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Faces of joblessness in Portugal: A people-centred perspective on employment barriers and policies

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FACES OF JOBLESSNESS IN PORTUGAL
A People-centred Perspective on Employment Barriers and Policies

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Abstract

In the aftermath of the financial and economic crisis, large shares of working-age individuals in Portugal either did not work or only to a limited extent. As the employment rate bottomed out in 2013, 29% were without employment during the entire year, and a further 10% had weak labour-market attachment, working only a fraction of the year, or on restricted working hours. This paper applies a novel method for measuring and visualising employment barriers of individuals with no or weak labour-market attachment, using household micro-data. It first develops indicators to quantify employment obstacles under three broad headings: *(i)* work-related capabilities, *(ii)* incentives, and *(iii)* employment opportunities. It then uses these indicators in conjunction with a statistical clustering approach to identify unobserved ("latent") groups of individuals facing similar combinations of barriers. The resulting typology of labour-market difficulties provides insights on the most pressing policy priorities in supporting different groups into employment. A detailed policy discussion illustrates how these empirical results can inform people-centred assessments of existing labour-market integration measures and of key challenges across different policy areas and institutions. The most common employment obstacles in Portugal were low education/skills, a lack of recent work experience, scarce job opportunities and health problems. Financial disincentives and care responsibilities were less widespread overall, although important barriers for some groups. A striking finding is that 45% of jobless or low-intensity workers face three or more simultaneous barriers, highlighting the limits of narrow policy approaches that focus on subsets of these employment obstacles in isolation.

Résumé

À la suite de la crise économique et financière, une forte proportion de la population d'âge actif était sans emploi ou ne travaillait que dans une mesure limitée au Portugal. En 2013, tandis que le taux d'emploi commençait à remonter, 29 % de ces personnes étaient sans emploi tout au long de l'année, et 10 % de la population d'âge actif n'avaient que des liens ténus avec le marché de l'emploi, ne travaillant qu'une partie de l'année ou avec un temps de travail restreint. Nous appliquons dans ce document une nouvelle méthode pour mesurer et visualiser les obstacles à l'emploi auxquels se heurtent les individus dont les liens avec le marché du travail sont rompus ou ténus, faisant appel à des microdonnées sur les ménages. Nous élaborons d'abord des indicateurs pour quantifier les obstacles à l'emploi dans trois grands domaines : *(i)* les capacités liées au travail, (*ii)* les incitations et *(iii)* les perspectives d'emploi. Nous utilisons ensuite ces indicateurs en appliquant une méthode de segmentation statistique pour identifier des classes non observées (« latentes ») d'individus confrontés aux mêmes combinaisons d'obstacles. On obtient ainsi une typologie des difficultés sur le marché du travail qui apporte un éclairage sur les mesures prioritaires les plus urgentes que doivent prendre les pouvoirs publics pour améliorer l'accès à l'emploi de différents groupes. Un examen approfondi montre comment ces résultats empiriques peuvent être exploités pour réaliser des évaluations axées sur les besoins des usagers des dispositifs existants d'insertion sur le marché du travail, ainsi que des principaux enjeux de l'action publique dans différents domaines et pour diverses institutions. Les obstacles à l'emploi les plus courants au Portugal étaient la faiblesse des compétences et du niveau de formation, le manque d'expérience professionnelle récente, le manque de perspectives d'emploi et les problèmes de santé. Les contre-incitations financières et les obligations de prise en charge de proches constituaient des obstacles globalement moins répandus, mais importants pour certains groupes. Une conclusion marquante est que 45 % des personnes sans emploi ou caractérisées par une faible intensité de travail sont confrontées simultanément à trois obstacles ou plus, ce qui souligne les limites des approches étroites qui portent sur des sous-ensembles de ces obstacles à l'emploi considérés isolément.

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1. Introduction and motivation

1. Across EU and OECD countries, between 16 and 50% of working-age individuals are without employment, and a significant share of workers are in unstable jobs, or work intermittently or fewer hours than they would like. The factors contributing to joblessness or underemployment are varied and can relate to individual circumstances and characteristics, to specific policy choices, or to the broader economic context, such as a cyclical labour-market weakness. Good-quality information on the employment barriers that people are facing is crucial for formulating strategies to overcome them, and for assessing the effectiveness of existing policy measures aiming to strengthen labour-market outcomes.

2. The "Faces of Joblessness" project (www.oecd.org/social/faces-of-joblessness.htm), undertaken jointly by the OECD and the European Commission, develops and applies a novel method for identifying groups of people with no or weak labour-market attachment, as well as their employment barriers. It covers selected EU and OECD countries and is organised broadly in three parts.[1] A first part presents typologies of underutilised employment potential. To do this, the analysis employs survey data that allow considering individual work patterns over an entire year. Going beyond snapshots of people's labour-market status facilitates a discussion of underemployment, e.g., in the form of intermittent or occasional work, which is attracting growing policy attention.

3. A second part assesses the incidence and severity of key barriers that may hinder stable or higher-intensity employment for those on the margins of the labour market. The examination of barriers relies on a series of quantitative indicators of concrete labour-market obstacles accounting for *individual* (e.g. skills, work experience, health), *household* (care responsibilities) and *labour market / institutional* (labour demand, work incentives) contexts, and providing a rich account of employment barriers and characteristics ("faces") of different groups. In particular, the quantitative information on employment barriers is used to reveal groups who share similar combinations of barriers and who are therefore likely to provide a good basis for tailoring and targeting policy interventions.

4. A third part employs this empirical information to support a policy inventory for selected groups. Essentially, the results on employment barriers are used to examine whether existing activation and employment-support policies (AESPs) are well-adapted to the barriers and characteristics that are prevalent in the selected population groups. By discussing existing policy configurations from the perspective of the employment barriers that people are facing, this bottom-up approach is intended to provide concrete input into policy discussions on how to adapt employment-support measures to different groups and evolving labour-market realities. For instance, the results can inform assessments of

[1]. The six EU countries included in the OECD/EC project are Estonia, Ireland, Italy, Lithuania, Portugal and Spain. References to a "6-country average" in this document refer to those six countries.

whether specific groups are "on the radar" of existing AESPs, whether existing policy configurations are suitably customised to the needs of specific labour-market groups, and whether employment support is accessible to those who are likely to benefit from it.

5. This paper presents results and selected policy implications for Portugal, drawing on the latest wave of the EU-SILC data (2014) that was available for this project. 29% of working-age individuals in Portugal were persistently out of work for at least 12 months, and a further 10% had low work intensity working less than half of the year, or reporting limited working hours or very low earnings. The empirical approach in this paper can be easily repeated with data for later periods. However, while the size of groups is likely to change as the labour market recovers and cyclical unemployment is absorbed, the more structural barriers are likely to persist as long as underlying policy and related constraints remain in place.

6. The most common potential employment barriers among these 39% of the working-age population were low education/skills, no recent work experience, scarce job opportunities and health problems. Although financial disincentives and care responsibilities were less widespread overall, they represented important barriers for some groups. A striking finding is that large shares of those with no or weak labour-market attachment face multiple simultaneous employment barriers: 45% faced three or more significant barriers, highlighting the need for broad and coordinated policy approaches that focus on all relevant barriers in a holistic way.

7. Section 2 discusses the labour-market and social context in Portugal in which the Faces of Joblessness analysis is undertaken, summarises empirical results on the incidence of employment barriers among working-age individuals with no or weak labour-market attachment, and presents a typology of distinct labour-market groups of shared sets of employment barriers and characteristics derived from a comprehensive statistical segmentation analysis. Section 3 provides an overview of Portugal's policy stance on activation and employment-support, drawing on a range of available data and policy indicators. Section 4 seeks to illustrate how bottom-up information on patterns of individual employment barriers can inform a discussion of policy priorities, effectiveness and gaps. This is done by undertaking a selective policy inventory for three of the groups identified in the empirical part: *(a)* Prime-age long-term unemployed with low education and scarce job opportunities; *(b)* Long-term unemployed youth without any past work experience and with scarce job opportunities; and *(c)* Youth with unstable employment, some recent work experience and often with insufficient skills. A concluding section summarises key policy implications.

2. Faces of Joblessness in Portugal

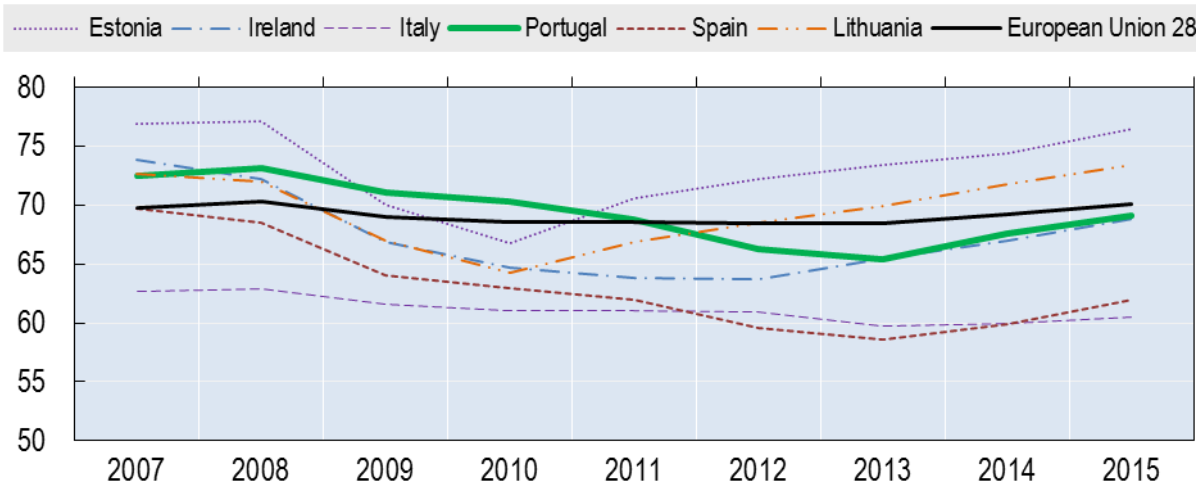
8. As background for the policy inventory in Sections 3 and 4, this part provides a summary of the incidence and patterns of employment barriers in Portugal. The summary is based on an in-depth profile analysis of jobless individuals and those with weak labour-market attachment. Full details on the employment barriers and the specific population groups sharing similar types of barriers are reported in a statistical companion paper (Pacifico and Thévénot, 2016, available through the project website (http://www.oecd.org/social/faces-of-joblessness.htm)..

2.1. Labour-market and social context

9. The impact of the economic crisis of 2008 was particularly marked in Portugal and the recovery started only from 2013 (see Figure 1). By 2015, the employment rate was slightly below the EU average, but remained well below its 2007 level. Although unemployment and long-term unemployment have fallen since 2013, both remain high. At the time of writing in early 2017, future reductions in unemployment were projected to be much slower than over the past two years, with unemployment through 2017 expected to remain at double digit levels, among the highest in the EU (OECD, 2017a). The rise in unemployment in the aftermath of the crisis has affected young people in particular, with unemployment reaching 38% for that group in 2013. One out of six young adults aged 15-24 is neither in a job, nor in education or training.

Figure 1. Employment rates: mild recovery from the crisis

% of the working-age population



Source: Eurostat Labour Force Statistics.

