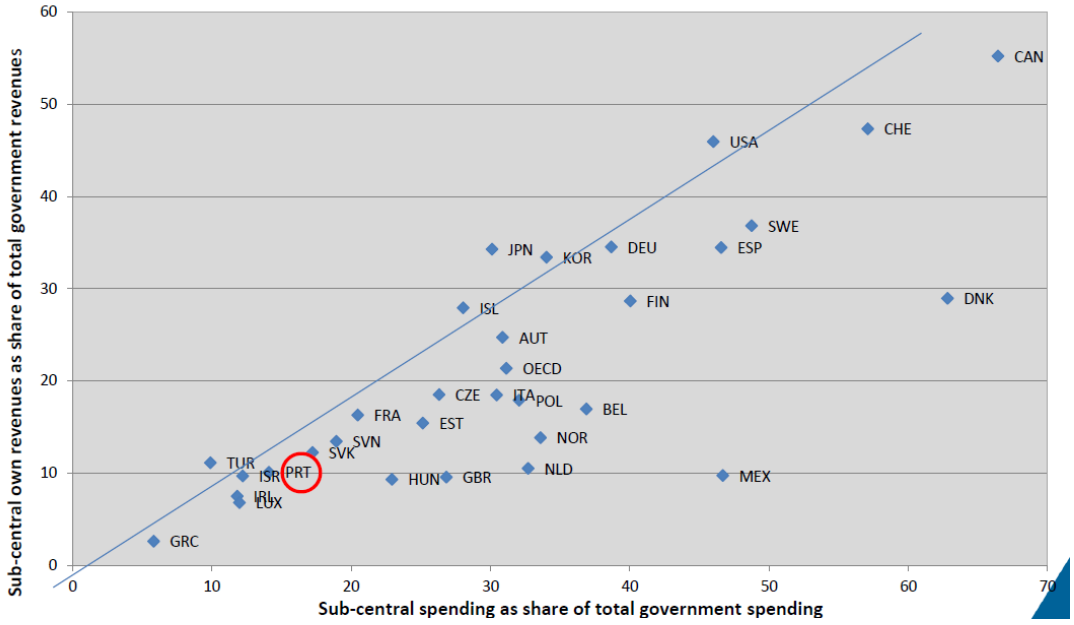
increased participation of sub-national authorities in decision-making processes for national policies could prove effective, particularly when dealing with issues where there are large regional disparities.

Sub-national governments have limited resources to build their capacity

Across the OECD, sub-national governments are responsible for large shares of different aspects of public finance. Beyond public expenditure, sub-national governments are also responsible for half of public procurement, collect over one-third of tax revenue (33.2%), and account for around one-fifth of public debt (19.6%) (OECD, 2013d).

Budget decentralisation in Portugal is one of the lowest in the OECD area, and is positioned well below the OECD average (see Figure 38). As a result, ensuring flexibility is paramount. A low level of flexibility in sub-national government spending can have significant implications in terms of adaptability, quality, and efficiency of public services and investment. Inflexibility limits regional and local actors' potential to adjust national policies to local needs, and limits regional stakeholders' scope for collaboration in designing and implementing projects.

Figure 38. Sub-national government ("local") shares in general government, 2011

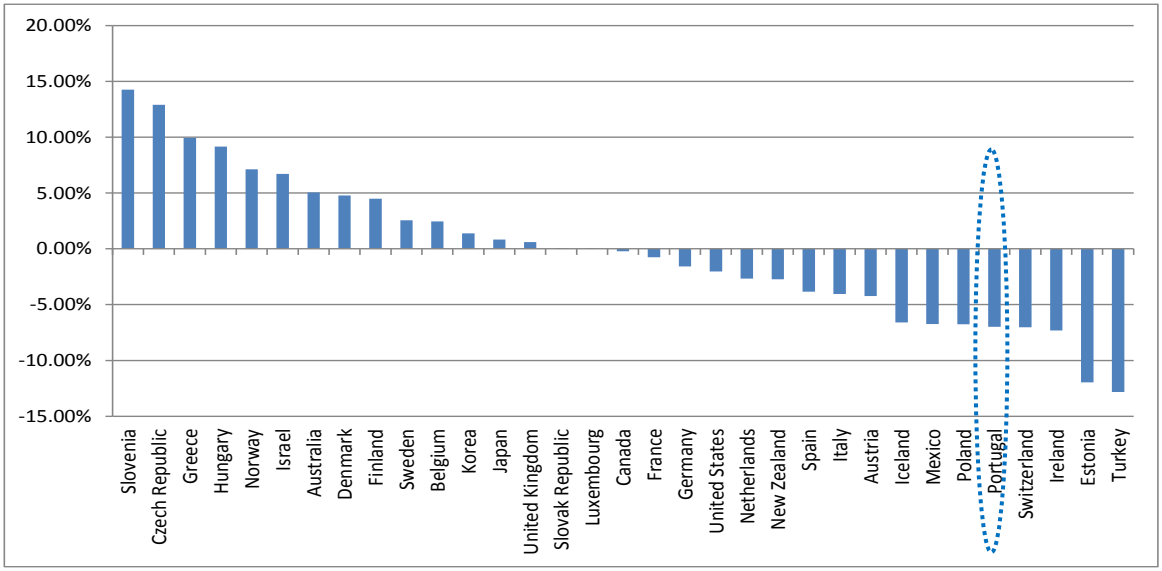


Source: OECD (2012b), *OECD National Accounts Statistics (database)*, www.oecd-ilibrary.org/economics/data/oecd-national-accounts-statistics_na-data-en.

Sub-national government investment in Portugal has substantially decreased between 2007 and 2012 (see Figure 39). It represents 13% of total public expenditure and 6% of GDP in Portugal, compared to an average of 40% of total public expenditure and 17% of GDP in the OECD area (OECD, 2013c).

Educational expenditure as a share of total sub-national government expenditure in 2012 was 11%, which represents less than half the OECD average of 27% (OECD, 2013c). Low levels of investment can generate disparities in the number of educational and training opportunities accessible at the sub-national level. Although several local initiatives were launched with the support of the European structural funds, their sustainability is uncertain.

Figure 39. Changes in sub-national governments' share of total public investment (2011)



Source: OECD (2012b), *OECD National Accounts Statistics (database)*, www.oecd-ilibrary.org/economics/data/oecd-national-accounts-statistics_na-data-en.

Co-ordination of national policies at the regional level needs improvement

Research indicates that policy integration at the local level in Portugal is highly dependent on the degree of policy integration at the national level (OECD, 2010). A study of the Algarve showed that while employment and vocational training policy is strongly integrated in the region, the integration between other policy areas, such as employment and regional development, and vocational training and regional development, is weak (OECD, 2010).

The study revealed contrasting results regarding stakeholders' degree of engagement in co-operation. Economic development actors were identified as active collaborators at the local level, and the most likely to participate in multi-stakeholder partnerships, information sharing and other collaborative activities (OECD, 2010). On the other hand, employment and vocational training actors were found to engage less. However, improvements may have been achieved since the creation of Centres for Qualification and Vocational Education (CQEPs) in 2013, as their mandate is to adopt a flexible collaborative approach with a diverse range of local stakeholders, from local training providers to municipal associations and employers. The effectiveness of this measure, however, has not yet been assessed.

Building strong regional and local connections contributes to greater co-ordination, both at the horizontal and vertical level. Regional co-ordination is facilitated by cross-sectoral co-ordination councils organised by the CCDRs that bring together different ministry branches (OECD, 2010). CCDRs have the potential to significantly improve vertical co-ordination with central government and could be devolved a larger share of responsibilities in managing and implementing policies (OECD, 2010).

Under the CCDR umbrella, Portugal's inter-municipal communities (CIMs), composed of municipality representatives, also promote effective co-ordination while being closer to the lower levels of government. CIMs provide studies on skills and regional labour market needs, and are also responsible for the implementation of national policies above the municipal level (Governo de Portugal, no date). Workshop participants identified these inter-municipal communities as robust governance structures that show great potential, particularly as their knowledge of the regional context could set the ground for the production of reliable local skills forecasting.

Centrally designed national policies provide inadequate responses to regional disparities

In Portugal, significant regional differences are observed in the scale of socio-economic challenges. In 2010, Portugal had the seventh largest regional disparities in GDP per capita, ranking below the OECD average (OECD, 2013c). Since the year 2000, GDP growth has increased the highest in the Madeira region (2.1% per year) and the lowest in Alentejo (0.2%) (OECD, 2013c).

Unemployment rates also reflect large regional variations, being at their highest in the Algarve in 2012 with 17.9% and lowest in the Centro region with 12% (OECD, 2013c). Since 2010, youth unemployment rates (15-24 years-old) in particular have significantly increased, reaching 49% in Madeira in 2012 (OECD, 2013c). It was the lowest in the Northern region (32.8%), but remained substantially higher than the OECD average (OECD, 2013c). Other OECD countries such as Greece, Italy, Mexico and the Slovak Republic also have regions with over 40% of national youth unemployment rates (OECD, 2013d). A need for targeted employment and education and training programmes is pressing to re-activate and stimulate economic growth in several Portuguese regions.

Box 37. Portugal in focus: Resolving migration flows and regional skills imbalances through higher education

In order to tackle demographic disparities and the unpopularity of certain regions, a new higher-education programme called Programme + Superior (*Programa + Superior*) is currently being implemented in Portugal. This programme perceives higher education as a driver of regional development, and as a result has two main objectives. First, it aims to incentivise and increase student enrolment in higher education institutions that are in less demand due to their unpopular locations. Second, it seeks the re-dynamism of unpopular areas, not only relying on students' relocation and contribution to the economic activities of the region during their studies, but also under the assumption that a fair number of graduates will stay to work in the region after completing their studies.

Source: Governo de Portugal (2014), *Anexos: Estratégia Europa 2020. Ponto de Situação das Metas em Portugal*.

Regional disparities are equally reflected in metropolitan, urban and rural dynamics. In 2012, 55% of the Portuguese population lived in cities, compared to an OECD average of 67%, and the share of the population living in non-urban areas was 45%; significantly higher than the OECD average of 33% (OECD, 2013c). Together with Canada, Estonia, Greece, Norway and Switzerland, Portugal is one of the few OECD countries in which more than half of the rural population lives in remote rural areas (OECD, 2013d). A growing trend among OECD countries has, however, pointed at the increased concentration of populations in cities. Metropolitan areas in Portugal concentrate 49% of national GDP and 38% of employment (OECD, 2013d).

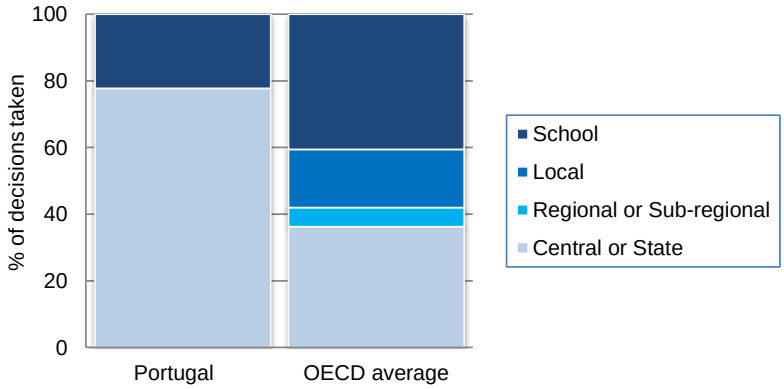
Many metropolitan areas continue to increase their built-up areas at a pace faster than population growth. This is the case in Portugal where between 2000 and 2006, urban sprawl, measured as the percentage of the built-up area 'available' per person, was the second highest in the OECD, after Estonia (OECD, 2013d). Moreover, metropolitan areas have the largest unemployment rates, particularly in Lisbon (Portugal), Athens (Greece) and Seville (Spain), where unemployment annually rose more than two percentage points (OECD, 2013d). These results strongly imply the need to expand economic activities and population migration towards the non-metropolitan areas if national balance in productivity and growth is to be achieved.

More flexibility will allow for appropriate policy adjustments to local skills needs

The education system in Portugal is an example of where increasing, yet limited, flexibility has been devolved. Since 2008, municipalities' responsibilities have mostly increased in relation to pre-primary up to lower secondary education (OECD, 2011). The municipalities have gained autonomy with regards to the provision of curricular enrichment activities in the first cycle, social support (provision of school meals and transportation), management of the school infrastructure, and hiring and dismissal of non-teaching staff. In 2011, the decision-making capacity of Portuguese lower secondary schools reached 22%, compared to an

OECD average of 41% (OECD, 2014g). Further autonomy has been devolved to primary and secondary schools with the implementation of the new school cluster framework in 2010-11. Autonomy was granted in areas such as pedagogical organisation, curriculum organisation, human resources, school social support and financial management (OECD, 2011). The number of schools with an autonomy contract grew from 22 schools in 2010 to 212 in 2013 (26% of the school clusters) (OECD, 2014g).

Figure 40. Percentage of decisions taken in public lower-secondary schools at each level of government, 2011



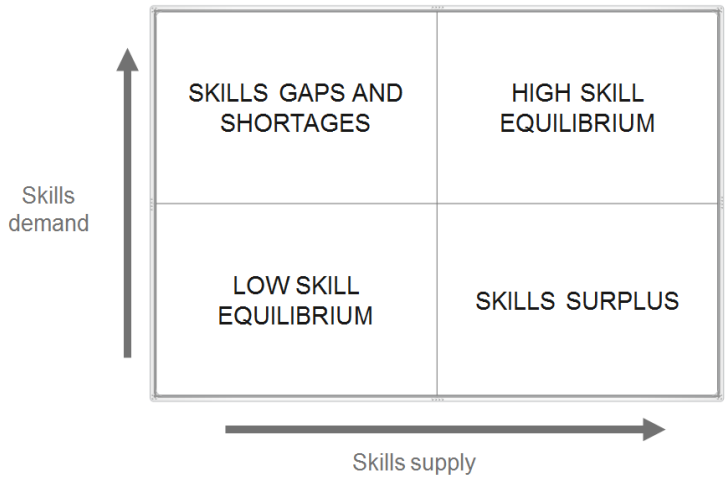
Source: OECD (2012a), *Education at A Glance*, http://dx.doi.org/10.1787/eag-2012-en.

Workshop participants identified a lack of flexibility at the sub-national level as a continuing challenge to local growth and competitiveness. Flexibility in the implementation of employment and skills policies can enable regional and local actors to adapt policies to their local labour market contexts.

OECD research has highlighted considerable variation in the supply and demand for skills at the regional and local level. Some regions are particularly vulnerable to economic shocks because their local economy is characterised by low-skilled, low-quality and poorly productive jobs. Such regions can fall into a vicious circle known as 'low-skills equilibrium', where the demand for low skills is met by a supply of low skills. It does not pay people to invest in skills when skills are not valued by employers. At the same time, those who do attain skills move away. The resulting inertia can slow down structural adjustment and impede the effectiveness of national policies.

Local areas can also experience skills gaps and shortages, where the demand for high skills is met by a supply of low skills. Some areas can have skills surpluses, where demand for low skills is met by a supply of high skills resulting in an economy where the high skills available are not utilised. This leads to the out-migration of talent, underemployment, skill under-utilisation, and a decrease of human capital, all of which signal missed opportunities for creating prosperity. A high skills equilibrium occurs in areas where the demand for high skills is met by an equal supply of high skills. This is the most desired outcome for all high performing local economies.

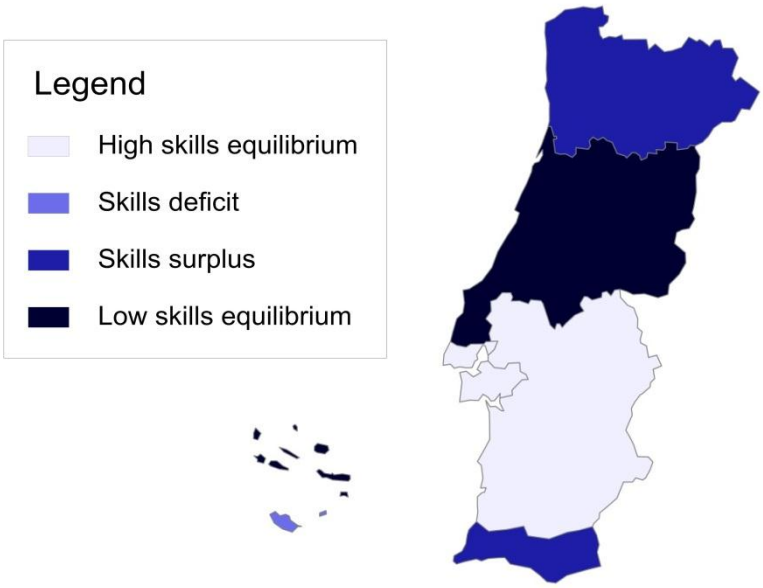
Figure 41. Understanding sub-national variations in the supply and demand of skills



Source: Froy, F. and S. Giguère (2010), "Putting in Place Jobs that Last: A Guide to Rebuilding Quality Employment at Local Level", *OECD Local Economic and Employment Development (LEED) Working Papers*, No. 2010/13, http://dx.doi.org/10.1787/5km7jf7qtk9p-en.

The map below classifies regions in Portugal into high-skills equilibrium, low-skills equilibrium, skills surpluses, or skills shortages/gaps, based on their overall mix of skills supply and demand.

Figure 42. Relative balance between skills supply and demand, Portuguese regions, 2010



Note: Skills supply relates to the percentage of people with post-secondary. Skills demand is understood in terms of percentage of medium-high skills occupations and GVA per worker

Source: OECD (2014d), *Job Creation and Employment Development, 2014*, http://dx.doi.org/10.1787/9789264215009-en.

In 2010, Lisbon and Alentejo were in high-skills equilibrium, where a high supply of skills (percentage of people with post-secondary education) is matched by a high skills demand (percentage of medium and high skills occupations and gross value added (GVA) per worker). Central Portugal and the Islands of Azores were in low-skills equilibrium, the islands of Madeira had a skills deficit, and North Portugal and the Algarve were in skills surplus. The Algarve showed an increase in skills supply while Madeira showed an increase in skills demand in the period between 2001 and 2010. The movement between regions over this period shows the attraction of Lisbon for highly skilled people and job opportunities. The outward migration of talent away from the Centro region to other areas of Portugal is likewise visible. It should be noted that this does not provide an indicator of labour market inclusion. Some regions in high-skills equilibrium, such as Lisbon, also show relatively high unemployment rates.

Providing flexibility at the local level does not require extensive institutional reform. While some countries have increased the autonomy of key local and regional actors, others have brought more structural changes in governance. OECD countries, such as the United Kingdom and Korea, have tried to preserve a sense of proximity with the sub-national level as municipalities increased in population size (Noya, A., E. Clarence and G. Craig, 2009). For example, England has recently introduced City Deals, which are agreements between central government and cities that aim to give new powers, freedom and funding mechanisms to local decision-makers in exchange for greater responsibility for stimulating and supporting economic growth in their area (OECD, 2014d). Skills development is one element of these agreements. The first wave of deals, agreed in July 2012, was with the Core Cities (the eight largest cities outside London). The second wave of City Deals involved 20 cities: the next 14 largest cities outside of London and their wider areas, and the six cities with the highest population growth during 2001 to 2010.

Box 38. Policy tools for injecting flexibility into the implementation of employment and skills policies

Programme design. Do sub-regional offices have any input into the design of policies and programmes? Are they consulted? Can they influence the programme mix and adapt design features of programmes, including target groups, or are these largely centrally determined? May local Public Employment Service (PES) offices implement programmes outside the standard programme portfolio? Do they design local employment strategies?

Financing. Do sub-regional actors have flexible global budgets or line item budgets for active measures? To what extent can they allocate resources flexibly between budget items for active measures?

Target groups. Can local offices decide on the target groups for their assistance locally or do programmes already specify particular target groups?

Goals and performance management. To what extent are organisational goals and targets centrally determined? Do they allow room for sub-regional goals and hence flexibility in adapting goals to local circumstances? Are targets and indicators hierarchically imposed or negotiated with regional and local actors and harmonised with broader local economic strategies? Is performance assessment based solely on quantitative criteria?

Collaboration. Are local offices free to participate in partnerships, and do they collaborate with other actors? Can local offices decide who they collaborate with locally?

Outsourcing. Are local offices responsible for outsourcing services to external providers? Can they influence the terms of reference of contracts with service providers?

Source: Giguère, S. and F. Froy (eds.) (2009), *Flexible Policy for More and Better Jobs*, http://dx.doi.org/10.1787/9789264059528-en.

CHALLENGE 12: BUILDING CAPACITY AND PARTNERSHIPS FOR EVIDENCE-BASED SKILLS POLICY

A selection of challenges identified by Portuguese workshop participants:



"Mobilising inter-municipal communities in support of entrepreneurship and training opportunities"

"Real participation of social partners in the definition of public policies in education and training"

"Co-ordination between local training providers and local entreprises when it comes to establishing education and training systems"

"Establishment of a local development strategy encompassing effective communication and monitoring"

"Increase the capacity-building of entities"

"Deepening mechanisms of skills forecasting at the sectoral and regional level, in collaboration with employers"

"Diagnostic of local economic reality for creation of employment policies"

"Evaluation and monitoring of public policies"



Successful approaches to VET and skills are well co-ordinated and rely on effective capacity building and partnerships. In combination with centrally managed services, local and regional entities have the potential to contribute to labour market and VET policies. However, a number of factors can be obstacles to effective stakeholder co-operation.

In Portugal, there are challenges in creating reliable evidence and monitoring tools to help inform policies and support the introduction of relevant programmes. Low levels of resource distribution and poor levels of competences and capacity at the local level also impede strategic bottom-up actions from emerging. Building stronger links between different stakeholders at all levels of government, including outside government, is both a challenge and the key to establishing a harmonised and co-ordinated framework for education and training.

Boosting capacity and collaboration at the local level

References to community capacity building, or capacity building at the local level, are often made with regards to the implementation of programmes that were decided at central level. Rather than engage with local communities and seek their involvement, governments and other actors tend to impose their own agendas to the local context (Noya, A., E. Clarence and G. Craig, 2009). A lack of information and limited access to resources often prevents communities from challenging these top-down agendas.

However, community capacity building is central to local skills development and productivity, as when people work together they take more responsibility and action in addressing social and economic challenges (Noya, A., E. Clarence and G. Craig, 2009). Effective community capacity can thus result in more resilient societies. It can be triggered by national and local governments alike, and can be capacity that has already been developed by communities, even at a low scale.

Establishing a solid structure for multi-stakeholder engagement is essential for effective capacity building and participation at the local level. This structure could take the form of an inter-municipal collaborative structure, regional councils, and any other type of platform that allows for the involvement of public, social and private actors from different sectors. A bottom-up initiative, Tâmega and Sousa's Employability Agenda (Box 39), is a good illustration of multi-stakeholder involvement and effective local action. It was created to tackle the community's most pressing socio-economic challenges and effectively led to strategic actions to respond to them.

Box 39. Portugal in focus: The employability agenda: Tâmega and Sousa's Inter-Municipal Community

Composed of twelve municipalities, Tâmega and Sousa is the first CIM in the North region of Portugal to have elaborated its own strategy for employability: the Plan of Action for the Promotion of Employability. The Plan of Action was conceived in 2011 in reaction to the low competitiveness of the region and growing national youth unemployment rates. It is centred around three priority domains that will be developed until 2015. Each challenge is the object of a detailed analysis in which objectives, obstacles, targets and potential measures are identified.

- Human Capital – school dropouts, low educational attainment, gap between content of education and training and professional/occupational practices in the workplace.
- Employment – youth unemployment, those not in employment, education or training (NEETs), better co-ordination between education provision and labour market demand, support to entrepreneurship.
- Inclusive Capital – low fertility rates.

The Plan of Action is used as a management tool. In addition to a review of all challenges, it defines the responsibility of each actor involved carrying out the initiatives. The Plan of Action rests on multi-stakeholder participation and involvement. It gathers the support of a wide-range of education providers, representatives of social services and the private sector, as well as the diocese and eleven ministers.

A positive result of the adoption and implementation of the Plan of Action has been reflected in dropout rates, which decreased in Tâmega from 6.20% in 2001 to 1.51% in 2011. While occupying one of the lowest positions in the North region in 2001, Tâmega managed to rank below Portugal's average (1.58%). Comparable results are found across the CIM's twelve municipalities. Only five did not meet the national average in the last year surveyed. A continuous assessment of the different initiatives comprised in the Plan of Action would be necessary to evaluate its overall success and potential to serve as a model case study to other CIMs throughout Portugal.

Source: Comunidade Inter-Municipal de Tâmega e Sousa (2014), *Plano de Ação para a Promoção da Empregabilidade*, Tâmega e Sousa Comunidade Inter-Municipal.

Multi-stakeholder collaboration is a complex case of co-ordination that requires each stakeholder to have the capacity to manage his or her assigned responsibilities. A lack of capacity hinders delegation and effective action. Beyond costs and resources, elements such as the education levels of municipal staff or poor project management skills can be detrimental to programme efficiency (Charbit and Michalun, 2009). Specific skills training can help local actors to prepare for work collaborations and partnerships and establish joint strategies (Froy, F., S. Giguère and A. Hofer, 2009). Whether they are analytical, leadership or team working skills: investing in skills development can become essential to local strategic planning (OECD, 2010).

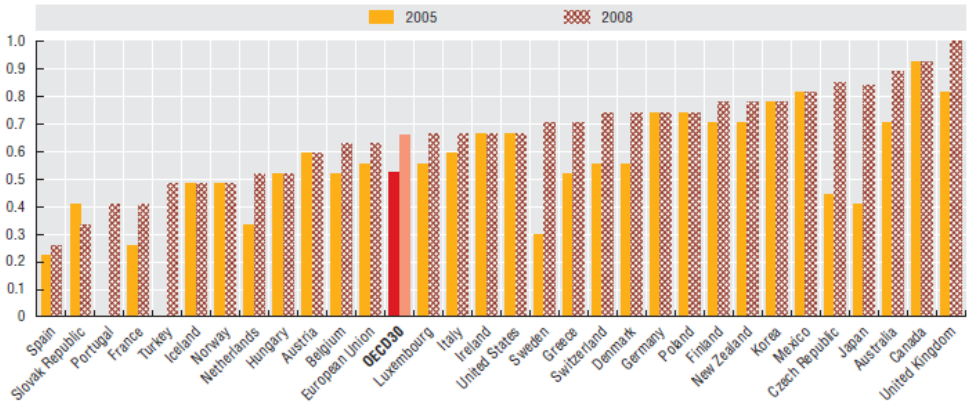
Both central government and local associations have an active role to play in supporting the skills development of local staff. For example, the Norwegian Association of Local and Regional Authorities provide services in many different fields to its members (OECD, 2008). The Association established an education and training unit accessible to local government officials and employees that allows them to complement their skills and qualifications by enrolling on various courses and seminars. An additional division provides training services to locally owned public enterprises, through conferences and specialised courses for individual companies and members of a specific industry branch. A legal department is available to all those in need of legal advice (OECD, 2008).

Evidence-based policy making remains poorly developed in Portugal

Enhancing evidence-based policy making through the use of regulatory impact assessment (RIA) can contribute to informing public policies and improving existing and future programmes. Regulatory impact assessment is both a decision process and a tool that helps policy makers decide whether to achieve public policy goals and how. It looks at all possible impacts of regulation, including costs and benefits, as well as sustainability[5] (OECD, 2009).

In Portugal, requirements for regulatory impact assessment are significantly below the OECD average (see Figure 43). Low requirements for RIA imply that national policies and political decisions taken at the central level do not necessarily undergo a rigorous assessment before and/or after being adopted. Yet RIA is a useful tool to learn from past experiences, and can also prove beneficial when determining the capacity of sub-national level authorities to carry out policies. However, in a context of scarce policy resources, retaining funds for the examination of existing regulations can be a difficult argument to make.

Figure 43. Requirements for RIA processes used by central governments, selected countries, 2005 and 2008



[5] Two processes of RIA may be distinguished. Ex ante (prospective) impact assessment can promote policy coherence and transparency by highlighting who will benefit from and bear the costs of regulatory policies, and aims for the most optimal solutions (Rodrigo et al., 2009). Ex post impact analysis examines the relevance and impact of regulatory decisions, including unintended outcomes, as well as factors contributing to failure and success. Evidence shows that ex post analysis is more effective than ex ante analysis at informing policy debate (OECD, 2011; Rodrigo et al., 2009).