10. Low education levels are a major challenge for the labour market and a key reason for persistently high rates of long-term unemployment. In 2014, only 65% of the population aged 25-34 had attained upper secondary education or higher, well below the EU average of 83%, even though Portugal has made significant improvements in the educational attainment of its younger adult population in recent years (OECD, 2015e).

11. Portugal has one of the most unequal income distributions in Europe, and both inequality and poverty have been rising since the crisis, even though more recent data show a declining inequality trend. The economic crisis has halted a long-term gradual decline in poverty. Children and youths were most affected by increasing poverty risks since then, with a 3 percentage point rise in this age group, while income poverty among pensioners has fallen by almost 6 percentage points since 2009. The rise in unemployment and in the number of individuals living in "low work intensity" households (mainly workless households) has been one of the main contributing factors of the upsurge in poverty since the start of the economic crisis (Table 1). At 28% in 2014, the proportion of individuals who are at risk of either income poverty or social exclusion (AROPE) was also above the EU average of 25%.

Table 1. Risk of poverty or social exclusion

2014, in % of people aged 16-64

	Portugal	Estonia	Ireland	Italy	Lithuania	Spain	EU28
People at risk of poverty or social exclusion	*28*	25	29	29	26	32	25
People at risk of poverty							
All	*19*	20	17	20	18	23	17
Not working	*32*	36	31	31	35	36	31
Working	*11*	12	6	11	8	13	10
full-time	*9*	11	3	10	7	10	8
part-time	*31*	20	11	17	24	23	16
Households without children	*16*	25	15	16	18	16	15
Households with children	*23*	18	16	24	20	28	19
People living in households with severe material deprivation (1)							
All	*10*	6	9	12	12	8	9
Households without children	*10*	7	6	10	16	6	8
Households with children	*11*	5	10	13	12	9	10
People living in households with very low work intensity (2)	*13*	8	21	13	9	18	12

Note: (1) individuals aged 18-64; (2) individuals aged 18-59. The risk of poverty is computed using the Eurostat methodology.
Source: Eurostat (EU-SILC 2014).

2.2. Target groups for activation and employment-support policies

12. Individuals with labour market difficulties frequently move between non-employment and different states of "precarious" employment. As a result, limiting attention to "snapshots" of non-employed (or underemployed) individuals, such as those based on labour force surveys, may not capture the true extent of labour-market difficulties or the need for policy intervention. To cover the potential scope of activation and employment-support policies (AESPs), the population considered in this paper includes working-age individuals who are persistently out of work (either unemployed or labour-market inactive) as well as individuals who work intermittently or whose labour-market attachment is "weak ", e.g. because they work only very few hours or they move in and out of short-duration jobs. This broad target population includes all potential target

groups for AESP policy intervention. **Box 1** defines each sub-group in more detail and explains how it is identified in the EU-SILC data.[2]

Box 1. Population groups with potential labour market difficulties (target population for the analysis in this paper)

The target population of interest in this paper includes those who are persistently out-of-work, as well as those with weak labour-market attachment.

The **persistently out-of-work** population (*long-term unemployed* or *inactive*) includes individuals reporting no employment activity throughout the *reference period*. The reference period corresponds to 12 consecutive monthly observations in the *income reference year* (January-December of year T-1) plus one additional observation at the *moment of the interview* (in year T). There is no criteria qualifying the voluntary or involuntary nature of the situation on the labour market.

The group with **weak labour market attachment** (or "*underemployed*") refers to individuals reporting employment activity during the *reference period* matching any of the following three situations:

Unstable jobs: individuals working only a limited number of months throughout the reference period. The threshold is equivalent to Eurostat's low-work-intensity measure: Above zero but no more than 45% of potential working time in the income reference year. To reconcile information reported for the income reference period and at the moment of the interview the following individuals are also considered in this group: 1) Workers who report no work activity during the income reference period but who are working at the moment of the interview and, 2) Workers with between 45% and 50% of work activity during the income reference period who do not report any work activity in either the last month of the income reference period or at the moment of the interview.

Restricted hours: workers who spent most or all of the reference period working *20 hours or less* a week. However, individuals working 20 hours or less who are not likely to have additional work capacity, e.g. due to ongoing education or training, are excluded.

Near-zero earnings: individuals reporting some work activity during the income reference period but negative, zero or *near-zero* monthly earnings (less than one third of the statutory minimum wage for 2013). In addition to possible classification error, situations included in this group could signal potential labour market difficulties, such as underpayment and/or informal activities.

The 20-hours threshold is approximately in-line with the 45% "part-year" threshold that identifies the group with unstable jobs. For a 40-hours working week in a full-time job, 45% of full-time would correspond to 18 hours a week. However, in EU-SILC, the distribution of working hours in the main job shows a high degree of bunching at 10, 15, 20 and 25 hours a week. As the closest multiple of 5, a value of 20 hours was therefore chosen.

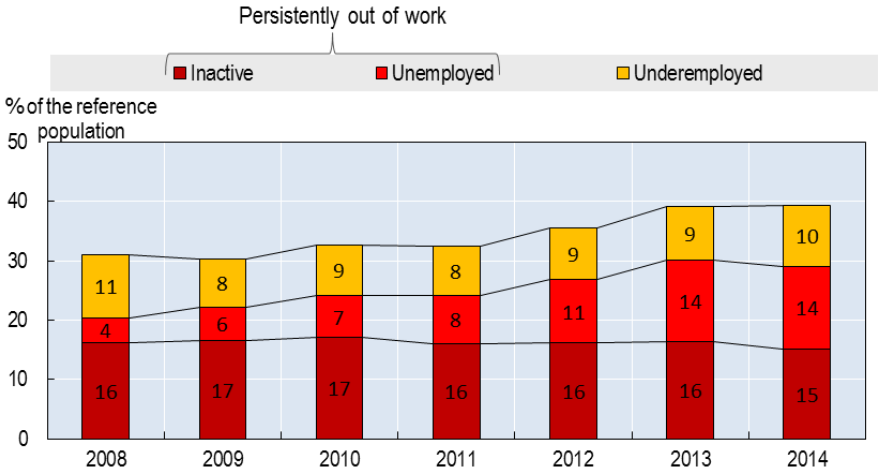
13. Figure 2 shows the size and evolution of the target population in Portugal between SILC survey years 2008 and 2014 (SILC survey respondents report activity status and income for the previous calendar year, so these data refer to 2007-2013). The proportion of working-age adults who were out of work throughout the calendar year ("persistent out-of-work") and economically inactive remained broadly constant during this six-year period. But the share of those reporting full-year unemployment ("long-term unemployed" in Box 1) increased from 4% of the working-age population in 2007 to 14% in 2013.[3] Underemployment contracted in 2009, before returning close to pre-crisis levels in 2014.

2 . See Fernandez et al. (2016) for a discussion of the reference data and the sub-groups included in the target population.

[3] According to the Labour Force Survey data the long-term unemployment rate increased from 3.8% in 2007 to 9.3% in 2013.

Figure 2. Trends of population groups with potential labour market difficulties

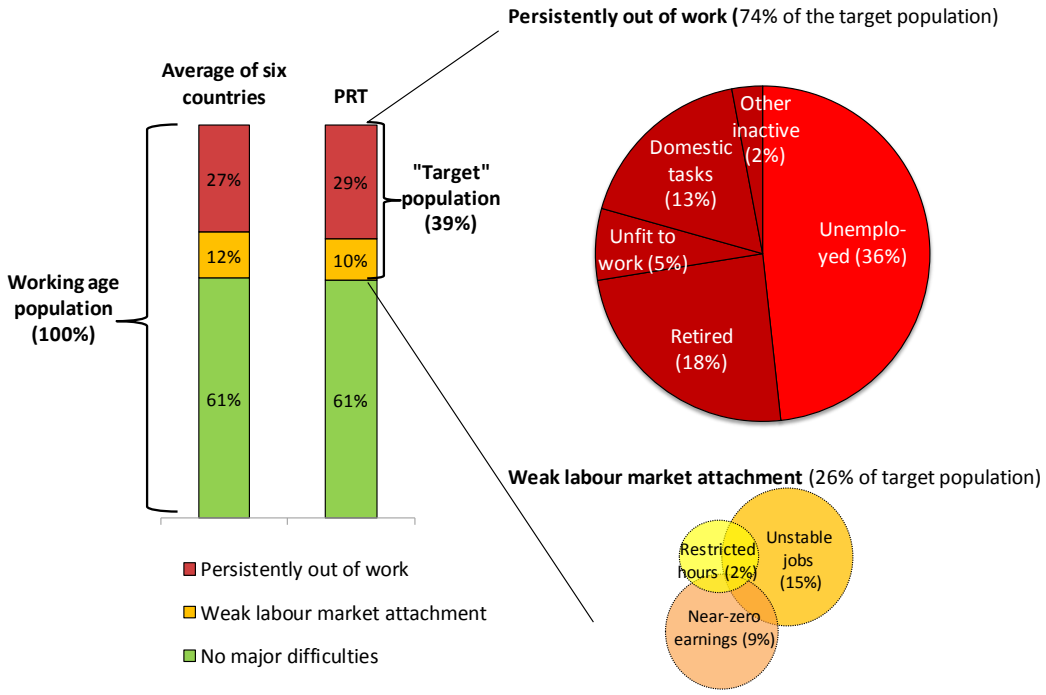
% of reference population, for different EU-SILC survey years



Note: See Box 1 for the definitions of the three groups.
Source: Calculations based on EU-SILC 2008-2014.

14. Following the concepts outlined in Box 1, individuals with *no or weak labour market attachment* represent 39% of the *working-age population* in Portugal, that's to say 2.4 million people (Figure 3). Most of them (74%, i.e. 1.8 million people) were *persistently* out of work throughout the reference period. The rest (26%, i.e. 620 000 people) had *weak labour market attachment* with some paid employment during the reference period. Among the 1.8 million people persistently out of work, 860 000 were unemployed, 432 000 were retired, 312 000 reported that they were engaged in domestic tasks and 90 000 (5%) reported that they were unfit to work. Among the 620 000 people with a weak labour market attachment, 360 000 people (15%) spent most of the reference period out of work (*unstable jobs*) and 50 000 (2%) worked less than 20 hours a week throughout the year. 210 000 people (9%) of the target population reported having zero or "near-zero" earnings but worked full-time throughout the year, typically as self-employed.

Figure 3. Size and composition of the population with labour market difficulties Trends of population groups with potential labour market difficulties



Note: The six-country average is unweighted. See Box 1 for definitions of the different groups. The working age population refers to adults (18 to 64) excluding full-time students and those in compulsory military service.
Source: Calculations based on EU-SILC 2014.

2.3. Employment barriers: Summary of empirical results

A typology of employment barriers

15. Individuals with no or weak labour-market attachment often face a number of employment barriers that prevent them from fully engaging in the labour market. Although these barriers cannot be measured directly, proxy indicators can be developed using the information provided in survey data like the EU-SILC. Following Immervoll and Scarpetta (2012), we construct and apply a series of empirical indicators for the three main categories of employment barriers below. The label of each barrier, e.g. "lack of skills" or "high non-labour income", refers to specific indicators and thresholds as described in Pacifico and Thévénot (2016).

16. **Limited work-related capabilities**, evaluated along five dimensions:

- Item 1: *lack of work-related skills*, measured using the education level (lower secondary education or below).
- Item 2: *health limitations*, i.e. whether an individual reports chronic (lasting at 6 months or longer) physical or mental limitations in daily activities.
- Item 3: *care responsibilities*, i.e. whether an individual has a family member who requires care and state that their reason for not working is care responsibilities, or they are the only person in the household who can provide it.

- Item 4: "*low" recent work experience,* if the individual did no paid work during the reference period (i.e. was without employment for at least 12 months).
- Item 5: "*low" overall work experience* relative to potential experience.

17. **Reduced financial work incentives**, evaluated along two dimensions:

- Item 1: "*high" earnings-replacement benefits*, i.e. out-of-work benefits are high relative to the individual's potential earnings.
- Item 2: "*high" non-labour income*, i.e. living in a household with high levels of income that are unrelated to own work effort, including income from a high-earning spouse.

18. **Scarce job opportunities**. One item only:

- The estimated risk (in a statistical sense) of remaining without a job for 12 months or longer *despite* active job search and availability for work. The risk is estimated with a regression model including region, age group, gender and education as independent variables. See Fernández et al (2016) for details.

19. Employment barriers are significantly more common in the target population, indicating that they are indeed reasonably well associated with employment outcomes (Table 2), which shows shares of individuals in the target and the reference (working-age) population populations facing each of the employment barriers. They also tend to be more common among those who have been persistently out of work than among individuals with weak labour-market attachment. Only 'high levels of non-labour income', which may impact on own labour supply, are slightly less prevalent in the target population than in the reference (working-age) population. Those with strong labour-market attachment may, for example, be more likely to have a high-earning spouse, perhaps because of selection effects in the family formation process ("assortative mating").

Table 2. Employment barrier indicators

% of population facing different types of barrier

	Working age population	"Target" population		
		All	Persistently out of work	Weak labour market attachment
Insufficient work-related capabilities				
"low" education	61	73	77	64
No past work experience	4	11	15	0
Positive but "low" relative work experience	14	27	29	19
No recent work activity	29	74	100	0
Health limitations	27	39	43	28
Care responsabilities	3	7	9	4
Lack of financial work incentives				
"High" non-labour income	30	28	28	28
"High" earnings replacements	5	10	12	8
Scarce job opportunities				
Scarce job opportunities	17	43	46	33

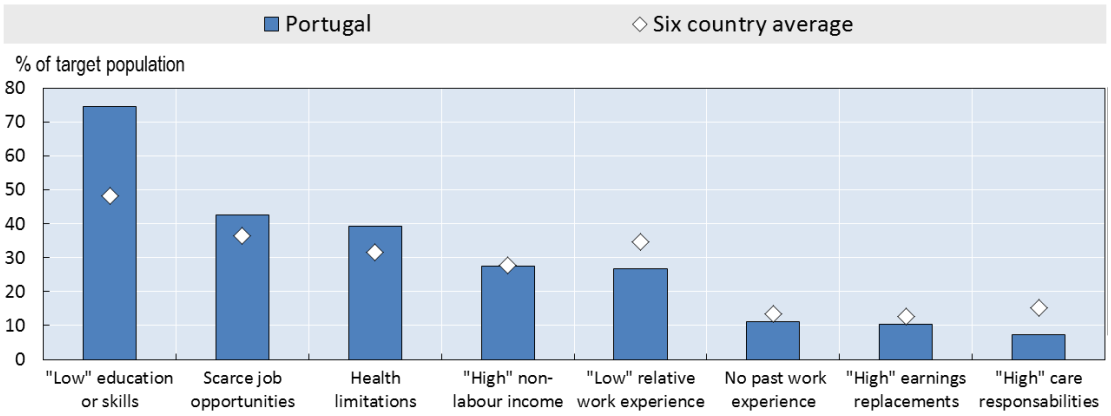
Source: Calculations based on EU-SILC 2014. Working-age population: all working-age adults (18 to 64) excluding full-time students and those in compulsory military service. Target population includes members of the working-age population who are out of work throughout the income reference period (those who are "persistently out of work") and those who work for less than 45% of the reference period, or less than 20 hours per week for more of the reference period, as well as those who work full time for most of the reference period but earn less than a third of the statutory minimum wage (these are collectively referred to as individuals with "weak labour market attachment"). For more details see Box 1.

20. "Low level of education and" and "no recent work experience" are the most frequent barriers in Portugal (73% and 74% of the target population, respectively). "Care responsibilities", "high earnings-replacement" and "no past experience" are the least frequent (7%, 10% and 11%). Figure 4 compares the incidence of employment barriers in Portugal with the average among the six countries.[4] The share of individual facing different employment barriers is compared with the six countries' average in Figure 4. Portugal's share of people with low education is much higher than in the other countries. The share of people in the target population experiencing scarce job opportunities and health limitation are also above the 6-county average. In particular, the prevalence of scarce job opportunities is a result of the weak or absent recovery in Portugal by the time of the survey year.

4 . Figure 4 shows the six-country average using a coherent specification of the indicators corresponding to the indicators used for Portugal, even where definitions of employment-barrier indicators used in country-specific reports for the five other countries differ. See figure notes.

Figure 4. Employment barriers in Portugal

% of target population

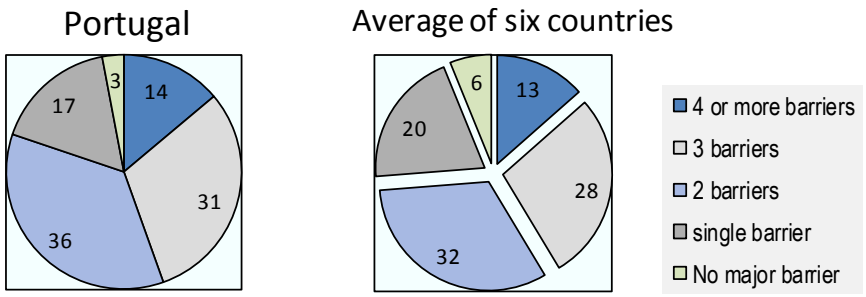


Note: The six-country average is unweighted and replicates the precise definition of barriers adopted for Portugal in this paper. Because definitions are country-specific to some extent, the averages may differ from those reported in Faces of Joblessness studies for the other five countries..
Source: Calculations based on EU-SILC 2014.

21. Employment barriers frequently overlap. 17% of individuals in the target population face a single employment barrier; 36% face two simultaneous barriers; and the remaining 45% face three barriers or more (Figure 5). This is a slightly higher incidence of multiple barriers than the average based on all six countries covered in this project.

Figure 5. Number of simultaneous barriers faced by individuals

% of target population



Note: The six-country average is unweighted.
Source: Calculations based on EU-SILC 2014.

Identifying distinct groups for policy intervention

22. The statistical profiling analysis, reported fully in Pacifico and Thévénot (2016), suggests that the population with no or weak labour market attachment in Portugal can be separated into *nine distinct groups*, each with sets of employment barriers that are meaningfully distinct from the other groups. Table A1 and A2 in Annex 1 report employment barriers and a range of demographic and socio-economic characteristics (such as gender, age, poverty risks, etc.) for each group. This information helps to attach indicative labels or "faces" to the members of the nine groups. Their sizes, along with suggested labels are reported in Table 3.

Table 3. Potential targets of activation and employment-support policies

Group number	Group label	% of the target population
1	Older women with health limitations, low education and limited work experience	22
2	Prime-age long-term unemployed with low education and scarce job opportunities	20
3	Underemployed workers with low education	12
4	Early retirees with health limitations, low education and long employment record	12
5	Long-term unemployed youth without any past work experience and scarce job opportunities	9
6	Early retirees with weak financial work incentives	9
7	Women with low education and without any past work experience	7
8	Youth with unstable employment, some recent work experience and often insufficient skills	6
9	Mothers with care responsibilities and limited work experience	3

Source: Calculations based on EU-SILC 2014. Group labels are based on the employment barriers with a "high" probability of occurrence within the group. See tables A1 and A2 reports the complete list of individual and household characteristics.

23. One notable inference from the descriptive statistics in Annex Tables A1.1 and A1.2 is that proxy groupings, which are commonly referred to in the policy debate, such as "youth", "women", "unemployed", are far from homogeneous. In some cases, these proxy labels may distract attention from the specific employment obstacles that policies seek to address as they can comprise groups with very different combinations of employment barriers. To successfully address those barriers, suitable policy responses and priorities may be quite different for each of them. For example, the results point to:

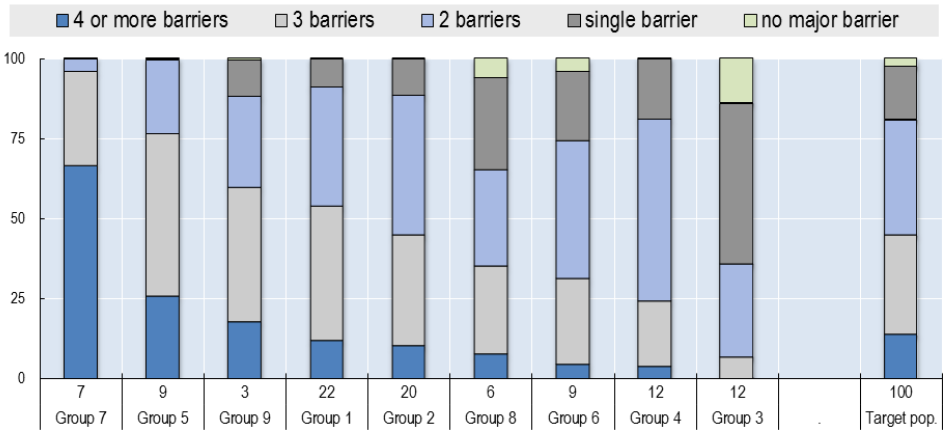
- **Three groups of women** who are likely to respond to policies in different ways: the "older women with health limitations, low education and limited work experience" (Group 1) and the "women with low education without any past experience" (Group 7) share issues related to their lack of skills and limited work experience with the group of "mothers with care responsibilities and limited work experience" (Group 9). But a significant share of Group 1 faces health limitations in addition, while a lack of work experience is common in Group 7. Childcare responsibilities are a likely barrier for a third group of women, "mothers with care responsibilities and limited work experience" (Group 9).
- **Two groups of early retirees**, with different employment obstacles. The first group, "early retirees with health limitations, low education and long employment record" (Group 4) may lack the capability for work as a result of health problems and very low levels of education (84% have only primary education). Members of the second group, "early retirees with weak financial work incentives" (Group 6), lacks financial incentives to work as they receive early retirement pensions that are high relative to what they could potentially earn in employment.
- **Two groups of young people**. The bigger one, "long-term unemployed youth without any past work experience and scarce job opportunities" (Group 5) comprises individuals facing relatively severe challenges. By contrast, members of the other group, "Youth with unstable employment, some recent work experience and often insufficient skills" (Group 8), have stronger links with the labour market, and a substantial share of them have in fact worked for part of the past year.