Note: This index summarises information about the existence of key elements of RIA processes in OECD member countries. It does not offer information on the quality of specific RIAs.

Source: OECD (2009), *Government at a Glance 2009*, http://dx.doi.org/10.1787/9789264075061-en.

Expanding programme evaluation and assessment at the sub-national level

Programme evaluation improves both resource allocation and the quality of the policies developed (OECD, 2011; Rodrigo et al., 2009). A wealth of local initiatives has emerged in Portugal that would benefit from rigorous assessment. Governments can effectively contribute to evidence-based policy development and implementation by strengthening the evaluation of current programmes and policies beyond those under central control.

Evaluating several bottom-up initiatives launched throughout the country would shed light on successful practices and effective co-ordination mechanisms that could potentially be replicated in different regions and localities. It would also help to improve existing initiatives throughout the different phases of their development. Gathering information about programme performance through assessments is also a useful way of gauging and identifying the potential of local actors to conduct strategic projects and implement change.

Making data collection more systematic to anticipate skills needs

Portugal would benefit from a strategic approach to meeting future skills needs, not only because of new emerging occupations, but also because technologies change rapidly in modern societies where ICT skills play a key role in many occupations. A mapping of skills needs at the regional, sectoral and industry level would strategically inform the design of new qualifications and training programmes, and help regularly update those that exist. Responsibility for anticipating future skills needs must be shared between policy makers, employment services and businesses, and would contribute to an integrated and harmonised skills strategy for Portugal.

Access to data empowers communities and allows for the emergence of relevant and integrated approaches to local development. It is particularly important to employment and training organisations that need to develop greater knowledge about their local economy and make evidence-based decisions to ensure programmes are relevant. More precisely, developing a thorough understanding of the skills supply and demand of local labour forces, also known as the local 'skills ecology', is essential to address the issues of unemployment and industrial competitiveness in regions (Froy, F., S. Giguère and A. Hofer, 2009). A diagnostic of the local skills ecology can thus successfully influence education and training policy, and ensure that vocational systems are more tailored to the needs of regional economies.

ANQEP is currently implementing a system for the anticipation of skills needs (SANQ - *Sistema de Antecipação de Necessidades de Qualificações*). The objectives of this system are to assess the dynamics of the economy and the labour market which influence the demand for skills in the short and medium-term perspective, anticipate those needs in the updating of the National Catalogue of Qualifications, set priority levels for qualifications within the National Qualifications System (NQS), and to deepen the diagnosis of skills needs at regional level, with the involvement of relevant stakeholders. The SANQ is a promising initiative, and needs to be consolidated to secure the best possible match of skills anticipation and needs of different regions.

Central government bears the responsibility of strengthening communication channels to the lower levels and disseminating data and information that could feed into local policies. In the absence of strong disaggregated information from national sources, data can be collected at the local level through periodical surveys and other initiatives that seek to identify business needs and skills gaps. In this respect, the benefits of having systematic data collection cannot be overestimated. Establishing systematic data collection at the regional level would facilitate the mapping of skills needs and the anticipation of future growth and skills demand, while keeping track of how the economy and industries evolve (Froy, F., S. Giguère and A. Hofer, 2009).

However, producing and gathering local intelligence is a difficult exercise. The involvement of higher education institutions is welcome in the absence of strong statistical and analytical capacities among local authorities (Giguère, S. and F. Froy, 2009). An example of this involvement is the University of Porto.

Box 40. Expert Group on Future Skills Needs, Ireland

In Ireland, the main state agency for data analysis is the Expert Group on Future Skills Needs (EGFSN), which advises the Irish government on the current and future skills needs of the economy, as well as other labour market issues that impact on Ireland's enterprise and employment growth. Established in 1997, the EGFSN is funded by the National Training Fund and reports to the Minister for Jobs, Enterprise and Innovation, and the Minister for Education and Skills. Forfás provides it with research and secretariat support while the FÁS Skills and Labour Market Research Unit (SLMRU) provides it with data, analysis and research and manages the National Skills Database.

A number of main sources are accessible for regional and local data collection and analysis. An annual National Skills Bulletin provides estimates of skills shortages across the full range of Standard Occupational Classifications and is carried out by the EGFSN. This Bulletin contains a short section on regional skills profiles but does not provide a high level of detail, and sector specific analyses are likely to be ad hoc. In 2012, the EGFSN also published regional labour market profiles, which have significant potential to support regional decision making by education and training providers, as well as career guidance and immigration services.

Source: OECD (2014e), *Employment and Skills Strategies in Ireland*, OECD Reviews on Local Job Creation, http://dx.doi.org/10.1787/9789264207912-en.

Box 41. Portugal in focus: The Employment Observatory, University of Porto

The University of Porto has created an Employment Observatory in order to collect evidence on the different pathways that are taken by its former students after graduation. The Employment Observatory is based on an annual survey of graduate students. It is an online platform that promotes information sharing and transparency. Through the Observatory, graduates' destinations are made public and access to indicators on employability and student course satisfaction is provided (Universidade do Porto, 2014). The platform also contains family context data (e.g. level of educational attainment of relatives), type of professional occupation undertaken, earning levels and degree of satisfaction with current employment (Universidade do Porto, 2014)). As a result, Porto University's Employment Observatory allows for a better understanding of school-to-work transition processes.

Source: Universidade do Porto (2014), *Observatório do Emprego*, http://sigarra.up.pt/up/pt/web_base.gera_pagina?p_pagina=1017555.

Reinforcing partnerships between stakeholders across different levels

Creating partnerships between central government, public, private and social actors strengthens capacity building and positively contributes to sub-national economic development. Building partnerships is particularly important in the areas of vocational training and economic development, in which policies need to be well co-ordinated and locally adapted to provide integrated responses to skills and productivity challenges.

To be effective, partnerships across OECD countries have relied on a certain degree of flexibility within policy management, at least at the local level. Sub-national flexibility has been positively and statistically related to employment rates, perhaps as it allows for more strategic and responsive active labour market programmes, which, in turn, direct training resources to those who need it the most and eventually positively influence employment rates (Giguère, S. and F. Froy, 2009).

However, as observed in Portugal, public employment services tend to be centrally managed, providing little room for local agencies to identify what challenges specific to their region need to be tackled, and what opportunities for action should be seized (Giguère, S. and F. Froy, 2009). Workshop participants identified a gap in VET strategic planning and delivery at the regional level, despite the fact that Portugal's CCDRs[6] and the CIMs[7] provide robust regional governance structures that have the potential to mobilise stakeholders across different sectors. A promising example of this potential is the main role that CIMs have in co-ordinating, developing and implementing the regional module of the system for the anticipation of skills needs.

While their involvement is mostly related to infrastructure policy and labour market research, CCDRs and CIMs could play an active role as co-ordinators; engaging labour market actors in the planning and delivery of the VET system. Workshop participants particularly appreciated their proximity with the lower levels. In all cases, co-ordination and goals alignment are key to achieving a harmonised VET framework that contributes to economic development.

Box 42. How to build successful partnerships

A locally based partnership is usually designed to bring together relevant actors within a region to address a specific issue within a community and/or improve its overall economic well-being. However, bringing together different government institutions (usually of different levels), social partners, employers, NGOs, training institutions, and representatives of civil society, is not always an easy task. When setting up a partnership, regardless of its purpose, there are certain factors to bear in mind:

- ***Organisational structure.*** To be efficient, a partnership should have a recognisable and autonomous structure to help establish its identity. The structure should have stability and permanence as well as flexibility, and it is helpful if there is a certain independence from political influence. It is also important to review lines of communication to ensure that all partners are kept informed and involved. Equity should be a guiding principle in building a partnership, as should (for many partnerships) a "bottom-up" structure. Sufficient human and financial resources are also needed.

- ***Preparation.*** Preparatory work is crucial for developing a steady and effective partnership. Careful research into the context in which the partnership will be operating must be part of this phase. The strengths and weaknesses of the area should be assessed and effective measures designed. One of the most important aspects of this phase is to identify the right partners and establish clear roles for each.

- ***Work plan.*** Partnerships need to develop a long-term strategy if they are to work effectively and have a lasting effect. For area based partnerships, this strategy should include a vision for the region, focusing on the outcome to be achieved, an action plan identifying shorter-term priorities, and a co-ordinated working programme including activities and measures that will contribute to the achievement of long-term outcomes. The work programme should indicate the interests and targets of all partners and include activities and measures that will contribute to the improvement of the territory.

- ***Implementation.*** In this phase, partners are in regular contact to co-ordinate implementation, to extend and supplement the working programme with new measures, and, in some cases, to test new approaches. Public relations activities should inform the wider public of the targets, activities and measures of the partnership.

- ***Monitoring.*** To assess a partnership's achievements, determine improvements to be made and adapt further planning, a comprehensive monitoring system should be used. A partnership should be evaluated periodically and publish reports to demonstrate the added value of its work.

Source: OECD (2014d), *Job Creation and Local Economic Development*, http://dx.doi.org/10.1787/9789264215009-en.

[6] CCDRs, the Commissions for Regional Co-operation and Development (*Commissões de Coordenação e Desenvolvimento Regional*) act at NUTS2 level

[7] CIMs, the Inter-Municipal Communities (*Comunidades Inter-Municipais*) act as NUTS3 level

Box 43. Integrating employment, skills and economic development through local and regional partnerships

In the United States, there are about 600 local Workforce Investment Boards (WIBs) responsible for providing employment and training services within a specific geographic area. The number of WIBs within each state varies by population, geographic size and the state's approach to providing services. Local WIBs are governed by a board comprised of business and civic leaders and, to a lesser extent, representatives of social service organisations, educational agencies and labour groups. WIB requires at least 51% of the board members to be business leaders so that the needs of businesses are readily taken into account in designing and delivering employment services. Under the master contract, federal and state funds for WIA programmes are funnelled through the county to the local WIB. The local WIB hires staff to administer the programmes. The actual delivery of services is contracted out to intermediaries, which include other public agencies (government agencies and educational institutions) and to non-government (non-profit and for-profit) organisations.

Source: OECD (2014f), *Employment and Skills Strategies in the United States*, OECD Reviews on Local Job Creation, http://dx.doi.org/10.1787/9789264209398-en.

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NEXT STEPS

Moving from diagnosis to action

This diagnostic report encapsulates the key findings of the diagnostic phase completed in 2014, and is a key deliverable of the OECD-Portugal-European Commission collaborative project on "Building an effective skills strategy for Portugal".

The OECD Skills Strategy Diagnostic Toolkit has proved useful as a framework for engaging a wide range of stakeholders in far-reaching discussions about the skills challenges facing Portugal today and in the future. This report highlights the breadth of the skills challenges ahead, and how effective and integrated policy responses will be needed to weave together measures from diverse fields such as education and training, employment, innovation and entrepreneurship, tax, local economic development and economy.

Policy makers can build upon these shared insights to generate options for concrete actions to meet Portugal's future skill needs. Maximising Portugal's skills potential and improving the match between supply and demand for skills is an endeavour that goes well beyond the capacity of government alone. Designing and implementing effective skills policies will require collaboration among many public actors at the national level as well as co-operation with the local authorities. Building a strong skills system for Portugal will also depend upon the on-going involvement of key stakeholders including employers, trade unions, students and teachers.

Above all, it will require a shared commitment across government ministries and social partners to build a responsive and resilient skills system that fosters Portugal's competitiveness, social cohesion and high standards of living for all.

ANNEX: WORKSHOP REPORTS AND QUESTIONNAIRE FOR WORKSHOP PARTICIPANTS

OECD Skills Strategy

Building an effective skills strategy for Portugal

Scoping Workshop Highlights

9 April 2014 – Lisbon



Background

What is the OECD Skills Strategy?

The OECD Skills Strategy provides a framework for countries to analyse their skills systems and to apply a whole-of-government approach to find better ways to develop, activate and use skills to boost employment and growth while promoting social inclusion.

What is the goal of this project?

The main goal for this joint project between the OECD and the Portuguese government on "Building an effective Skills Strategy for Portugal" is to provide a strategic assessment of the national skills system in Portugal. The results will help build effective skills policies and strategies to meet Portugal's future skill needs and to improve the match between supply and demand for skills, nationally as well as within regions. The project is designed to be cross-sectoral, involving several ministries, and will seek to engage a wide range of relevant stakeholders – including employers, trade unions and civil society organisations.

Why was the Scoping workshop held?

The scoping workshop was held on 9 April 2014 to jointly identify strengths, challenges and key issues facing Portugal's skills system. The workshop involved structured small group discussions and a series of exercises, the results of which are reported here and have helped define the project's scope and design.

Who participated in the Scoping workshop?

The workshop was conducted on 9 April 2014 in Lisbon with more than 60 participants from several Portuguese ministries and a range of stakeholders (see last page).



What happens next?

Drawing upon OECD comparative data and analysis, a regional diagnostic workshop was held on 22-23 May 2014 in Porto with a specific focus on the skills challenges faced by regional and local actors. A national diagnostic workshop will be held on 3-4 July in Lisbon to further explore and asses the strengths and challenges of Portugal's skills system. Both workshops will convene a broad cross-section of public and private sector actors engaged in the skills system.

Strengths

What are Portugal's most important strengths (or assets) in developing more effective skills policies?

Developing skills

- Significant improvement in educational outcomes in recent years
- Education is accessible to all and costs are low
- Well articulated instruments have been developed for the national qualification system
- A large choice of educational programmes is available
- Recent reforms have increased diversity and flexibility in the VET system
- The current design of educational policies and quality of the VET system have improved and provide a solid basis for further development
- Increased participation rates in adult education
- Extension of compulsory schooling to age 18



Activating skills

- A high number of young people are getting a job after doing an internship
- Good progress on designing Youth Guarantee programme for Portugal

Using skills

- Effective traineeship programme has boosted employability rates and promotes employer-engagement
- Strong research institutions (potential to contribute to innovation)

Strengthening skills systems

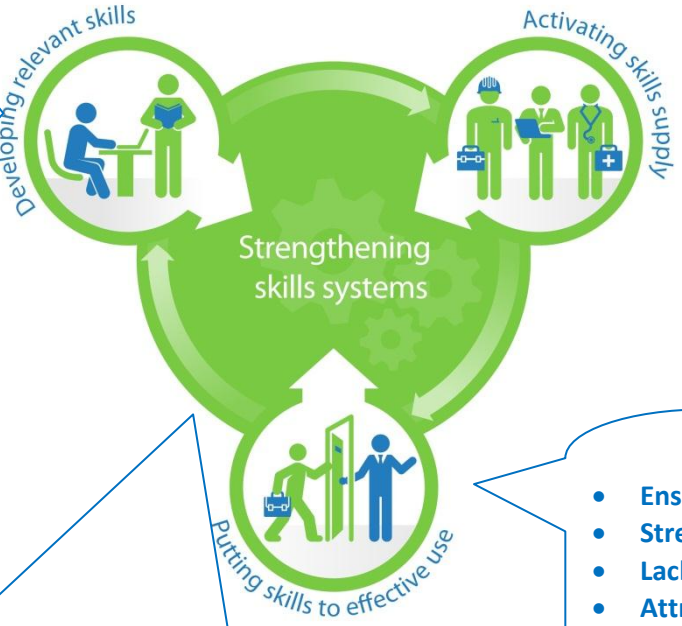
- Willingness of multiple actors such as ministries, employers and unions to meet and discuss means of improving the education and training system
- Active involvement of stakeholders in designing and providing training schemes

Challenges

What are the biggest challenges that Portugal faces in achieving better skills outcomes?

Developing skills

- Increasing the social status and value placed on vocational education and training
- Improving the quality and diversity of the VET system
- High drop-out rates
- Limited investment in lifelong learning
- Responding to regional disparities (i.e. regarding drop-out rates)
- Lack of teacher training that would concentrate on helping students develop the right skills
- Ensuring the continuous updating of the National Catalogue of Qualifications
- Integration of a VET curriculum in higher education



Activating skills

- Improving information systems on education, training and career development
- Large number of NEETs

Using skills

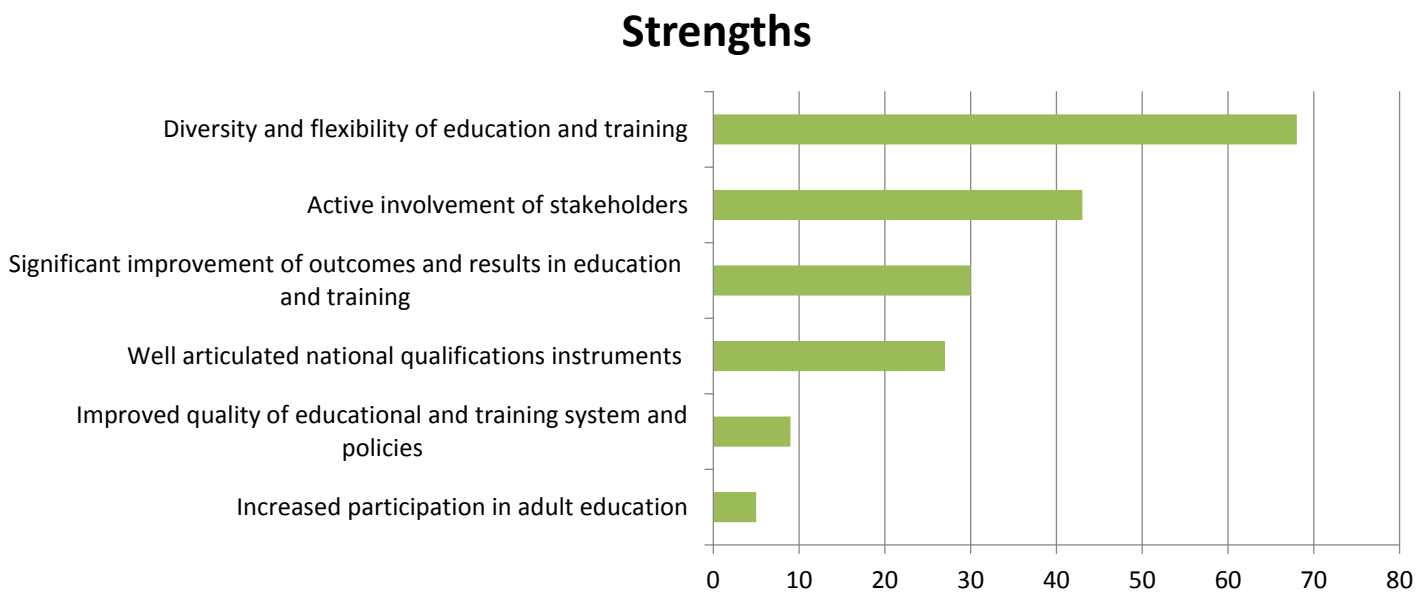
- Ensuring that skills supply meets skills demand
- Strengthening entrepreneurship
- Lack of incentives to keep qualified people in the country
- Attracting highly-skilled immigrants to Portugal

Strengthening skills systems

- Lack of stable long-term policies and political commitment
- Lack of policy alignment and coordination due to the high number of actors involved
- Improving cooperation between different actors, sectors and Institutions
- Overcoming conflicts of interest between ministries for the management of schools and VET
- Moving from a diagnostic phase to the concrete implementation of policy changes
- Challenging economic and financial climate

Strengths and Challenges Barometer

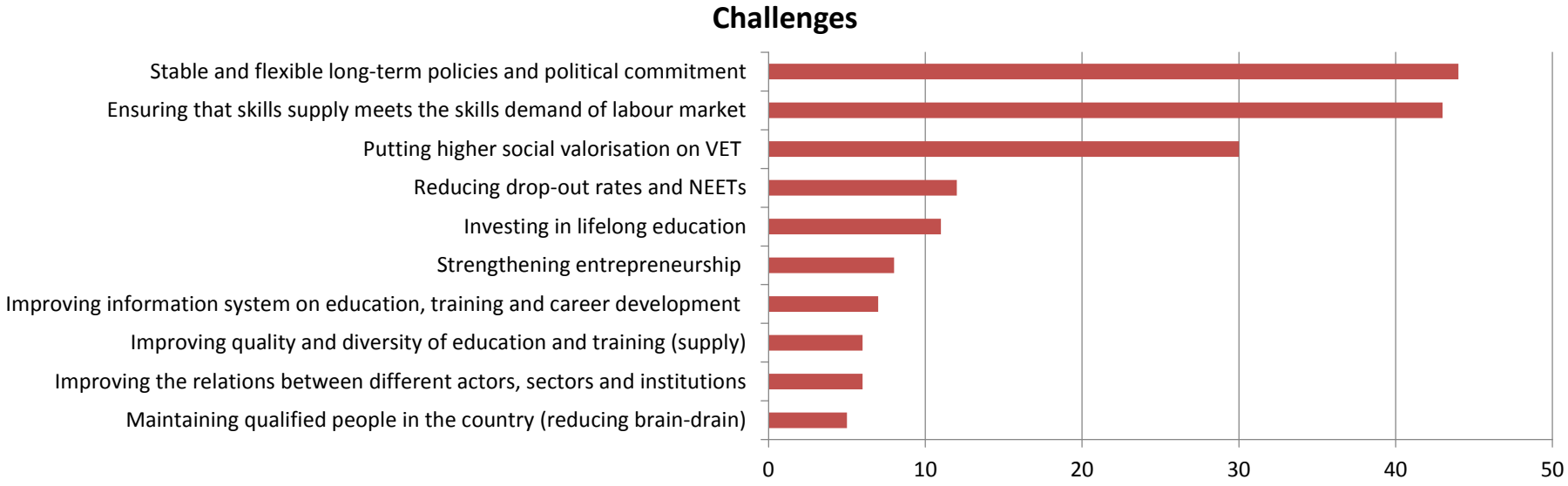
How would you assess the strengths of Portugal's skills system?



Note: These are not percentages, but the results from the actual votes of participants during the workshop. Each participant had three votes.

Strengths and Challenges Barometer

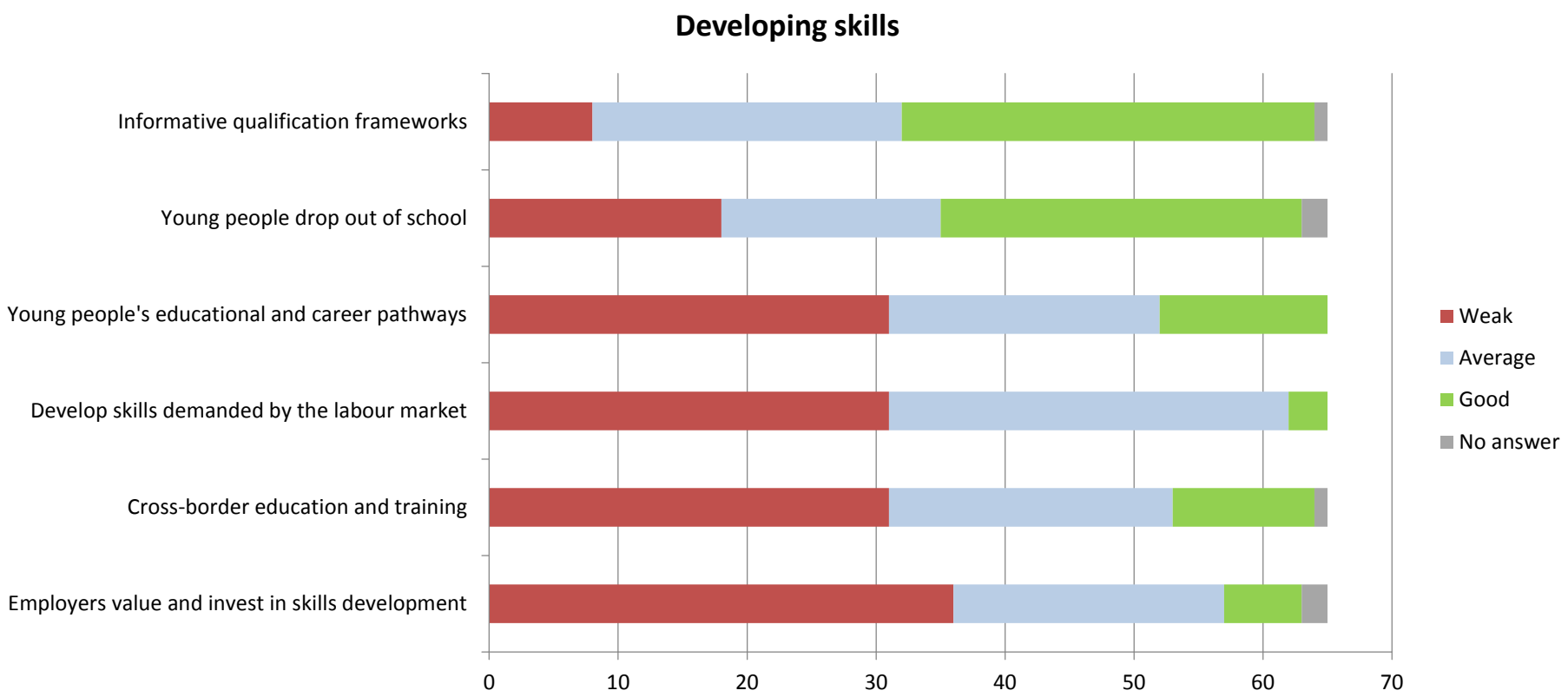
How would you assess the challenges of Portugal's skills system?



Note: These are not percentages, but the results from the actual votes of participants during the workshop. Each participant had three votes.

Developing skills

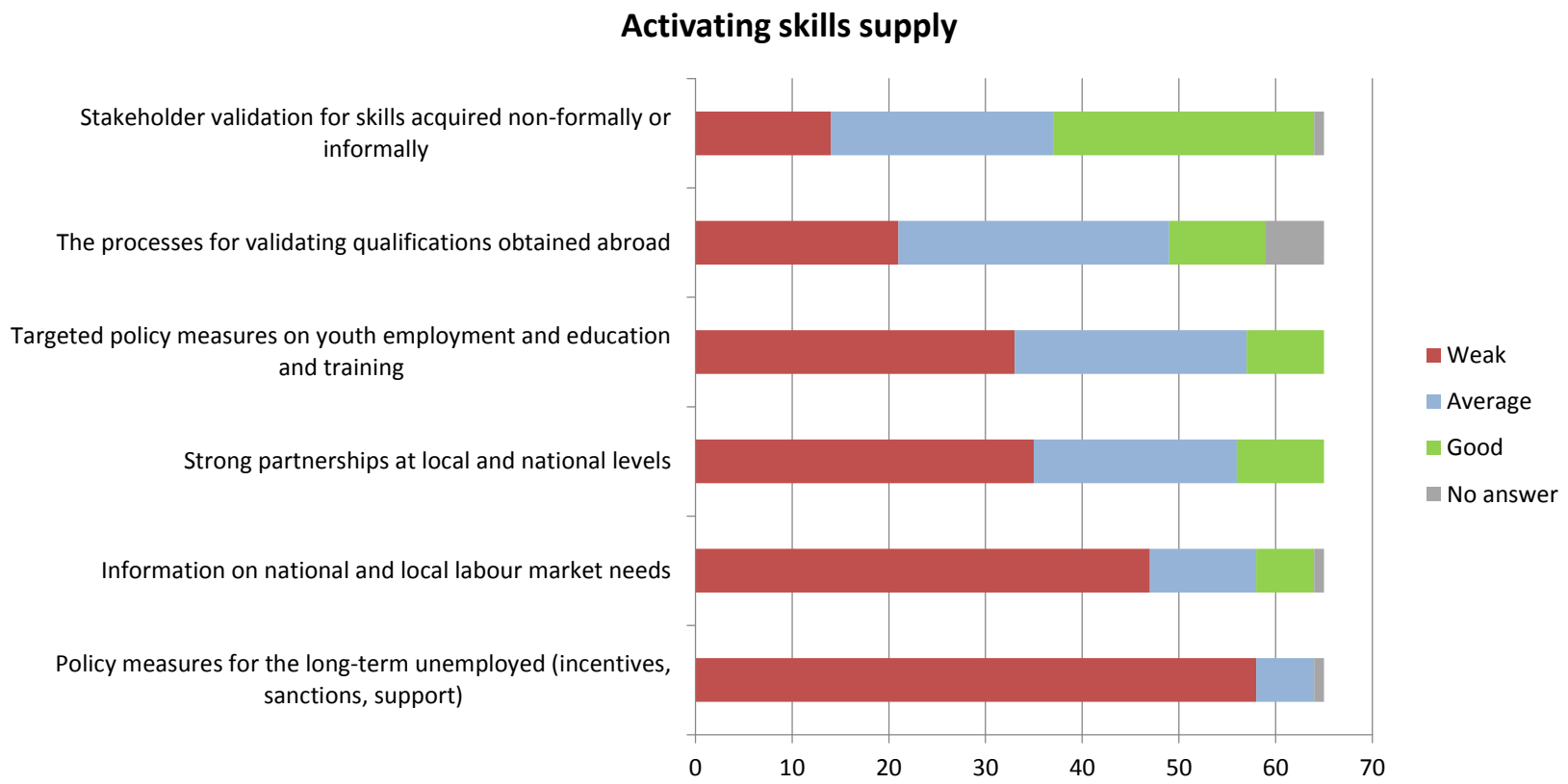
Participants' perception of Portugal's performance



Note: The self-assessment questionnaires were completed by participants during the workshop. These are not percentages, but the results from the actual votes of participants during the workshop.