24. Finally, the group of "*underemployed workers with low education"* (Group 3) includes workers with very low earnings despite generally working full-time throughout the reference period. They also face only very few (and sometimes none) of the barriers to employment discussed here. Around a third of this group report being self-employed, and for them, low reported earnings could be the result of volatile self-employment incomes. Another possibility is that labour incomes are not or only partially declared in the survey. This could apply to the (majority) reporting full-time employment and could be a survey measurement problem. But it could also indicate under-reporting or non-declaration of earnings to tax or other authorities.

25. In most groups a majority face multiple simultaneous employment barriers (Figure 6). As a result, addressing one barrier in isolation might not be enough to boost employment levels significantly. For instance, about 70% of the "*women with low education and without any past work experience*" (Group 7) face four or more employment barriers and 30% face three simultaneous barriers (mostly low skills, no prior work experience and scarce job opportunities). Similarly, about 75% of *"long-term unemployed youth without any past work experience and scarce job opportunities*" (Group 5) have three or more simultaneous barriers. From a policy perspective, these findings point to a need to carefully sequence different activation and employment support measures, and to coordinate them across policy domains and institutions.

Figure 6. Share of individuals facing multiple simultaneous employment barriers

By group, in descending order of shares facing three or more barriers, in %



Note: Group sizes are reported on the horizontal axis, see also Table 3 and Annex Tables A1, A2. **Group 1**: "Older women with health limitations, low education and limited work experience", **Group 2**: "Prime-age long-term unemployed with low education and scarce job opportunities", **Group 3**: "Underemployed workers with low education", **Group 4**: "Early retirees with health limitations, low education and long employment record", **Group 5**: "Long-term unemployed youth without any past work experience and scarce job opportunities", **Group 6**: "Early retirees with weak financial work incentives", **Group 7**: "Women with low education and without any past work experience", **Group 8**: "Youth with unstable employment, some recent work experience and often insufficient skills", **Group 9**: "Mothers with care responsibilities and limited work experience".
Source: Calculations based on EU-SILC 2014.

3. Activation and employment-support in Portugal: Overall policy stance

26. As a general background to the policy inventory for selected groups in Section 4, this section provides an overview of the main income-support, activation and employment-support policies. It draws on a range of key indicators describing out-of-work benefits, the Public Employment Services (PES) and Active Labour Market Programmes (ALMPs), which are relevant across the groups identified above. It also describes key labour market challenges and summarises government policy priorities and recent or planned reforms.

3.1. Income support: Out-of-work benefits

27. Like most other OECD and EU countries, Portugal operates a range of different income-support measures for working-age adults who have lost their job or have very low incomes. Some of these measures can be considered as earnings replacements for individuals with no (or weak) labour market attachment (e.g., unemployment insurance, maternity leave payments, disability benefits). Others operate mostly as income top-ups and may be available irrespective of work status (family benefits, housing allowances). Earnings-replacement benefits can be categorised into one of the following categories: unemployment, social assistance (guaranteed minimum income benefits, GMI), family support, disability and early retirement[5]. Figures 7 and 8 summarise recipient numbers and spending levels for each of the main categories. Table 4 provides more detailed information on amounts, benefit durations and the main entitlement criteria.

28. Unemployment and disability benefits are the largest categories of out-of-work benefits in Portugal, in terms of both recipient numbers and spending levels. Following the trends in unemployment, the share of working-age adults receiving unemployment benefits increased significantly as from 2007 and peaked at 5.8 % of the working age population in 2013 (Figure 7). As employment started to recover, this share dropped back to 4.9%. Disability benefits declined slightly since 2007, from 4.4% of the working age population, to 3.8%. Early retirement benefits (anticipated old-age pensions) covered 2.5% of the working-age population in 2014, a figure broadly stable since 2007. Social assistance, which was reformed in 2012 and became much less generous[6], reached 1.4% of the working age population in 2014. Last, maternity benefits together covered about 0.5% of the working-age population in 2014.

5 . This study is focused on working-age individuals. Therefore, earning replacement benefits like old-age pensions or survivor pensions, who are mostly targeted on retirement are and under 18 individuals are not considered. Other earnings replacement benefits like sick leave schemes or work accident insurance payments are not included for (a) methodological reasons and (b) because they are less linked to the labour market situation.

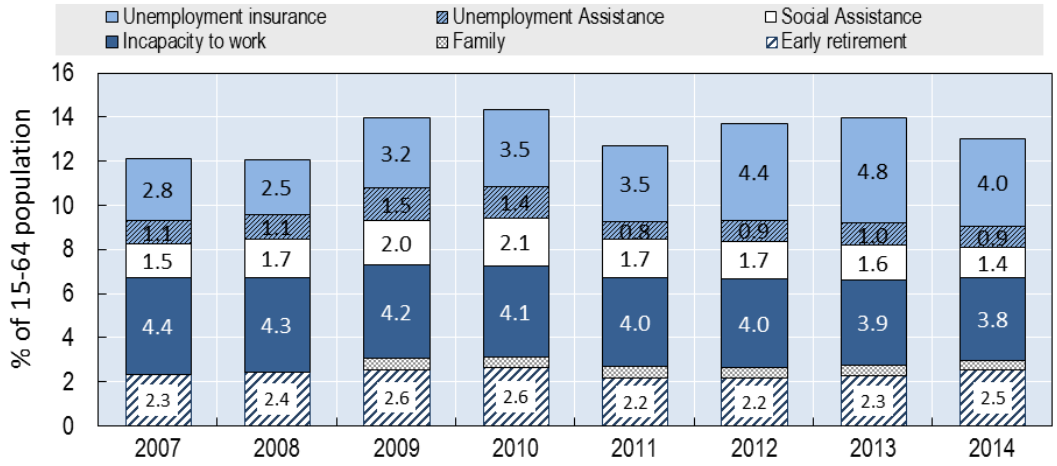
6 . Part of the cuts in generosity of the *Rendimento Social de Inserção* (RSI) were reversed in 2016 (see OECD, 2017a).

29. Compared with other EU countries, Portugal spent more on the "unemployment" and "disability" branches, in terms of percentage of GDP in 2013 (Figure 8). "Early retirement" and "social assistance" represent a lower share in social expenditure in Portugal than on average in the EU. The share of the "family" branch in overall social spending is close to the EU average.

30. Comparing expenditures and the number of recipients of different benefits indicates that benefit amounts are comparatively larger for disability pensions and maternity/paternity benefits. By contrast, social assistance support is much less generous, especially since the reform in 2012. Recipients of social assistance benefits have income substantially below relative poverty threshold (see below).

Figure 7. Recipients of earnings replacement benefits

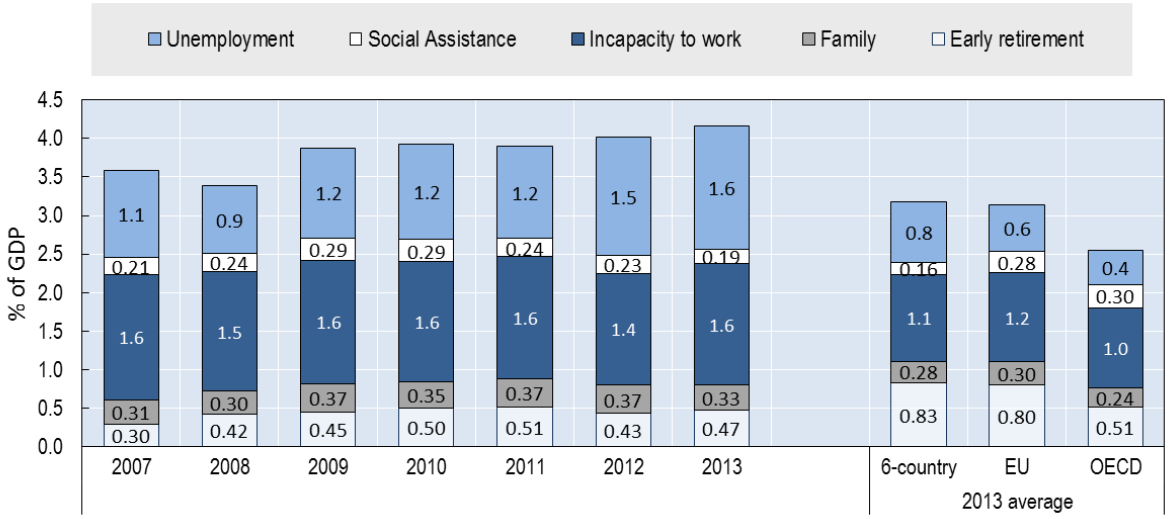
Percentage of population aged 15-64.



Note. The categorisation of social benefits (branches) mostly follows Eurostat ESSPROS definitions (http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Social_protection_benefits). Information on the programmes in each category is shown in Table 4.

Figure 8. Out-of-work benefits for working-age adults – expenditure

Social spending by social policy branch, percentage of GDP



Notes: Benefits considered in each branch, as well as programme names, entitlement criteria, and benefit durations can be found in Table 4. Country averages are unweighted.
Source: OECD SOCR and SOCX databases.

Table 4. Main out-of-work benefits in Portugal: entitlement rules, amounts and duration

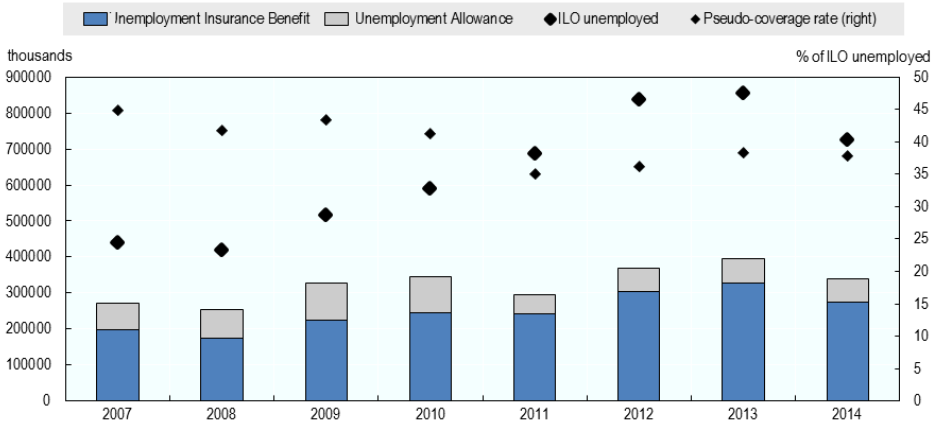
2014 (reference year of results in Sections 1 and 2)

Social protection branch	Programme name (*Portuguese name*)	Entitlement criteria	Amount	Duration
Unemployment	Unemployment insurance *Subsidio de desemprego*	1year of paid employment in the 2 years immediately prior to the date of unemployment. Must be involuntarily unemployed. Must be registered as job seekers at a Centro de Emprego [Job Centre] in their area of residence;	65% of the registered earnings for 12 months counting from the month preceding the date of unemployment; maximum amount of 2.5 times the IAS (419€since 2009) Reduces by 10% after 180 consecutive days of receiving benefits Bonus of 10% for couples with children if both partners claim regular or assistance unemployment benefit.	Depends on the age of the beneficiary (<30 yo, 30- 39, 40- 49,50+) and the number of months with registered earnings for social security purposes since the beneficiary's last period of unemployment. Less than 15 months: 150 / 180 / 210 / 270 Betwen 15 and 24 months: 210 / 330 / 360 / 480 Over 24: 330 / 420/ 540/ 540
	Unemployment assistance *Subsisidio social de desemprego (subsisdio inicial, subsequente)*	awarded either as an initial benefit to claimants who have not worked long enough to claim the main unemployment benefit, or as an extension to those who cease to be entitled to the main assistance unemployment benefit (as long as they meet the additional conditions listed below).	*	28 months if on initial unemployment social allowance, half if on subsequent unemployment social allowance after exhausting unemployment insurance, for beneficiaries after April 2012.
Minimum income schemes	Social assistance *Rendimento social de inserçao*	Extensive means- testing considering the income of all members of the household; household assets are also considered in the means testing; beneficiaries cannot have assets or a car valued aboe 25,153.20 euros (source: OECd, 2016). conditional on participation in a compulsory social inclusion porgramme (inluding training course).	Difference (top up) between the family's SII (social pension times the scale of equivalence, 180€a month for a single person) and the family's total income.	maximum period of 12 months; it may be renewed two months before the end of this period if requested by the claimant
Incapacity to work	Disability pension *Pensao de Invalidez*	Relative invalidity: 66.66% reduction of capacity of normal occupation. Contributions paid or credited for 5 years. Absolute invalidity: 100% permanent incapacity to carry out any working activity. Contributions paid or credited for 3 years. The same for certain chronic diseases.	Different calculation rules depending on date of insurance and start of pension, based on years of contribution, reference earnings, a factor of financial sustainability (related to the average life expectancy evolution). Minimum pension 30% of reference earnings but at least between 61.86% and 90.41% of reference Social Support Index (SSI; original language: IAS (indexante dos apoios sociais = €419.22)) depending on contribution period (relative invalidity). Absolute invalidity: The minimum amount corresponds to minimum amount of relative invalidity pension and an old- age pension for a contribution career of 40 years.	Indefinite up to pension age.
Early retirement	Early retirement pension *Pensao de reforma, pensao antecipada de velhice*	Insured persons aged at least 55 provided that qualifying period completed + contribution period of 30 years. Unemployed: from the age of 62 provided they were 57 at the beginning of their unemployment + have completed qualifying period. Possible from age of 57 if contributed 22 calendar years and aged 52 or more when becoming unemployed. In case of heavy or unhealthy work: as a rule, from the age of 55 (for professions legally foreseen).	Calculation according the general formula. The amount is reduced through the application of a reduction factor corresponding to 1- global reduction rate (obtained by multiplying 0.5% by the number of months of anticipation). Certain specific cases related to age and contribution period.	For life.
Family	Maternity benefit *Subsidio de parentalidade*	All insured employeeds ans self- employed with 6 months affiliation	if 120 days:100% of the average daily wage, minimum of 50% of the indexing reference of social support (419€. If 150 days: 80% of the average daily wage	120 or 150 consecutive days of leave, extended by 30 days in case of shared leave

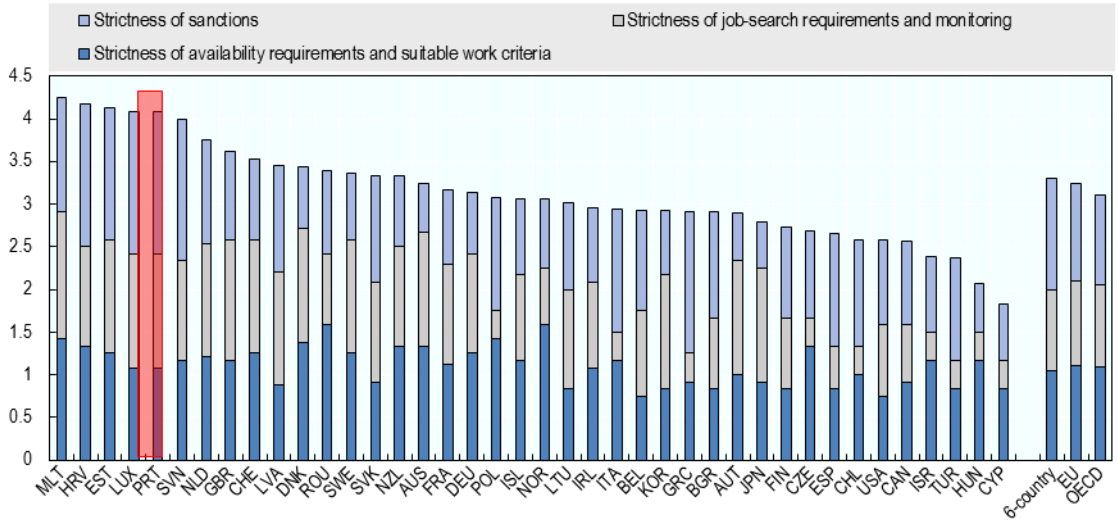
Source: Missoc and OECD tax-benefit policy databases.

Figure 9. Accessibility of unemployment benefits in Portugal

Panel A: Coverage (pseudo-coverage rate)



Panel B: Strictness of benefit eligibility criteria, 2014



Notes: The "strictness" sub-categories cover the following items. "Strictness of sanctions": sanctions for voluntary unemployment, for refusing job offers (first/repeated) and for failure to participate in counselling or ALMPs (first/repeated); "Strictness of Job-search requirements and monitoring": frequency of job-search monitoring and required documentation of job-search; "Strictness of availability requirements and suitable work criteria": availability during ALMP participation, demands on occupational and geographical mobility, other valid reasons for refusing job offers.
Source: Panel A: OECD SOCR database www.oecd.org/social/recipients.htm. Panel B: Calculations using Langenbucher (2015).

31. Many unemployed in Portugal do not receive unemployment benefits. According to administrative data, around half of *registered* unemployed are recipients but the share of recipients is only 38% of ILO unemployed ("pseudo-coverage rate" in Figure 8, including registered and not registered jobseekers actively looking for a job, available to work within two weeks, and who didn't work over the past four weeks). Spending on unemployment benefits as a percentage of GDP is nevertheless higher in Portugal than in other EU countries because of Portugal's high unemployment rate during the period

covered in this report. In 2014, the "pseudo" coverage rate, calculated as the number of unemployment benefit recipients divided by the number of ILO unemployed, was at 38% (Figure 9, Panel A). Behavioural eligibility conditions were particularly strict in Portugal, with rules calling, for instance, for a complete stop of benefits upon a single unjustified failure to comply with reporting requirements. In particular, the benefit payment will be stopped in case the benefit recipient is refusing a job offer or participation in an ALMP or is dropping-out of an ALMP, without any acceptable justification. Since the 2016 review of the law, the benefit recipients have been receiving a warning. In case of a first non-attendance to a job centre call. However, capacity challenges at PES, possibly coupled with a widespread recognition of the crucial role of unemployment support in preventing severe poverty in the aftermath of the crisis, can be expected to have led to incomplete enforcement of formal eligibility requirements. A 2012 reform eased access somewhat, for example by relaxing employment conditions (450 to 360 days of work over the previous 24 months, see OECD, 2017a). In addition, the requirement for bi-weekly job-search reporting was been dropped in 2016. Despite these changes, formal eligibility criteria remain strict by international standards (Figure 9, Panel B).

32. The duration of the unemployment insurance benefit is strongly related to age in Portugal. For older unemployed who receive unemployment benefits, entitlements are relatively generous, provided that they have worked for at least two years before becoming unemployed. For example, unemployed with 10 months of contributions will be covered for 150 days if they are under 30 years old, and for 270 days if they are older than 50 years. For somebody with 24 months of contribution, the respective duration will be 330 days and 540 days (Table 4). As youth unemployment picked up in Portugal during the crisis, many young people were not entitled or out of rights. This point is discussed in more detail in Section 4.

33. An unemployment assistance scheme - *Subsisidio social de desemprego* - is available for a maximum duration of 28 months (in case of first unemployment period, half of it in case of repeated unemployment) to those who have not contributed for a sufficiently long time to be eligible for unemployment insurance benefits, as well as for those who have exhausted insurance entitlements. Eligibility conditions include involuntarily job loss, registration with the PES, and ability and willingness to work as well as a means test against household assets income.[7]

34. As a possible complement to unemployment benefits, Portugal's main Guaranteed Minimum Income (GMI) benefit programme (*Rendimento Social de Inserção*, RSI), provides a non-contributory monthly transfer as a top-up for eligible low-income households. The RSI employs a comprehensive means test considering the income of all members of the household. Household assets are considered in the means-testing, and beneficiaries cannot have financial assets or a car valued above EUR 25 000 (OECD, 2016, Arnold and Farinha, 2015). Benefits are also conditional on participation in a compulsory social inclusion programme, which includes short training courses and return to work initiatives, as well as requiring regular school attendance for all school-age children living in the household.

35. The income provided by cash minimum-income benefits is below the EU average, when expressed in percent of median household incomes and once separate cash housing benefits (available in many EU countries but not in Portugal) are taken into account (Figure 10). A single person receiving RSI and no other incomes faces substantial poverty

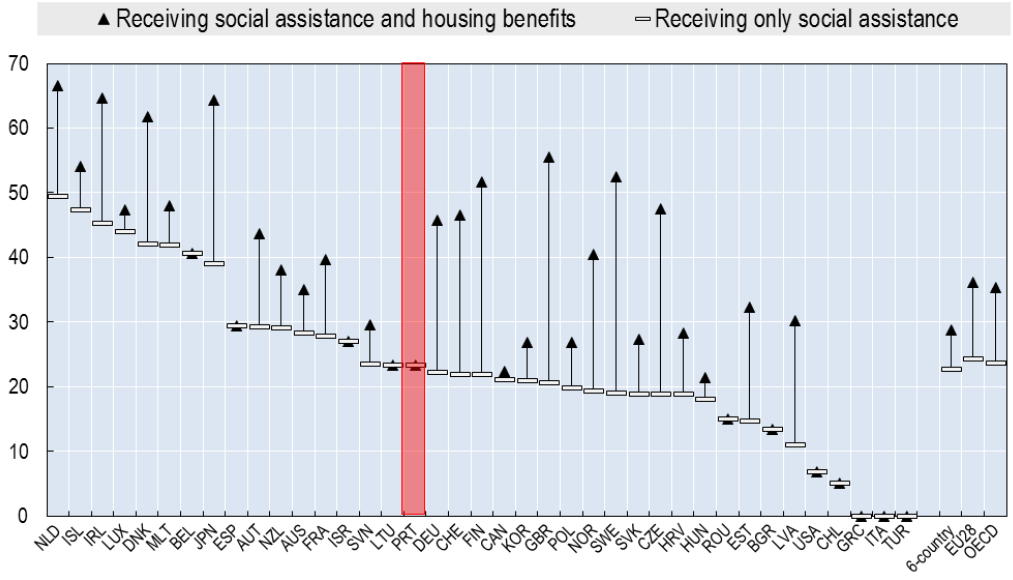
[7]. http://www.seg-social.pt/subsidio-social-de-desemprego.

risk, with incomes of only around 23% of the median household income. While work incentives can be weak for the unemployed receiving unemployment benefits, they are much stronger for RSI recipients (Figure 11).