Activating skills

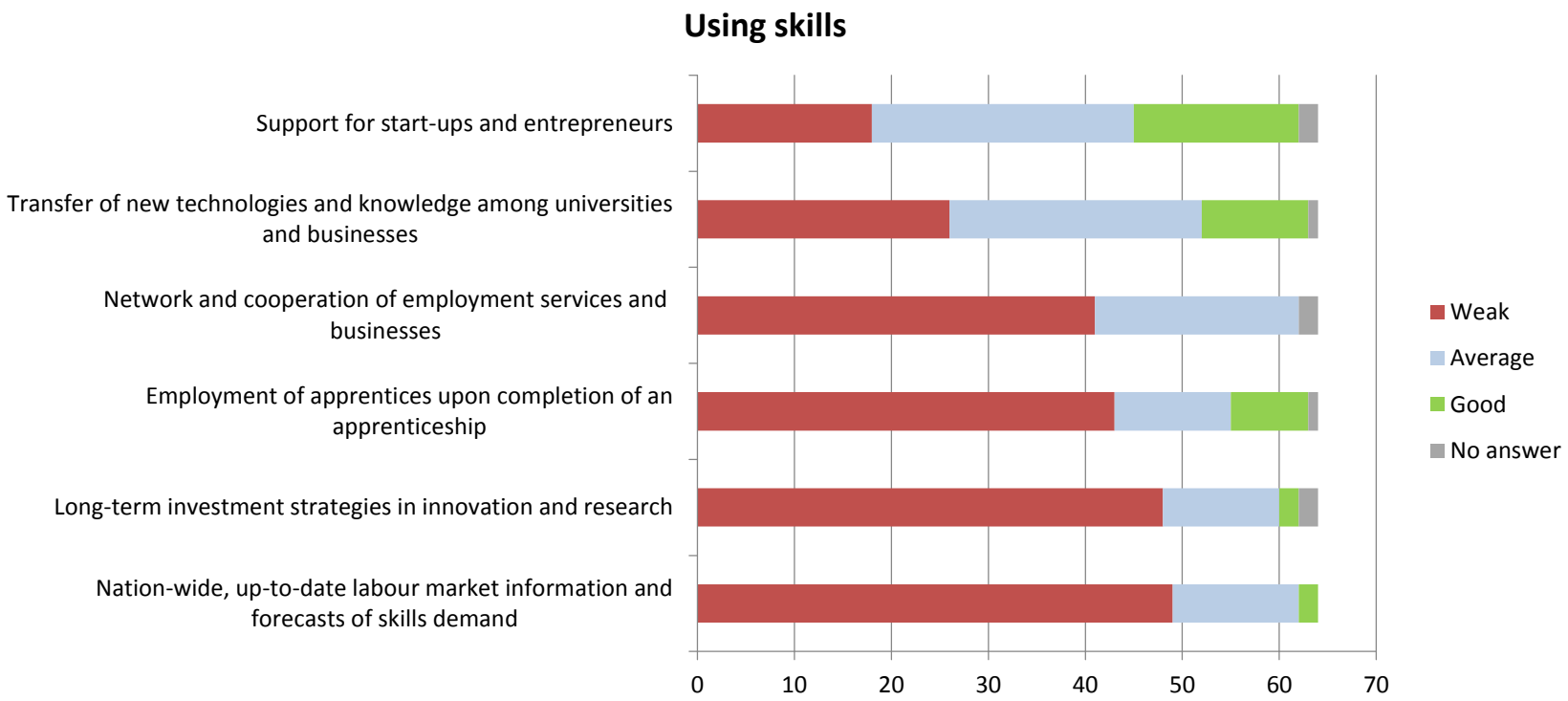
Participants' perception of Portugal's performance



Note: These are not percentages, but the results from the actual votes of participants during the workshop.

Using skills

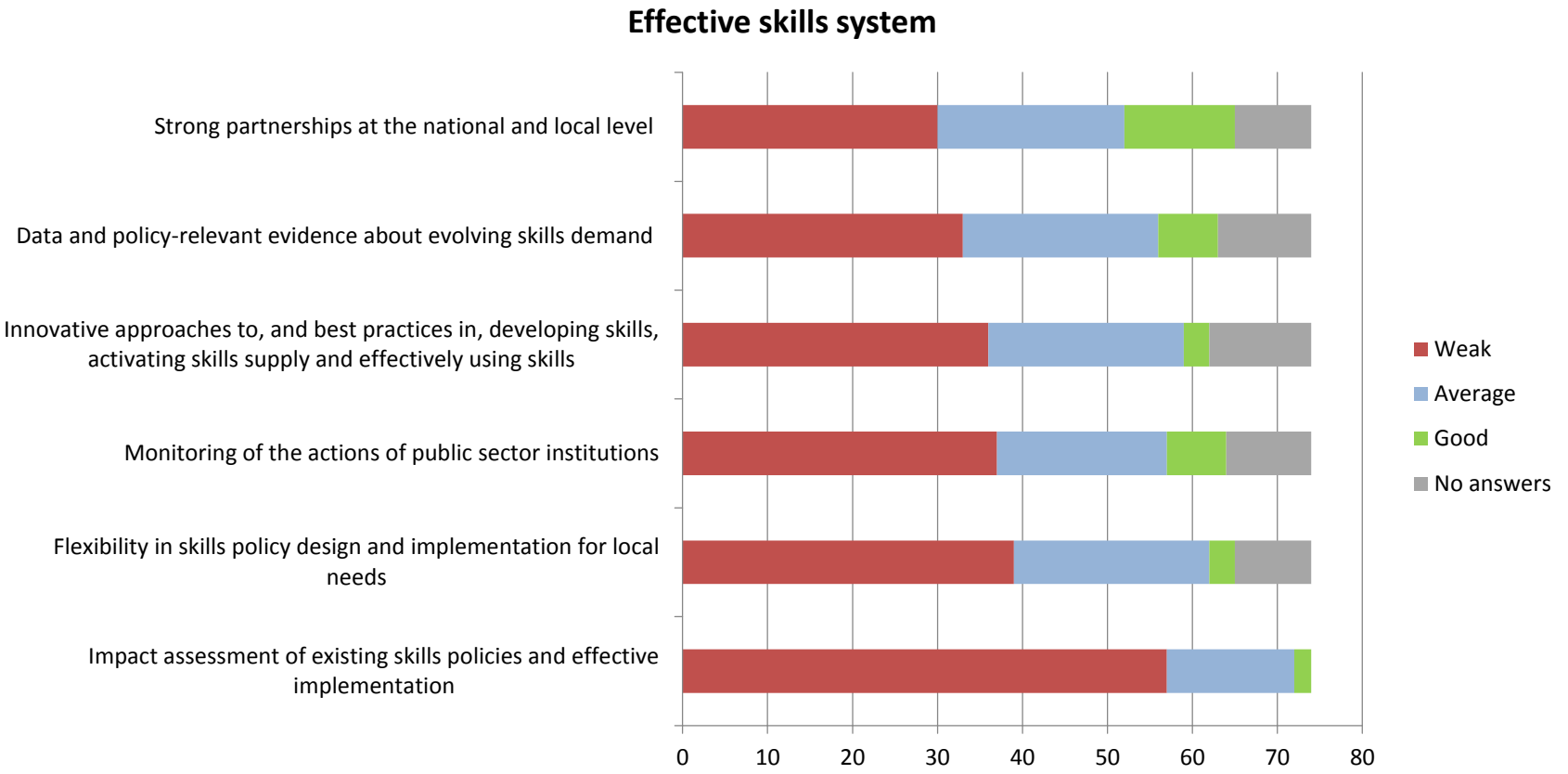
Participants' perception of Portugal's performance



Note: These are not percentages, but the results from the actual votes of participants during the workshop.

Effective Skills System

Participants' perception of Portugal's performance



Note: These are not percentages, but the results from the actual votes of participants during the workshop.

Newspaper Headlines

What newspaper headlines on skills in Portugal would you like to see in 5 and 20 years?



9 April 2019

Newspaper headlines in 5 years

- ✓ A OECD report places Portugal in the top ranking of countries with the highest rates of job creation for youth
- ✓ Portugal has registered a 10% unemployment rate
- ✓ In Portugal 80% of work training is funded by companies
- ✓ Families and young people are to be congratulated: school drop-out rates fell to 10%
- ✓ Studies show that active employment policies contribute to an increase in fertility rates
- ✓ Lifelong education: a reality for all Portuguese people
- ✓ Political parties sign a pact of stability on Portuguese VET system policies



9 April 2034

Newspaper headlines in 20 years

- ✓ The Portuguese skills system is recognised as one of the best in Europe
- ✓ Portugal reaches a 5% unemployment rate, the lowest in the Euro zone
- ✓ Portuguese companies are among the most innovative companies in the world
- ✓ Portugal has no young NEETs
- ✓ Portugal is first in the Index of Human Development
- ✓ 80% of the population have completed upper secondary school
- ✓ Illiteracy eradicated in Portugal
- ✓ 90% of Portuguese adults annually attend a training course

Scoping workshop participants, 9 April 2014

Ministries and agencies:

- Ministry of Education and Science
- Ministry of Solidarity, Employment and Social Security
- Minister in the Cabinet of the Prime Minister and for Regional Development
- Agency for Competitiveness and Innovation (IAPMEI)
- Agency for Development and Cohesion
- Directorate-General for Education (DGE)
- Directorate-General for Schools (DGEstE)
- Directorate-General for Employment and Labour Relations (DGERT)
- General Inspectorate of Education and Science (IGEC)
- High Commissioner for Migration
- Institute for Employment and Vocational Training (IEFP)
- National Agency for Qualification and Vocational Education and Training (ANQEP)
- National Institute for Rehabilitation
- Office for Strategy and Planning (GEP)
- Portuguese Institute for Sports and Youth (IPDJ)
- The North Regional Coordination and Development Commission (CCDR-N)
- Tourism of Portugal, IP

Experts and stakeholders:

- *Employer organizations*
  - o Farmers Confederation Portugal (CAP)
  - o Portuguese Confederation of Commerce and Services (CCP)
  - o Portuguese Confederation of Tourism
  - o National Federation of Young Farmers and Rural Development
  - o Portuguese Confederation of Services (CSP)
- *Trade Unions*
  - o General Workers' Union (UGT)
  - o General Confederation of Portuguese Workers (CGTP-IN)
- *Education providers and education provider representatives*
  - o Lisbon School of Commerce
  - o Kerigma – Institute for Innovation and Social Development
  - o Vocational Training Centre of Metallurgical Industry and Metalworking (CENFIM)
  - o Association for Training in Industry (ATEC)
  - o National Association of Professional Schools (ANESPO)
  - o Portuguese Association of Professional Agricultural Schools (APEPA)
  - o Association of Establishments of Private and Cooperative Education (AEEP)
  - o National Association of Public Schools and School Group Principals (ANDAEP)
  - o Association for Technical Qualification of the Energy Sector (AQTSE)
- *Higher education providers and higher education representatives*
  - o Higher School of Technology and Management – Agueda, University of Aveiro
  - o University of Coimbra
  - o Council of Rectors of Portuguese Universities (CRUP)
  - o Coordinating Council for Polytechnic Higher Education Institutes (CCISP)
  - o Academic Association of the University of Lisbon
  - o Portuguese Association of Private Higher Education (APESP)
  - o The Catholic University of Portugal, Center for the Study of Portuguese Speaking People and Cultures (CEPCEP)

	Experts and stakeholders (continued): • *Private companies* o Grupo Jerónimo Martins • *Consultancy firms* o Augusto Mateus & Associados o Quarternaire Portugal • *Public Advisory Board on Education* o National Education Council • *Other stakeholders* o Portuguese Association of Adult Education (APEFA)

To Find Out More

OECD Skills Strategy	http://skills.oecd.org
OECD Survey of Adult Skills ***by the* OECD Programme for the International Assessment of Adult Skills (PIAAC)**	www.oecd.org/piaac
OECD powerpoint presentation on skills	http://www.slideshare.net/OECDEDU/tag/skills

OECD Skills Strategy

Building an effective skills strategy for Portugal

Regional Workshop Highlights

22-23 May 2014 – Porto



Background

What is the OECD Skills Strategy ?

The OECD Skills Strategy provides a framework for countries to analyse their skills systems and to apply a whole-of-government approach to find better ways to develop, activate and use skills to boost employment and growth while promoting social inclusion.

What is the goal of this project?

The main goal for this joint project between the OECD and the Portuguese government on "Building an effective Skills Strategy for Portugal" is to provide a strategic assessment of the national skills system in Portugal. The results will help build effective skills policies and strategies to meet Portugal's future skill needs and to improve the match between supply and demand for skills, nationally as well as within regions. The project is designed to be cross-sectoral, involving several ministries, and will seek to engage a wide range of relevant stakeholders – including employers, trade unions and civil society organisations.

Why was the Regional diagnostic workshop in Porto held?

The regional diagnostic workshop was held in Porto on 22-23 May 2014 to jointly identify strengths, challenges and key issues facing Portugal's and Porto's skills system. The workshop involved structured small group discussions and a series of exercises, the results of which are reported here and have helped to identify and diagnose the challenges in the skills system in Portugal with special emphasis on the regional dimension.

Who participated in the Regional diagnostic workshop?

The workshop had more than 40 participants from the Porto region, representing a range of stakeholders (see last page).



What happens next?

A national diagnostic workshop will be held on 3-4 July in Lisbon to further explore and asses the strengths and challenges of Portugal's skills system. Both workshops will convene a broad cross-section of public and private sector actors engaged in the skills system.