36. Reforms undertaken in 2010 and 2012 have tightened the means test by modifying the calculation of per-capita income in multi-person households. The effect of these changes was a very large drop in the number of beneficiaries, almost halving recipient numbers between January 2010 and March 2014, including the loss of RSI benefits for more than 50 000 children and youth (OECD, 2014). For a family with two children, the threshold level of income guaranteed by the RSI has dropped from 62% of the poverty line in 2009 to 46% in 2013 (OECD, 2016). In 2015, some of the cuts were reversed. In particular, weights for dependants and children have been re-established to their original levels. Despite these reversals, the RSI is still below its level prior to the cut (OECD, 2017).

Figure 10. Income levels provided by cash minimum income benefits

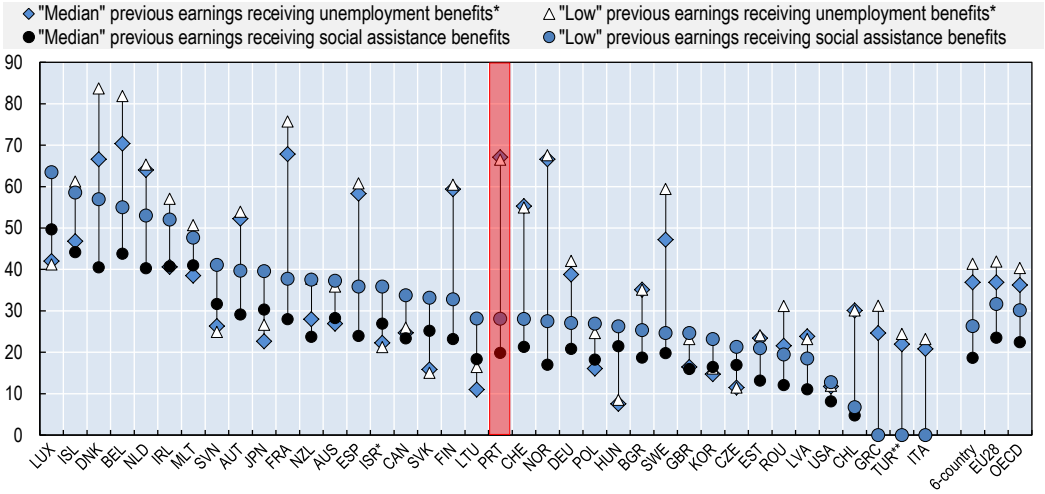
Net income value in % of median household incomes, 2014. Single adults without children.



Source: OECD tax-benefit models

Figure 11. Work disincentives for out-of-work working-age adults

Net replacement rates for unemployment benefit and social assistance recipients, 2014. Single adults without children.



Expenditures on family benefits in Portugal are similar to country averages in the OECD and the 6 countries. In addition to maternity leave (see Table 4), paid parental leave and home-care leave regulations foresee a shorter duration than on OECD average (24 weeks for mothers, as compared to an OECD average of 36.4 weeks). The participation rates in formal childcare and pre-school services for 0 to 2 year-olds is above OECD average.[8]

37. Individuals with reduced work capacity are eligible for a disability benefit (see Table 4 for details). Incapacity-benefit expenditures and recipient numbers are substantially above OECD, EU and the 6-country averages (Figures 7 and 8). By contrast, expenditures on vocational rehabilitation measures are comparatively low (see Section 4).

38. Early retirement pensions are somewhat less common than for the EU on average, although both recipient numbers and expenditures are now slightly higher than before the crisis. During the Financial Assistance Programme (until the end of 2014), people aged 57 and over who were long-term unemployed could retire at a full-time pension at the age of 62 (European Commission 2015a), setting strong incentives for early labour market exit. While the employment rate increased between 2007 and 2015 for the 55-59 age group, it fell for those aged 60-64 years (https://www.oecd.org/els/emp/older-workers-scoreboard.xlsx*)*.

3.2. Active labour market policies

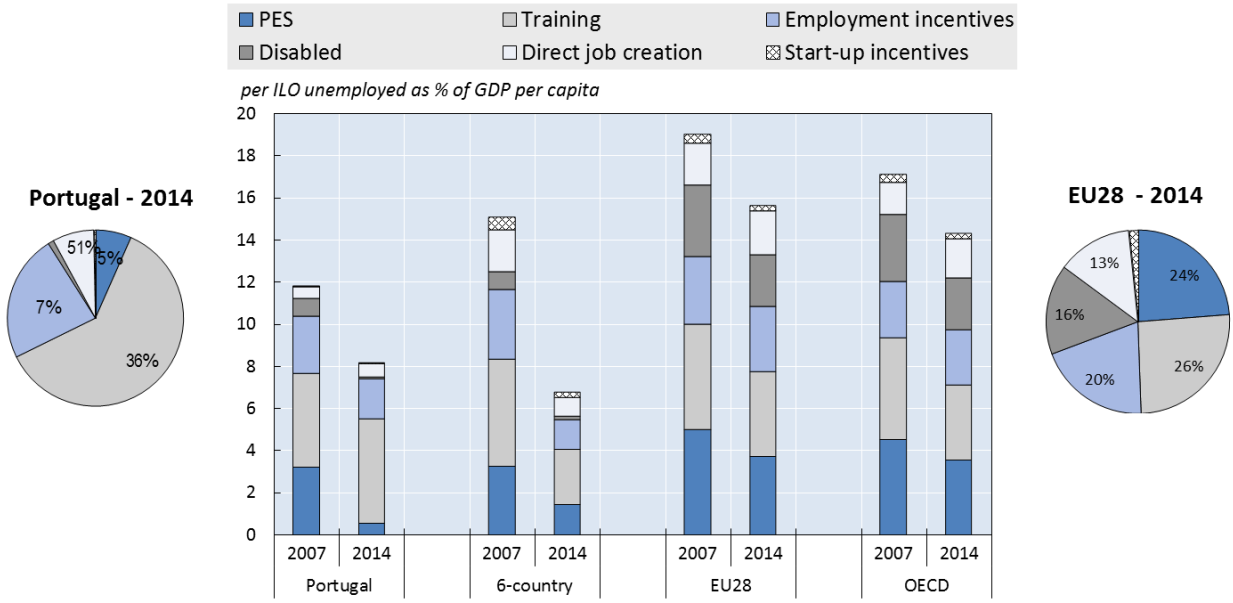
39. Active labour market policies in Portugal are designed by the Ministry of Labour, Solidarity and Social Security and administered by the *Instituto do Emprego e Formação Profissional* (IEFP, Public Employment Service). Institutionally, IEFP is a national agency with its own budget, funded mainly by the social security contributions, co-financing of ALMPs by the European Union through the European Social Fund and own revenues.

[8]. http://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf and http://www.oecd.org/els/soc/PF3_2_Enrolment_childcare_preschool.pdf

40. Effective active labour market policies are instrumental in integrating jobseekers and those with no or weak labour-market attachment into good-quality employment. Spending on active labour market policies per unemployed in Portugal is, however, significantly lower than on EU and OECD average in 2014. Following the steep increase in unemployment after 2007, resources allocated to active labour market policies increased from EUR 630 to 916 million. However, overall ALMP spending per unemployed was significantly lower in 2014 than in 2007 (Figure 12). Resources per unemployed fell less strongly than in several other crisis-hit countries, however. By 2014, expenditures per unemployed were above the 6-countries average, but only half of the EU-28 average.

Figure 12. Spending on active labour market programmes by policy area

Spending per ILO unemployed as % of GDP per capita, composition in 2007 and 2014



Source: Calculations based on the OECD LMP database. Unweighted country averages. The pie charts show the share of total spending as reported in the bars.

Public employment services

41. An individual claiming unemployment benefits has the possibility to register at the Public Employment Service over a period of 90 days after he/she lost the job; for jobseekers not receiving unemployment benefits there is no time limit. Payments of unemployment benefits are dated back to the registration date. Thus, unemployed jobseekers have an advantage to register with the PES as soon as possible. Nevertheless, this rule contrasts sharply with obligations to register immediately or even prior to job loss (e.g. as soon as employer provides notification, or three months before a fixed-term contract ends in Germany, the worker has to register with the PES). For those registering later, the 90-day rule in effect implies an absence of job-search or activity requirements during the initial period of unemployment, when chances for re-employment are strong.

42. At the first registration of the jobseeker at the Public Employment Service, personal data are entered into the system (gender, age, educational level, past work experience, disability, occupation wanted, etc.). The first registration lasts on average for

20 to 40 minutes - taking longer if the jobseeker is registered for the first time. To support tailored activation strategies, IEFP employs a statistical profiling tool that assesses individuals' probability of becoming long-term unemployed based on gender, age, educational level, past work experience, benefits claim history, region, labour market proximity, family situation and disability. Depending on individual scores and on the career manager's own assessment based on the interview. jobseekers are classified into one of three groups: (i) those at risk of becoming long-term unemployed are classified as 'demanding intensive support'; (ii) those with a medium risk of becoming long-term unemployed are classified as those 'with employability deficits'; (iii) those with a low risk of becoming long-term unemployed are classified as 'market-ready profile' (Perista and Baptista, 2015). The career manager must follow-up within maximum 45 days (profile i) or 90 days (profiles ii and iii). The career manager is responsible for the elaboration and support of the personal employment plan, as well as for the validation or alteration of the profile the person falls under. For those jobseekers with a higher risk of long-term unemployment, a more intense follow-up may be provided and personal plans could be different. The personal employment plan will widen and have more steps and have a longer duration as the risk of the person becoming a long-term unemployed increases. The profiling tool provides also courses of active job search or to short-term trainings within 15 days of registration. A reassessment of the individual profile was previously not a priority. This should now be improved.

43. In 2012, the government launched a programme for the modernisation of the Public Employment Service (see OECD, 2017a). The measures aimed at: strengthening employability of jobseekers (referrals, priority of young jobseekers, training programmes); modernising information systems; and improving the coherence between passive and active labour market policies. However, spending on PES per unemployed jobseeker in Portugal remains far lower than the EU and OECD country averages. In 2014, spending per unemployed corresponded to less than 1% of GDP per capita in Portugal, compared to 4% of GDP per capita on average in EU-28.

44. Further reforms of the PES have started to be implemented more recently, including in 2016 (Ordinance No. 282/2016 of October 27) to end the duty of unemployed to show-up every two weeks to confirm continuing unemployment and job search. The previous bi-monthly show-up procedure was purely administrative: the unemployed did not meet a counsellor but the reporting involved administrative costs that diverted resources away from face-to-face contact and guidance for more disadvantaged groups. The 2016 law also implied a shift of the responsibility for monitoring job search activities from jobseekers towards counsellors and the personal employment plan is now monitored, for unemployment benefit recipients, every four months.