Strengths

What are Portugal's most important strengths (or assets) in developing more effective skills policies?

Developing skills

- Growing recognition of vocational education and training
- Increased investment in lifelong learning
- Establishment of the National Qualifications System with tools and structures, e.g. sectoral councils
- Diversity of the programmes in the education and training system
- Increase in the population's level of qualifications and educational attainment
- Large variety of choices in adult education programmes
- Extension of compulsory schooling to age 18
- Improved investment in educational infrastructures and in the education and training system
- Strong competencies in foreign languages and ICT among younger generations
- Improved efficiency and effectiveness of the public schools system, e.g well-designed curricula and quality of teachers
- Innovation and development policies that show a focus on skill development



Activating skills

- Effective traineeship programme has boosted employability rates and promotes employer engagement
- Employability Agenda of the Inter-Municipal Community of Tâmega and Sousa
- Existence of funding available for many training programmes until 2020
- Economic sectors based on natural resources and tourism and the promotion of related competencies in these areas

Using skills

- Availability of young people with high levels of qualifications
- Growing support to entrepreneurial talents and start-ups
- Firms have potential to promote effective training and networks
- Strong investment in scientific research institutions (potential to contribute to innovation)

Strengthening skills systems

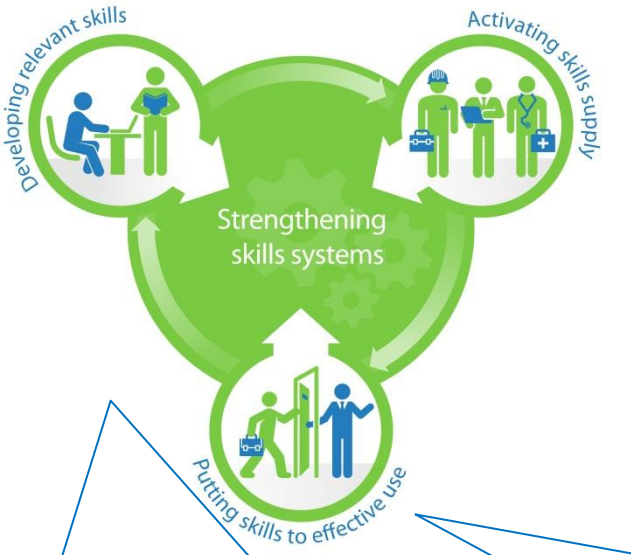
- Large number of organised stakeholders such as universities, training centres, VET providers, employment centres, private companies and co-ordinating agencies, e.g. ANQEP
- Training centres for different sectors with joint management between public sector and private companies
- Positive dialogue and increased co-operation among social partners

Challenges

What are the biggest challenges that Portugal faces in achieving better skills outcomes?

Developing skills

- Increasing the social status and value of vocational education and training
- Raising the level of skills of adults with low qualifications
- Improving the quality and diversity of the VET system
- High drop-out rates
- Lack of curriculum flexibility
- Improving the system of recognition and validation of competencies
- Regular updating of the content of educational programmes, especially VET programmes
- Better development of technical/operational skills necessary across several industries
- Designing higher education courses in accordance with the characteristics of the country
- Promoting soft skills development and entrepreneurial skills



Activating skills

- Providing incentives and adjusting labour market legislation for young people and adult workers to engage in education and training
- Improving information systems on education, training and career development
- Large number of NEETs
- Preventing youth emigration (brain drain)
- High level of long-term unemployment, which impacts on individuals' motivation and perceived benefits of engaging in lifelong learning

Using skills

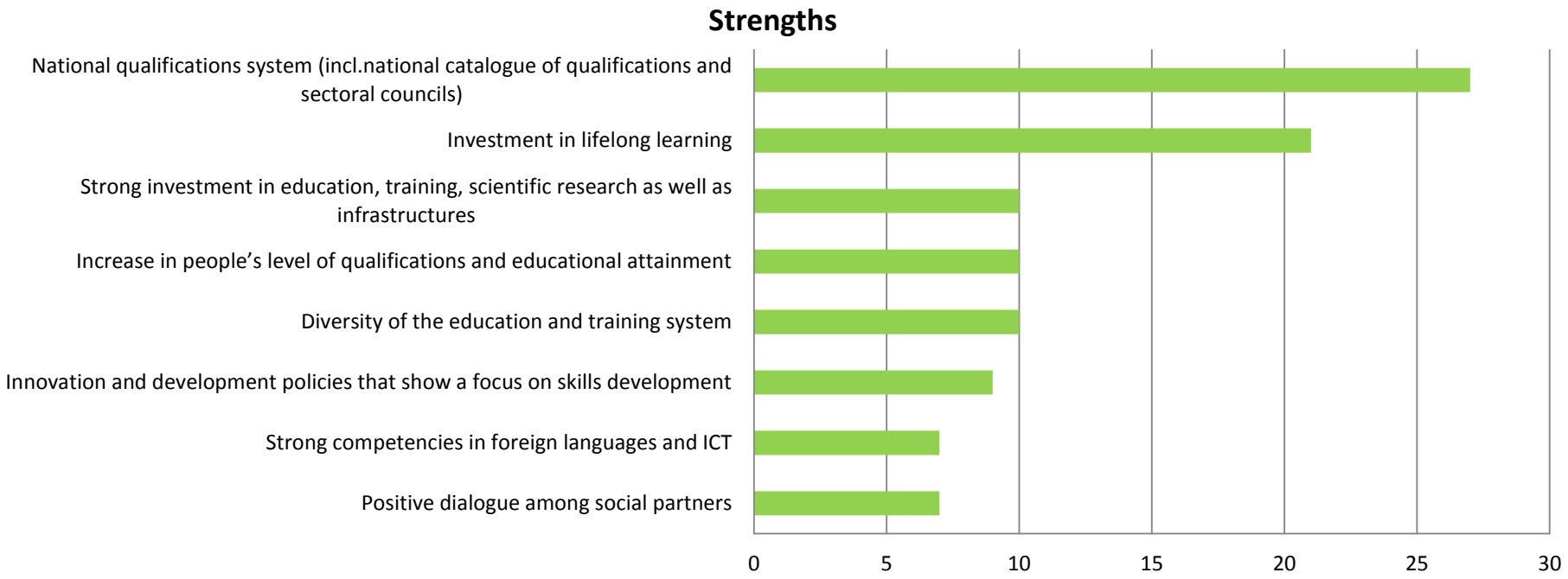
- Improving the match between supply and demand both in the Norte region and Portugal as a whole
- Strengthening entrepreneurship
- Developing better management skills in SMEs
- Lack of incentives to keep qualified people in the country
- Attracting highly-skilled immigrants to Portugal
- Difficulty in finding capital for new projects

Strengthening skills systems

- Implementing lifelong learning with the involvement of employers and employees
- Incoherence and lack of continuity in education and training policies
- Need to create a legislative system that regulates professional training and secondary and tertiary education
- Mobilising inter-municipal communities in support for entrepreneurship and training opportunities
- Improving relations and cooperation between private companies, the education and training system and relevant ministries
- Need to involve all partners in a funding model for the system of provision of education and training
- Create a system of global monitoring and evaluation of the development of skills and the VET system
- Management of the education and training system
- Making better use of the European systems of accreditation for VET such as the ECVET
- Challenging economic and financial climate

Strengths and Challenges Barometer

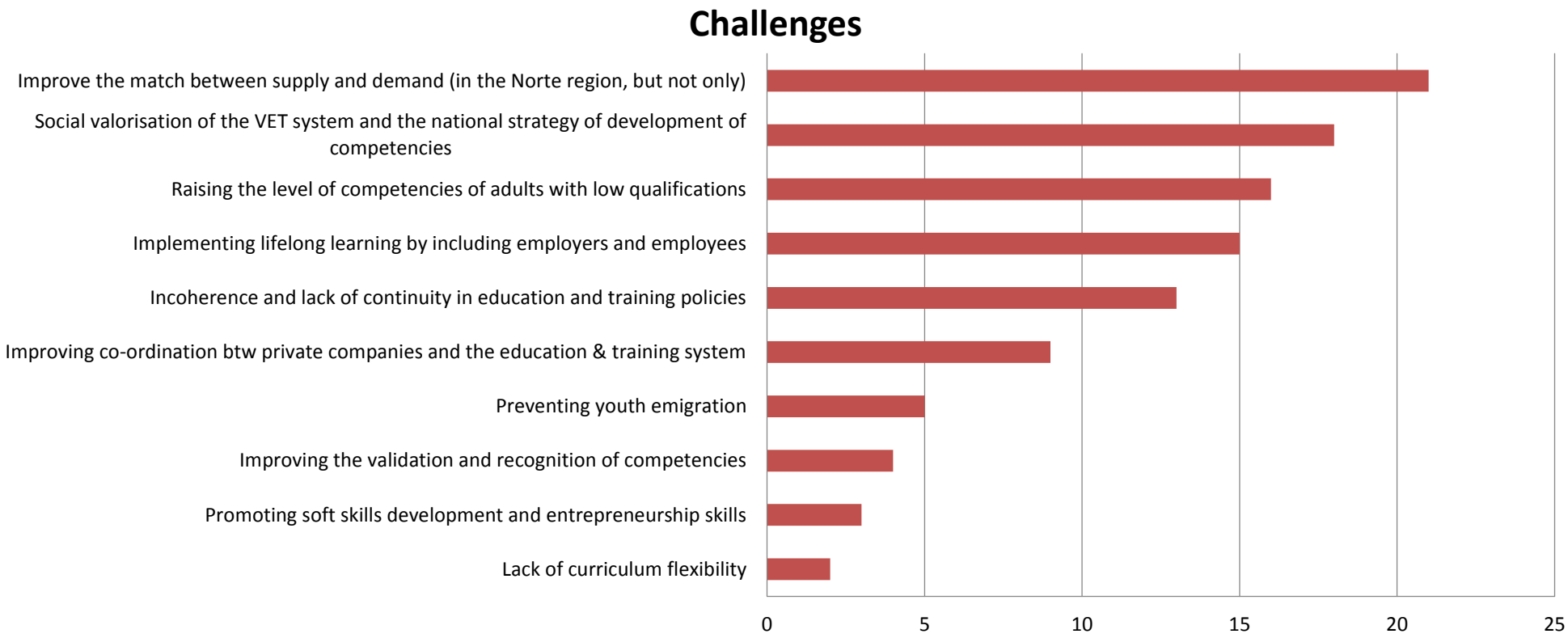
How would you assess the strengths of Portugal's skills system?



Note: These are not percentages, but the results from the actual votes of participants during the workshop. Each participant had three votes.

Strengths and Challenges Barometer

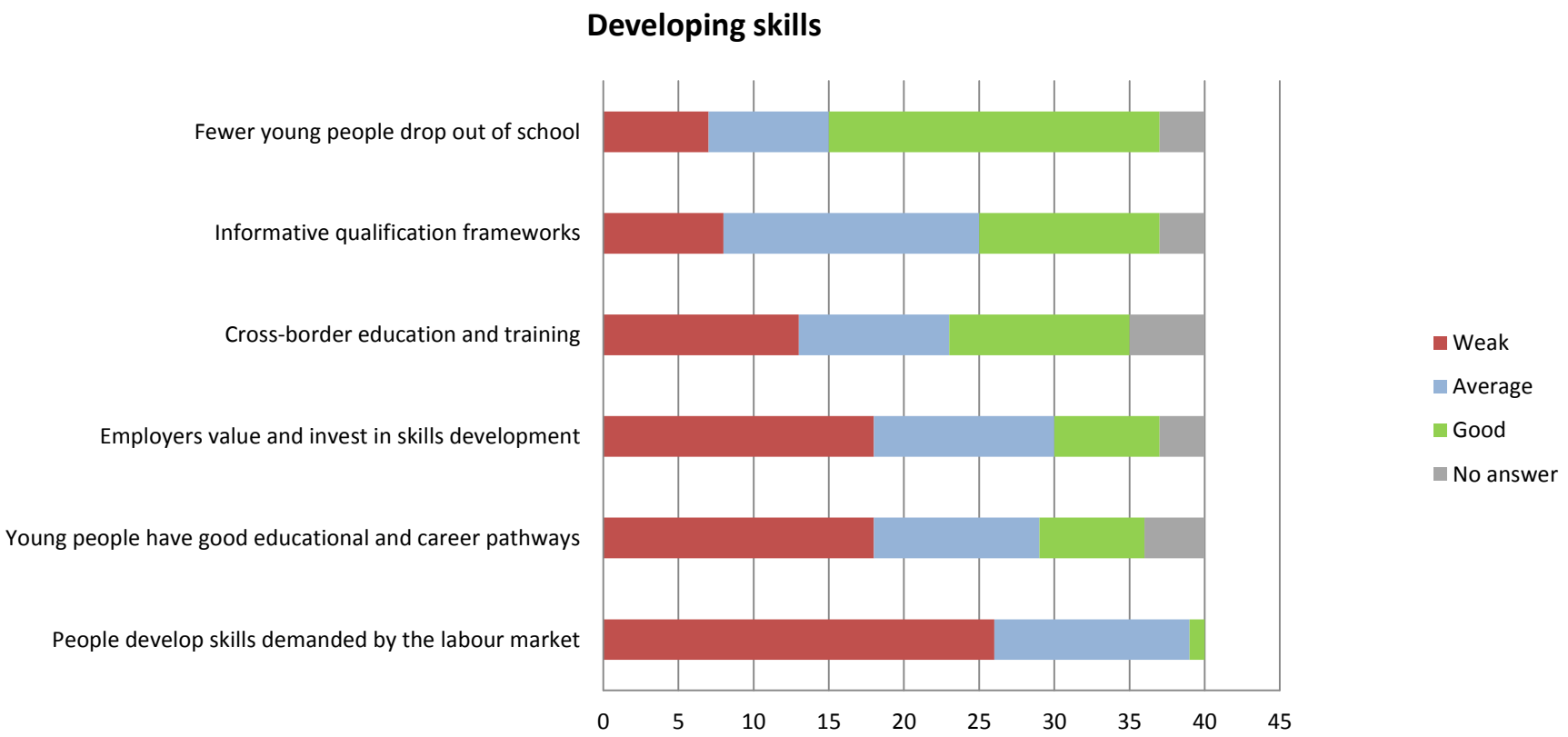
How would you assess the challenges of Portugal's skills system?