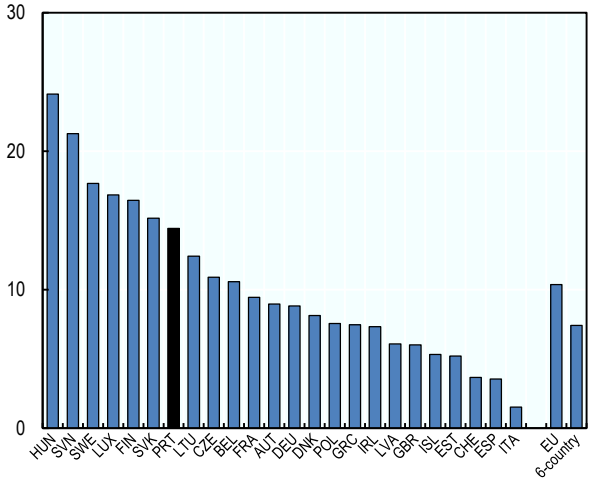
45. Despite recent improvements, the client-to-staff ratio remains very heavy. In 2016, each career manager had a portfolio of 540 jobseekers and higher in some parts of the country, e.g., 683 in the North of Portugal (OECD 2017b). This makes it difficult to implement a case management system which provides more individualised guidance and follow-up for those who need it. Positive employment impacts may be achieved through a reduction of client-staff ratios, resulting in more personalised services (OECD 2015e). Experiences from other countries show that caseloads are often lower. In Estonia for example, case managers serve between 200 and 300 cases, while case managers providing more individualised guidance and dealing with more complex employment barriers serve 100 to 150 unemployed. In Germany, caseloads for career managers in jobcentres (which are dealing with recipients of means-tested unemployment benefit II recipients, who often are long-term unemployed and young jobseekers) range between

150 and 200 and for those responsible for hard-to-place jobseekers receiving tailored support are about 75 clients per case manager (Fertig, 2016).

46. In spite of these challenges, Labour Force Survey data indicate that the Public Employment Service in Portugal is a relatively efficient channel for finding and using information on job vacancies. Among those who have recently started a new job, 13% say that they found it through the PES, which is better than the EU and 6-country averages (10% and 7%, Figure 13). However, only 42% of those registered with the PES reported using it as a source of information on job vacancies in the previous four weeks (Figure 14). This is low in international comparison, and could suggest that a large share of the unemployed are not actively looking for a job, or that they do so without relying on PES services and support. Since use of PES is relatively strong among those who have found a job, scaling up PES resources to levels that are more in line with international standards is likely to be an efficient use of public funds.

Figure 13. Reliance on Public Employment Service among recent job starters

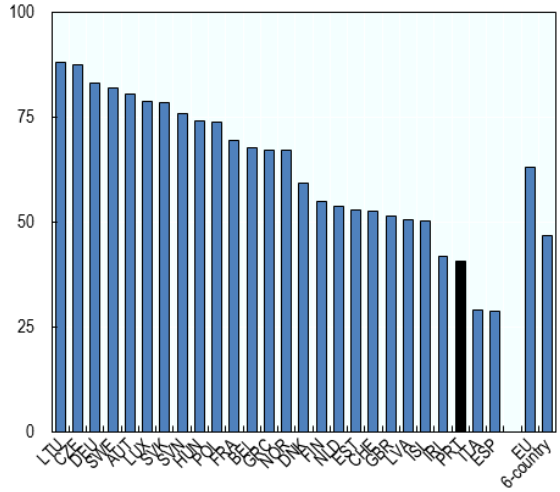
% of employees aged 25-64 who started a job during the previous 12 months, 2014



Note: Unweighted averages. Norway and the Netherlands are excluded due to high incidence of non-response in the data (more than 30%). Data refer to 2013 for Germany.
Source: Calculations based on EU-LFS 2014

Figure 14. Reliance on Public Employment Service among current registered jobseekers

% of registered unemployed among the 25-64 population, 2014



Source: Calculations based on EU-LFS 2014.

Active labour-market programmes

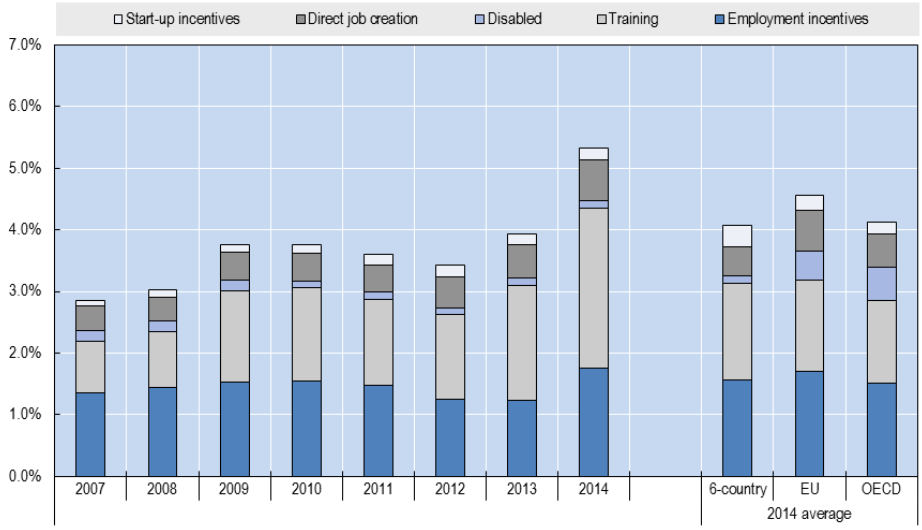
47. Notwithstanding the central role of the PES as a "job broker" (i.e. placement and job-search assistance), a clear majority of total spending on active labour-market policies in EU and OECD countries goes towards active labour market programmes (ALMPs) that seek to address specific employability issues. Participation in such ALMPs in Portugal was below OECD and EU averages until 2013 despite much higher unemployment, but has increased since 2014 (Figure 15). According to IEFP data, the vast majority of participants (84%) in ALMP did not receive unemployment benefits in 2015.

48. Between 2013 and 2015, the number of ALMP participants rose markedly. The number of unemployed covered by employment measures (such as hiring incentives and traineeship programmes) increased from 138 800 to 203 000. At the same time, participation in training measures rose from 297 800 to 341 700 and participation in vocational rehabilitation doubled from 5 000 to 10 000 (source: IEFP).

49. The composition of ALMPs may indicate significant gaps in the support targeted to some groups with special needs. **Training activities** are the biggest spending item (61% of active ALMP spending in 2014), followed by employment incentives (targeted employment subsidies, 23% of active spending). However, spending for measures specifically directed towards disabled individuals (sheltered and supported employment and rehabilitation measures; note that disabled may also participate in main stream measures) and direct job creation programmes (they cover measures that create additional socially useful jobs, in order to find employment for the long-term unemployed or persons otherwise difficult to place, e.g. public works) or start up incentives, are small compared with other countries. The share of participants in training as a percentage of the labour force increased significantly between 2013 and 2014 and was higher than on the 6-country, EU and OECD averages.

Figure 15. Participation in active labour market programmes in Portugal and in other countries

In % of the labour force



Source: Calculations based on the OECD LMP database. Unweighted country averages.

50. Training measures have traditionally been a major focus of ALMPs and should be seen in the context of Portugal's huge efforts in upskilling its population (see in particular the New Opportunities Initiative INO, which was ran from 2005 to 2010). Early school leaving has been reduced drastically.

51. In terms of ALMP on training measures resources, two main developments can be noted for over more than a decade:

- Public expenditures on apprenticeship (*aprendizagem* – a dual initial vocational training programme with an average duration of 2.5 years) peaked first in 2005 and was more than halved by 2008, when expenditures started to raise again to reach the 2005 level. The apprenticeship class-room based courses are exclusively financed through IEFP. The practical training is provided within the companies, which makes up 40% of the total duration of the course. The IEFP is also paying for transportation as well as for a training grant (10% of the social support index (IAS)) to the apprentice for participating in the programme (see also Section 4 for further details).
- The budget for Adult Education and Training (*Cursos de Educação e Formação de Adultos*, EFA) was multiplied by ten between 2003 and 2010 before being cut by more than 40% in the context of the economic adjustment programme between 2010 and 2011. These courses have been provided to adults since 2000. They target people over the age of 18 who have not attained the level of upper secondary education, including those with no working experience. All EFA courses involve general and technological education. An alternative pathway to upskilling was introduced in 2008 through VET modular courses (*Formações modulares certificadas* FMC) have been introduced. They allow pursuing flexible, gradual and credit-based training by taking individual units. They generally address people over 18 who have not completed basic or secondary education/training. Upon successful completion of each training path, including

all modules, and the respective assessment by a technical committee, a final certificate and diploma is issued (EQF level 2-4). The number of participants in CVET courses doubled between 2011 and 2013, as more *short-term training* courses were offered (Cedefop, 2014). This explains why the number of participants in ALMPs as a percentage of the labour force increased recently. Further, part of the continuous training is now being performed in a workplace environment.

52. The former New Opportunities Initiative INO (2005-2010), which extensively implemented the above mentioned training measures, provided low-qualified adults (employed workers, unemployed and inactives) a formal recognition of non-formal and informal learning and skills acquired through the working life. This process was complemented by formal learning of 4th, 9th and 12th grades education or/and vocational certification. A system for recognition validation and certification of qualifications (*Reconhecimento, Validação e Certificação de Competências*, RVCC) was set up. This process provides access to the 4^{th}, 9^{th} and 12^{th} grades of education and/or vocational certification. The objective of INO was to qualify one million adults by 2010 (650 000 through the processes and 350 000 through adult education and training courses) with a target level set at the upper secondary level of education (Valente et al. in UNESCO et al, 2011). By 2010, nearly half a million adults had obtained a certification. This number amounts to one sixth of the 3 million Portuguese adults who had still not attained upper secondary education. Most of participants in the programme were employed.

53. Certification combined with training courses had a positive impact on income and employment while RVCC processes without vocational training courses seem not to have had impact on income and employment (OECD 2017b, UNESCO et al. 2011, Lima 2012), However, the INO also faced criticisms. It had been argued that a too strong focus was set on "certification" rather than on enhancing competencies; that the objectives of INO had not been fully understood by the population and that the "diploma effect" had been misperceived in the society. There were also doubts over the benefits of enabling people to obtain certificates through prior learning as opposed to education and training courses, the programme was costly, and it had limited success in reaching the lowest skilled (illiterates), or the 25 to 30 years old. The initially good image of the programme turned more negative as a result.

54. In the recent past, at the period at which the results of the latent class analysis refer, the following main training programmes were available (between 2013 and 2015):

- The main programme of training measures for young people was the apprenticeship (*aprendizagem*) programme with 36 000 participants in 2013. This number declined to 33 000 in 2015.
- The Adult Education and Training Courses (*Cursos de Educação e Formação de Adultos*, EFA). In 2013, 44 900 registered jobseekers participated in these courses. This number declined to 41 000 participants in 2015.
- Certified Modular Training Courses (*Formações Modulares Certificadas*, FMC) are available to adults who are not interested in taking a full qualification programme and are mainly aimed at employed persons. The number of participants increased substantially from 28 300 to 51 200 between 2013 and 2015.
- A "Basic Skills Programme", targeted towards the acquisition of basic skills (literacy, numeracy and ICT) in order to enter an EFA course or a process of RVCC (OECD 2017b), with a low number of participants.

- The *Vida Ativa* programme, targeting unemployed persons, includes modular training, a programme for validation of existing skills and two short-duration training programmes (introduced in 2013), among which *Formação Transversal* - a 25-hours training measure aimed at improving personal, communication, and job search skills modular training courses, including also a programme for validation of existing skills within three months of registration at the Public Employment Service.