Note: These are not percentages, but the results from the actual votes of participants during the workshop. Each participant had three votes.

Developing skills

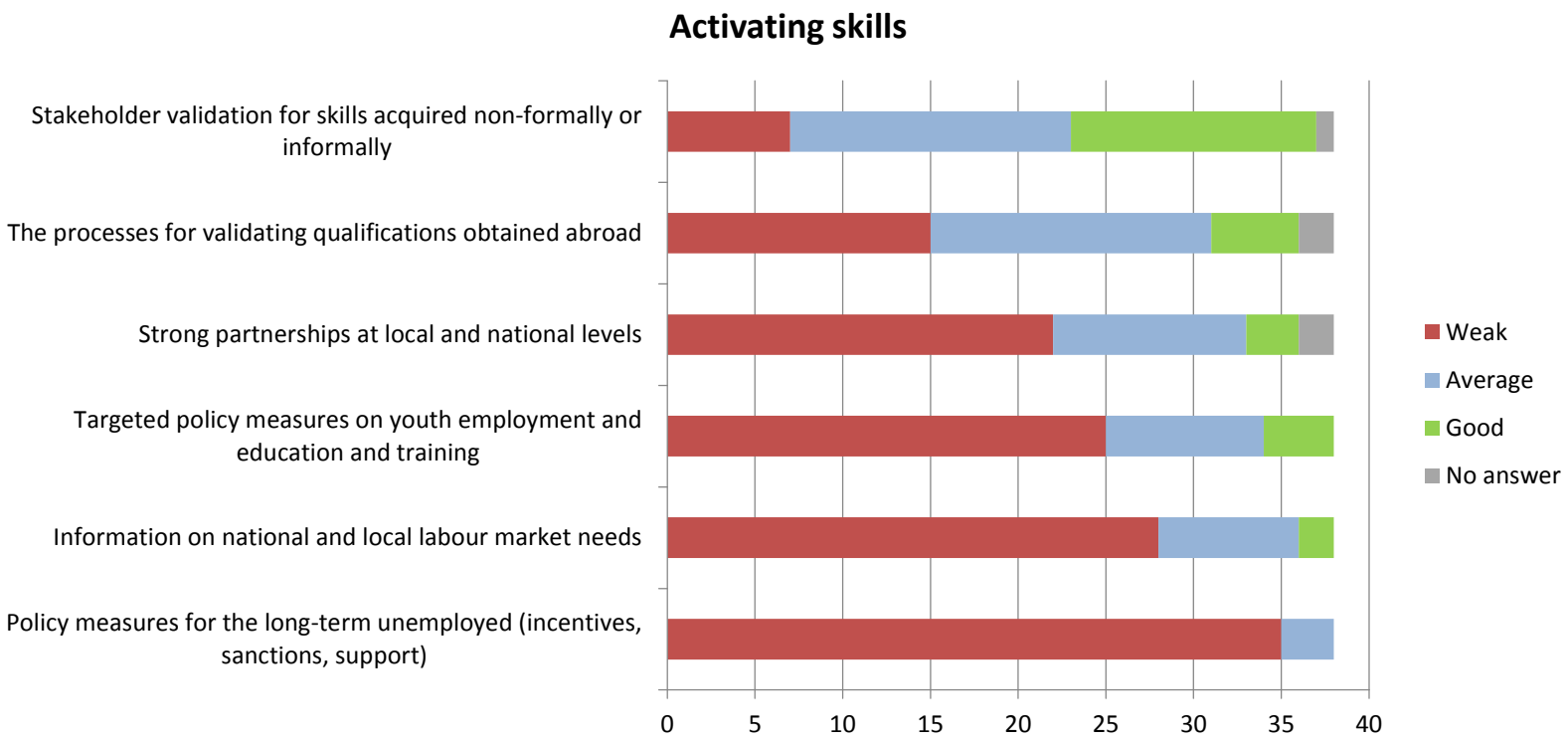
Participants' perception of Portugal's performance



Note: The self-assessment questionnaires were completed by participants during the workshop. These are not percentages, but the results from the actual votes of participants during the workshop.

Activating skills

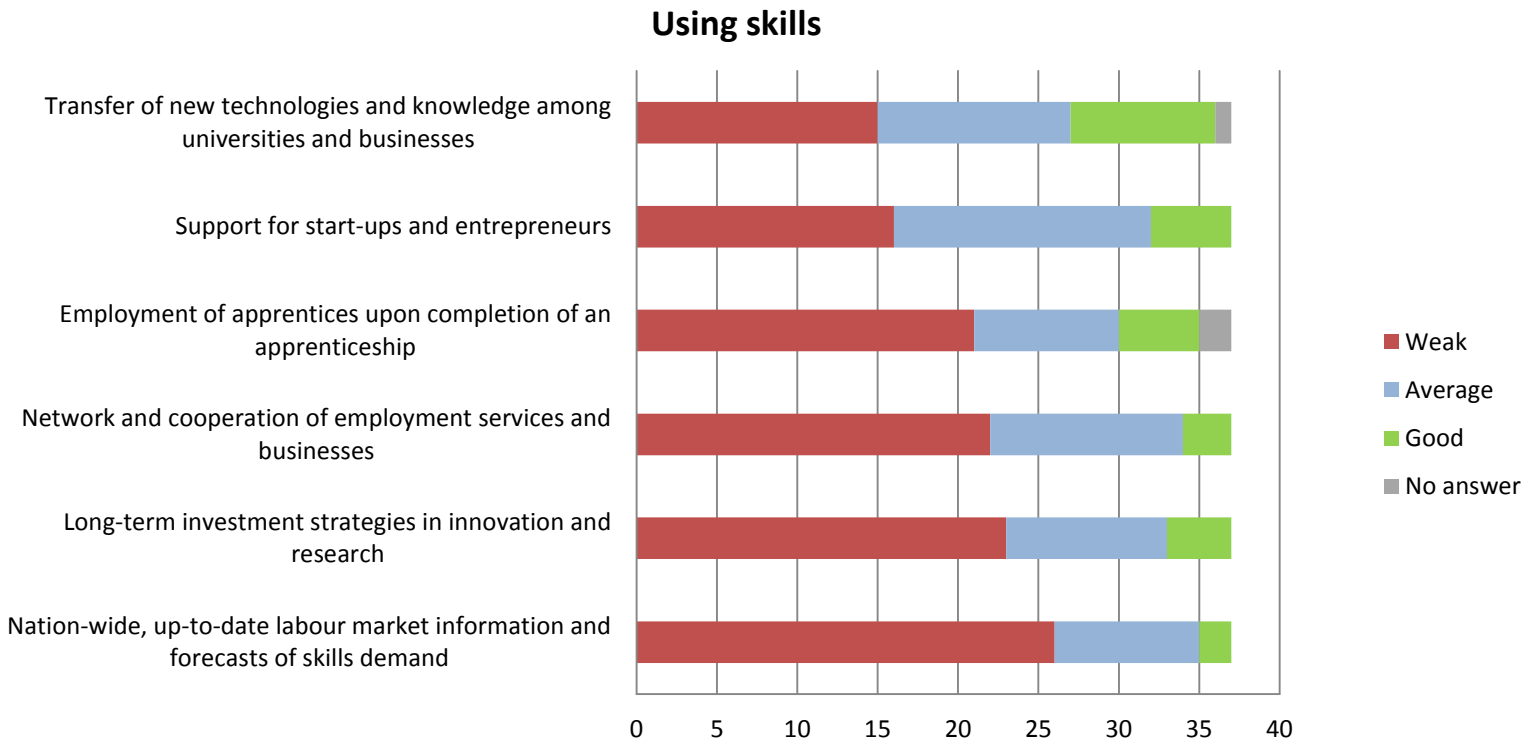
Participants' perception of Portugal's performance



Note: These are not percentages, but the results from the actual votes of participants during the workshop.

Using skills

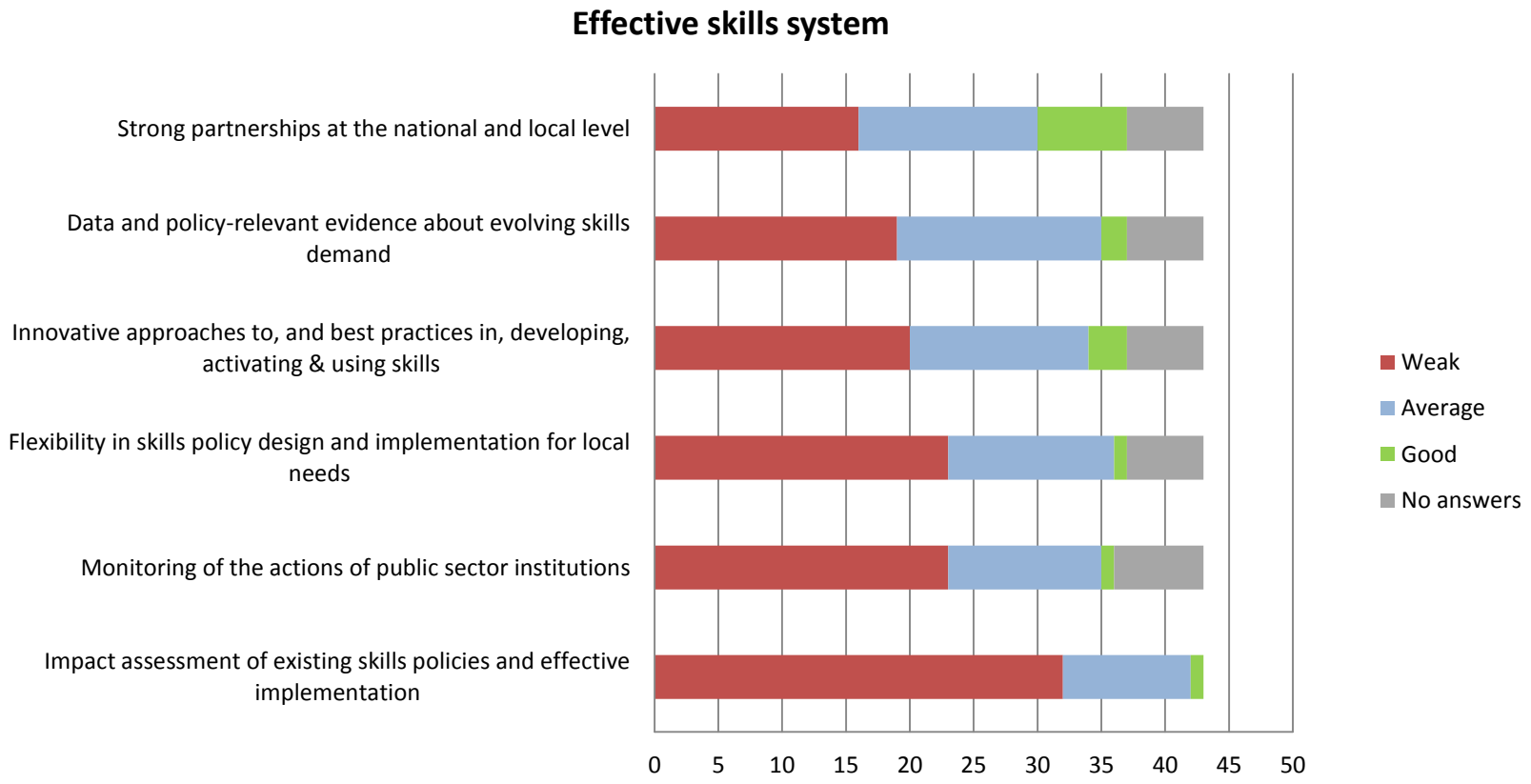
Participants' perception of Portugal's performance



Note: These are not percentages, but the results from the actual votes of participants during the workshop.

Effective Skills System

Participants' perception of Portugal's performance



Note: These are not percentages, but the results from the actual votes of participants during the workshop.

Skills Obstacle Course

	Challenges	Resources to meet the ambition
Fernando *Long-term unemployed father of 2 who wants to get back into the labour market*	• Being unaware of current labour market needs • Being unaware of available education and training opportunities • Undervalued professional experiences	• Employment Centre • Centre for Qualification and Vocational Education (CQEP) – recognition and validation of competences • Training providers • VET
Manuel *Homemade wine producer who wants to expand his business*	• Access to qualifications • Low educational attainment • Low level of professional experiences • Access to information • To well-interpret the information available • Lack of flexibility of the VET system • Lack of business and technical knowledge • Financial support	• Centre for Qualification and Vocational Education – orientation and guidance • Training opportunities • Support to creation of own business • Time • Funding
Maria *Young entrepreneur who wants to set up her own engineering consultancy firm*	• Business plan with risk evaluation analysis • Acquiring new competencies (i.e. managerial skills) • Low frequency of training modules available in management, marketing, information systems, HR management… • (Potential) Need to obtain specific certifications for determined projects • Bureaucracy • Adaptation to the labour market • Lack of a networking culture in Portugal • Need to hire people with the right competencies	• Institutional and technological partners • Training opportunities exist, but are costly. Advanced training for Executives available in a wide-range of education sectors. • Resort to private entities • For the recruitment: IEFP, social networks (i.e. LinkedIn), recruitment companies • Human capital • Business training

Skills Obstacle Course

	Challenges	Resources to meet the ambition
Mariana *Middle-aged unemployed lawyer who wants to find a job*	• Labour market discrimination (age and gender) • Narrow professional experience • Lack of a pro-active attitude towards professional development • Need to develop entrepreneurial competencies • High costs of engaging in training and a new professional activity	• CQEP • Employment Centre • Cabinets of Professional Insertion • Support for entrepreneurial programmes • Education and training supply in order to update/specialise in a field • Modular certified training (continuous training) • Accreditation of professional experience in higher education • Professional associations (employment guidance)
Hannes *CEO of a German company who wants to establish his business in the Porto region and hire local people*	• Fragmented information about qualifications in the area • Identification of relevant interlocutors • Language and culture	• Qualified professionals in the region • Universities of the Norte region and polytechnic institutes • AICEP, IEFP, business associations • Opportunities for lifelong education and training • Access to advanced research
Nuno *Undecided 18 year-old who has graduated from upper secondary school and has no motivation to pursue further studies or work*	• Lack of motivation • Inertia • Lack of information • Lack of structures/institutions that could provide guidance • Low perceived value of professional qualifications	• CQEP • VET • Cabinets of Professional Insertion • Associations of local development • Initiatives coming from universities (e.g. open days) • International employment opportunities • Local fairs on employment and training opportunities

Newspaper Headlines

What newspaper headlines on skills in Porto would you like to see in 5 and 20 years?

Jornal de Notícias

22nd May 2019

Newspaper headlines in 5 years

- ✓ The Norte region without young NEETs
- ✓ Have them come back! An above the OECD average increase in economic indicators makes emigrants come back and attracts active and qualified individuals from the European Union
- ✓ The Norte region is the region that has most contributed to qualified employment
- ✓ Young entrepreneurs have returned to Portugal
- ✓ The Norte region reaches 10% in school drop-out rates one year before the 2020 target
- ✓ 80% of qualified emigrants returns to Portugal
- ✓ The OECD ranks Portugal as the EU country with the highest growth rates

Jornal de Notícias

22nd May 2034

Newspaper headlines in 20 years

- ✓ PISA and PIAAC: the Norte region obtains the best results
- ✓ National minimum wage is close to OECD average
- ✓ Portugal got it right! According to the OECD, 'Portugal is the best country in which to be born, study and work'.
- ✓ Unemployment in Portugal belongs to the past
- ✓ The Norte region reaches full employment!
- ✓ Almost all people under the age of 25 are in training or professional employment
- ✓ Portugal, a destination for talents

Investing in the Porto area

What strengths of the local skills system would you highlight to attract foreign investors?

- Availability of opportunities across a wide range of industrial sectors
- High-quality networks of Innovation and Development Centres
- High number of education and training opportunities (i.e. VET, Training Centres)
- Well co-ordinated relationship between education providers and the job market
- Provision of guidance by qualified HR professionals
- Quality teaching and research institutions in sciences and technology
- Public incentives

How could local employment agencies and training institutions improve their collaboration and support economic development ?

- Improve access to information about supply and demand
- Creating an integrated portal of competencies for the Norte region
- Decentralising the functions of the IEFP's work at the regional level
- Working in a more inclusive manner to ensure the constant adjustment of education and training opportunities to the needs of the labour market
- Co-ordinating partnerships more efficiently between education providers and businesses to better map out competencies and facilitate labour market insertion
- Increase the involvement of local authorities in the designing and planning of training opportunities
- Re-qualifying active people in a perspective of adaptation to the current needs of the labour market
- Increase flexibility in the relationship between education providers and businesses

Regional workshop participants, 22-23 May 2014

Ministries and agencies:

- Ministry of Education and Science
- Ministry of Solidarity, Employment and Social Security
- Minister in the Cabinet of the Prime Minister and for Regional Development
- Agency for Development and Cohesion
- Directorate-General for Schools (DGEstE)
- Institute for Employment and Vocational Training (IEFP) – North Regional Delegation
- National Agency for Qualification and Vocational Education and Training (ANQEP)
- Portuguese Institute for Sports and Youth (IPDJ) – North Regional Delegation
- The North Regional Coordination and Development Commission (CCDR-N)

Municipalities:

- Municipality of Povoa de Lanhoso
- Inter-municipal community of Tâmega and Sousa
- Municipality of Vila Nova de Gaia

Experts and stakeholders:

- *Employer organizations*
  - Portugal Business Association (AEP)
  - Portuguese Association for the Wood and Furniture Industries (AIMMP)
  - National Association of Young Businessmen (ANJE)
  - Commercial and Industrial Association of the Municipality of Esposende (ACICE)
- *Trade Unions*
  - General Workers' Union (UGT) - Porto
  - General Confederation of Portuguese Workers (CGTP-IN) – Porto
- *Education providers and education provider representatives*
  - Antonio Sérgio School Group
  - Professional School Amar Terra Verde
  - Centre for Professional Training in the Textile, Clothing and Confection Industries (MODATEX)
  - Professional Training Centre for the Cork Industry (Cincork)
  - Professional Training Centre for the Shoe Industry
  - Professional Training Centre of the Goldsmithery and Watchmaking
  - Professional Training Centre of the Wood and Furniture Industries
  - Centre of Services and Support to Enterprises (CESAE)
  - Kerigma – Institute for Innovation and Social Development
- *Higher education providers and higher education representatives*
  - Rectorate of the University of Porto
  - Higher School of Technology and Management – Agueda, University of Aveiro
  - Academic Federation of Porto
- *Private companies*
  - ECCO" Let Portugal, Shoe factory Lda
  - Toyota Caetano Portugal SA (Salvador Caetano Group)
  - Components for the Automobile Industry (Coindu)
- *Other stakeholders*
  - TecMinho - University Association Employment for Development
  - Technological Centre for the Industries of Textile and Clothing (CITEVE)
  - Technological Centre for the Shoe Industry in Portugal (CTCP)
  - Institute of the Douro and Porto Wines, I.P. (IVDP)

To Find Out More

OECD Skills Strategy	http://skills.oecd.org
OECD Survey of Adult Skills ***by the* OECD Programme for the International Assessment of Adult Skills (PIAAC)**	www.oecd.org/piaac
OECD powerpoint presentation on skills	http://www.slideshare.net/OECDEDU/tag/skills

BETTER POLICIES FOR BETTER LIVES

Portugal's skills system: assessing strengths and challenges

What is your assessment of Portugal's skills system today?

We would like your views on how well the current skills system is performing in Portugal. Please take a few minutes to complete this grid, by ticking a box to give a score for each outcome described below.

Give a low score if you think that the current skills system does poorly in delivering the outcomes described below (i.e. a score of "1" for poor/weak performance). If you think the current system does very well then give it a high score (i.e. a score of "5" for excellent/strong performance). If you think that the performance of Portugal's skills system lies somewhere in-between, please choose the number on the scale of 1 to 5 that best represents your view.

	DEVELOPING SKILLS	1	2	3	4	5
1	A decreasing number of young people drop out before completing upper secondary education.					
2	People develop skills that are demanded by the labour market.					
3	Young people have the pre-requisite skills, exposure and guidance to pursue a range of educational and career pathways.					
4	Qualification frameworks at national or international level (e.g. European Qualifications Framework) provide transparent and reliable information about skills that people have.					
5	Employers value and invest in skills development in firms (e.g. through workplace learning, formal training and good HR practices).					
6	Cross-border education and training is promoted and is valued by students and employers.					

	ACTIVATING SKILLS SUPPLY	1	2	3	4	5
7	Information on national and local labour market needs is easily accessible.					
8	Targeted policy measures ensure that young people are either employed or engaged in education and training.					
9	Strong partnerships at local and national levels, including schools, universities, employment services and employers, ensure smooth transitions between education, training and employment.					
10	Skills that are acquired either non-formally or informally can be validated in ways that are understood by all the relevant stakeholders, especially by employers and employees.					
11	The processes for validating qualifications obtained in other countries are transparent and streamlined.					
12	The long-term unemployed successfully find jobs as a result of targeted policy measures (incentives, sanctions, support).					

Please turn over

USING SKILLS		1	2	3	4	5
13	Nation-wide, up-to-date labour market information and forecasts of skills demand are easily accessible.					
14	Employers hire over half of their apprentices upon completion of an apprenticeship.					
15	Companies pursue long-term investment strategies in innovation and research.					
16	Relevant research clusters provide a forum for the transfer of new technologies and knowledge between universities and businesses.					
17	Employment services and businesses are networked and cooperate effectively to fill vacancies in one region with skilled people from other regions.					
18	Start-ups and entrepreneurs are able to access expert advice, business services and financing (e.g. through business incubators).					

EFFECTIVE SKILLS SYSTEMS		1	2	3	4	5
19	Public sector institutions gather and publish data and policy-relevant evidence about evolving skills demand and use it when designing skills development policies for the future.					
20	Draft skills policies, legislation and regulations are subject to *ex ante* impact assessment to analyse how they will interact with, or impact on, existing skills policies. Effective implementation is ensured through regular monitoring of processes and outcomes.					
21	Public sector institutions monitor performance and outcomes of their actions and use this information when developing future policy.					
22	Local needs are catered for through flexibility in skills policy design and implementation.					
23	Strong partnerships between government and non-government actors (e.g. businesses, trade unions, sectorial bodies, business associations, chambers of commerce, training and education institutions) at the national and local level support the design, delivery and funding of skills policies as well as relevant education and training programmes for current and future needs.					
24	Innovative approaches to, and best practices in, developing skills, activating skills supply and effectively using skills are disseminated widely.					

Thank you for your input.
Please hand this sheet to a member of the OECD team once completed.

BETTER POLICIES FOR BETTER LIVES

Sistema de competências de Portugal: avaliar os pontos fortes e os desafios. Como avalia o atual sistema de competências de Portugal?

Gostaríamos de ter a sua opinião sobre o desempenho do atual sistema de competências em Portugal. Passe alguns minutos a completar este quadro, selecionando uma caixa para classificar cada afirmação descrita abaixo.

Atribua uma classificação inferior se considerar que o atual sistema de competências tem um desempenho fraco na prossecução dos resultados descritos abaixo (ou seja, uma classificação de "1" para desempenho fraco/baixo). Se considerar que o sistema funciona bem, então atribua uma classificação alta (ou seja, uma classificação de "5" para desempenho excelente/forte). Se considerar que o desempenho do sistema de competências de Portugal se encontra num ponto intermédio, selecione o número na escala de 1 a 5 que melhor representa a sua opinião.

	DESENVOLVER COMPETÊNCIAS	1	2	3	4	5
1	Um número cada vez menor de jovens abandona a educação antes de concluir o ensino secundário.					
2	As pessoas desenvolvem as competências que o mercado de trabalho procura.					
3	Os jovens dispõem das competências pré-requisitadas, de exposição a e orientação para seguir uma série de percursos de formação e carreira.					
4	Os quadros de qualificações a nível nacional e internacional (p. ex. Quadro Europeu de Qualificações) fornecem informações transparentes e fiáveis sobre as competências que as pessoas têm.					
5	Os empregadores valorizam e investem no desenvolvimento de competências nas empresas (p. ex. através de aprendizagem no local de trabalho, formação formal e boas práticas de RH).					
6	A educação e formação transfronteiras são fomentadas e valorizadas por estudantes e empregadores.					

	ATIVAR A OFERTA DE COMPETÊNCIAS	1	2	3	4	5
7	A informação sobre as necessidades do mercado de trabalho nacional e local é facilmente acessível.					
8	Medidas políticas direcionadas asseguram que os jovens têm emprego ou estão em fase de educação e formação.					
9	Parcerias fortes a nível local e nacional, incluindo escolas, universidades, serviços de emprego e empregadores, asseguram uma transição harmoniosa entre educação, formação e emprego.					
10	As competências que são adquiridas de modo não formal ou informal podem ser validadas para que sejam compreendidas pelos intervenientes relevantes, em especial, os empregadores e empregados.					
11	Os processos de validação de qualificações obtidas noutros países são transparentes e simplificados.					
12	Os desempregados de longa duração são bem-sucedidos na procura de emprego em consequência das medidas políticas direcionadas (incentivos, sanções, apoio).					

Virar por favor

USAR AS COMPETÊNCIAS		1	2	3	4	5
13	Informação atualizada sobre o mercado de trabalho e previsões relativas à procura de competências são facilmente acessíveis a nível nacional.					
14	Os empregadores contratam mais de metade dos estagiários após a conclusão de um estágio.					
15	As empresas seguem estratégias de investimento de longo prazo em inovação e investigação.					
16	Polos de investigação relevantes asseguram um fórum para a transferência de novas tecnologias e conhecimentos entre universidades e empresas.					
17	Os serviços de emprego e as empresas estão interligados e cooperam eficazmente para preencher as vagas numa região com pessoas qualificadas de outras regiões.					
18	Empresas em fase de arranque e empreendedores conseguem aceder a assessoria técnica, serviços empresariais e financiamento (p. ex. através de incubadoras de empresas).					

SISTEMAS DE COMPETÊNCIAS EFICAZES		1	2	3	4	5
19	As instituições do setor público compilam e publicam dados e evidências relevantes para a política sobre a evolução da procura de competências e usam estas informações na conceção de futuras políticas de desenvolvimento de competências.					
20	Os projetos de políticas, legislação e regulamentos em matéria de competências são sujeitos a uma avaliação de impacto *ex ante* para analisar a forma como irão interagir ou influenciar as políticas existentes nesta matéria. A implementação eficaz é garantida pela monitorização regular dos processos e dos resultados.					
21	As instituições do setor público supervisionam o desempenho e os resultados das suas ações e usam esta informação no desenvolvimento de políticas futuras.					
22	As necessidades locais são supridas através da flexibilidade na conceção e implementação da política em matéria de competências.					
23	Parcerias fortes entre os intervenientes governamentais e não-governamentais (p. ex. empresas, sindicatos, organismos do setor, associações empresariais, câmaras de comércio, instituições de formação e de educação) a nível nacional e local apoiam a conceção, a implementação e o financiamento das políticas em matéria de competências, bem como os percursos de educação e formação relevantes para as necessidades atuais e futuras.					
24	Abordagens inovadoras e melhores práticas no desenvolvimento de competências, na ativação da oferta de competências e na utilização eficaz de competências são amplamente divulgadas.					

Obrigado pela sua colaboração.

Quando terminar este exercício, entregue, por favor, a um membro da equipa da OCDE.

OECD Skills Strategy
Diagnostic Report
Portugal

Better skills policies help build economic resilience, boost employment and reinforce social cohesion. The OECD Skills Strategy provides countries with a framework to analyse their skills strengths and challenges. Each OECD Skills Strategy diagnostic report reflects a set of skills challenges identified by broad stakeholder engagement and OECD comparative evidence while offering concrete examples of how other countries have tackled similar skills challenges.

These reports tackle questions such as: How can countries maximise their skills potential? How can they improve their performance in developing relevant skills, activating skills supply and using skills effectively? What is the benefit of a whole-of-government approach to skills? How can governments build stronger partnerships with employers, trade unions, teachers and students to deliver better skills outcomes? OECD Skills Strategy diagnostic reports provide new insights into these questions and help identify the core components of successful skills strategies.

This report is part of the OECD's ongoing work on building effective national and local skills strategies.

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- www.oecd.org/edu/workingpapers for a series of education working papers
- www.pisa.oecd.org for the Programme for International Student Assessment (PISA) data
- skills.oecd.org for OECD work on skills

Further reading

OECD (2012), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies,* OECD Publishing.
OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills,* OECD Publishing.

With the financial assistance of the European Union

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