55. In 2015, Portugal further introduced a training subsidy for both employees and jobseekers (*Cheque Formação*). For employees wishing to invest in training, this subsidises up to 50 hours training with an amount of EUR 175 and up to 150 hours of training (OECD 2017b). Preliminary data for 2016, indicate 11 000 participants, of whom 24% were aged 25-34, 31% were aged 35-44, 15% were aged 45-49% and 21% were 50 years old and above (source: IEFP). The coverage of the short-term training programmes has broadened over time in the context of the crisis. However, there may now be a need to re-focus some of these measures on those who need them most (e.g., disadvantaged youth and the long-term unemployed. Indeed, since 2015, a number of reforms and proposals have been made to improve the delivery of employment services and to better target ALMPs to disadvantaged groups.

56. A new programme for the adult population was launched in April 2016 under the name of *Qualifíca*, with a focus on lifelong learning. The objectives are to qualify half of the active population with upper secondary education; achieve a 15% rate of adult participation in lifelong learning activities; and expand the network of *Qualifica centers* to 300 all over the country (see also OECD 2017b). The main pillars of *Qualifica* will be RVCC, long courses and short, flexible course formats. Major differences as compared to INO are likely to be: (i) people will need to do more training as part of the RVCC process; (ii) more professional work-related training will be offered; (iii) stronger focus on retraining elements; (iv) screening skills needs and guidance should be improved. It is aimed to offer more specialised vocational training by expanding RVCC and the number of courses leading to level 4 of the national qualification framework. As stressed by OECD (2017b), the challenge is to ensure that the large scale of the programme neither weakens the quality of the training provided, nor its ability to provide skills demanded by the labour market.

57. Further, a new instrument for vocational guidance, a *Qualifica Passport* is being currently developed by the National Agency for Qualification and Vocational Education and Training (*Agência Nacional para a Qualificação e o Ensino Profissional, ANQEP*). This is an online tool, based on a database on individualised qualification pathways. The Ministry of Education will be responsible for the data basis and the programming. The tool is available for the employment counsellor as well as the counsellors at the training and *Qualifica* Centres.

58. A few evaluation studies assessing the impact of adult education programmes on labour market outcomes were prepared in the past. Earlier studies suggest that RVCC and EFA courses have a positive impact on employability and wages, especially among some vulnerable groups in the labour market, such as women and those living in low-income households. More recent evaluation seems to indicate that, with the exception of FMC courses, adult education training courses have positive employment effects only several years after participation. The RVCC processes have improved employability prospects but only when workplace competencies were validated or the process of validation was linked to training through Certified Modular Training Courses (*Formações Modulares*

Certificadas, FMC). A positive impact of RVCC processes on wages was found to be limited to participants who not only obtained recognition for basic qualifications but also participated in FMC courses and to participants who obtained certifications equivalent to upper secondary education (see for an overview of OECD 2017b).

59. Among **employment incentives**, the main programmes are internships (*Estágios Emprego, see Chapter 4 for details*) and the hiring incentive *Estímulo Emprego*. The employment internship programme *Estágios Emprego* was built upon the former Programme *Estágios Profissionais* (professional internships) by including different supporting instruments of the Youth Initiative and lately adapted to comply with the Youth Guarantee. The target groups of the programme *Estágios Emprego* include registered unemployed and being aged between 18 and 30 years (nearly all qualification levels) or being above the age of 30 and unemployed for over one year and graduated over the past three years, having disabilities, being single parents, drug addicts under a recovery process, ex-prisoners, victims of domestic violence or spouse of registered unemployed. The programme lasts for 9 months, except for some vulnerable groups it can last for 12 months. When applying for the programme, companies may refer to a certain candidate of their choice but IEFP will verify and confirm if eligibility criteria are met. Anecdotal evidence indicates this last possibility of pre-selection of participants was widely used and may have led to significant deadweight effects. The number of participants in this programme increased from 43 900 in 2013 to 70 500 in 2015.

60. According to IEFP monitoring data, 52% of participants were employed one month after termination of the programme *Estágios Emprego,* 61% after 3 months, 66% after 6 months and 68% after 9 months. OECD (2017a), using a propensity score matching approach based on administrative data, finds that the employment outcomes of participants in subsidised internships improves significantly faster than those of non-participants after 6 months. It is nevertheless advisable to continuously assess the risk of deadweight effects of these programmes and discuss with social partners how this risk can be minimised.

61. The "employment stimulus" *(Estímulo Emprego)* programme, launched in 2011/2012 and closed in June 2016, provided financial support to employers hiring registered unemployed people on permanent or fixed-term work contracts lasting for at least 6 months. The target group covered partly the same groups as the "employment internship" programme (although with a less strong focus on young people) and is available to some additional vulnerable groups, in particular minimum-income recipients, long-term labour-market inactive individuals, as well as workers above 45 years of age. Among companies eligible for hiring unemployed on this scheme were companies that had started a special recovery process under the Insolvency and Business Recovery legal code and companies that had started proceedings under the Business Recovery extrajudicial system. The maximum duration of the subsidy was 12 months.[9] Employers recruiting under this programme are required to provide new staff members with adequate vocational training of at least 50 hours. Allocating the financial support within this programme was subject to a net job creation requirement. The number of participants

[9]. Depending on the condition of the participant and on the type of contract that was offered (permanent or fixed-term), financial support could be as follows: 80% of the social support index multiplied by the total number of months of the fixed-term work contract, not exceeding 80% of the social support index multiplied by 6; 110% of the social support index multiplied by 12; 100% of the social support index multiplied by half of the total number of months of the fixed-term contract, not exceeding 6 multiplied by the social support index.

increased from 24 500 in 2013 to 58 200 in 2015. The programme was stopped as there was evidence that participants were often not employed after the termination of the internship programmes, with employers preferring to hire new cohorts of staff eligible to the subsidy and circumventing the net job creation requirement.[10]

62. A new employment incentive programme, set up in 2017, introduces a *bonus* to convert subsidised temporary to permanent contracts. This new programme targets long-term unemployed. It involved wage subsidies for a duration of 24 months. Eligibility is linked to net job creation (over the past 12 months). The last payment of the subsidy is conditional on maintaining the worker in employment. Government estimates indicate a budget of EUR 60 million for a total of 15 000 supported jobs.

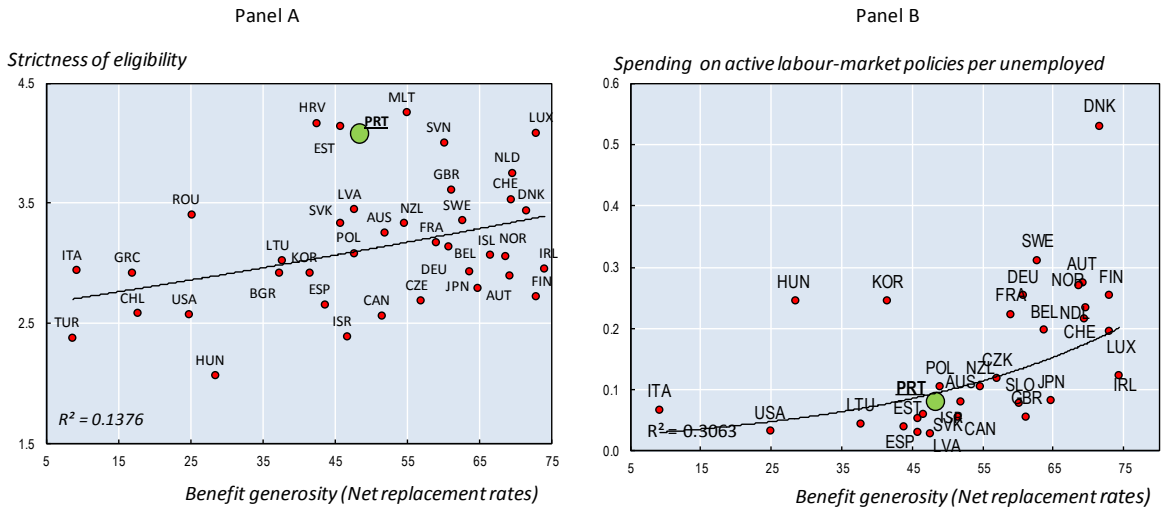
63. Programmes for socially useful work (*Contrato Emprego-Inserção and Contrato Emprego-Inserção+*) are in place since 2009. These programmes can last up to 12 months and were initially aimed at the unemployed: with disabilities, aged 55+, who are ex-convicts, or who have been out of a job for more than a year (i.e. the long-term unemployed). There are two types of contract: the *Contrato Emprego-Inserção* is aimed at those who are in receipt of unemployment benefits; and the *Contrato Emprego-Inserção+* is aimed at those receiving the guaranteed minimum income benefit RSI. Those in receipt of unemployment insurance receive a top-up equivalent to 20% of their unemployment benefits, while those in receipt of unemployment assistance receive a top-up equivalent to 20% of the social support index. In both these cases, and for private, not-for-profit organisations, the PES would cover 50% of these costs. During the crisis, a few small changes were introduced to these programmes, primarily aimed at widening access to them, including since 2010 unemployed individuals whose income is equal or less than the minimum wage and since 2014 those aged 45+ (as opposed to 55+). In 2014, the *Contrato Emprego-Inserção+* is extended to those who do not receive either unemployment or guaranteed minimum income benefits, and who fulfil one of the following conditions: are long-term unemployed; or live in a workless household. (OECD 2017a)

64. **Activation and employment supports** are best seen as a package of policy tools, including financial incentives, obligations of jobseekers, and programmes that address specific employment barriers on the supply and demand side. To characterise countries' overall activation stance, it is useful to examine how they differ in terms of the balance of these different measures. Figure 16 contains two scatter plots of indicators presented earlier in this section. In 2014, Portugal had particularly strict legislation on benefit eligibility when compared with counties that show comparable benefit generosity (e.g., Latvia, Poland, Slovak Republic and Spain). However, whether the relative strict eligibility criteria are effective at countering any unintended negative work incentives of benefit entitlements depends crucially on whether the PES is in a position to monitor and enforce them on the ground and to provide at the same time intensive individualised guidance and can offer participation in labour market programmes. For those receiving unemployment benefits, the balance between benefit generosity and resources spent on active support is broadly in line with policy configurations in other countries (Panel B, where Portugal is located close to the regression line). But as pointed out above, spending

[10]. The net job creation requirement referred to the date of application of the new hire for whom a subsidy is granted. Net job creation was achieved when the total number of workers (the existing plus the new hired subsidised worker) was higher than the lowest average number of the workers registered in the 6 or 12 months prior to the application. This verification was done by the technician by consulting the social security database.

on PES is very low by international standards, and this can limit the ability of caseworkers to effectively target and tailor ALMPs to those who need them.

Figure 16. Balance between different activation policy measures



Note: For the strictness of eligibility criteria see note of figure 9. Spending on active labour-market policies includes: PES, training, employment incentives, disabled, direct job creation, and start-up incentives. Spending is per ILO unemployed and defined in % of GDP per capita. Net replacement rates are for a prime-age worker (aged 40) with a "long" and uninterrupted employment record and are averages over 60 months, four different stylised family types (single and one-earner couples, with and without children) and two earnings levels (67% and 100% of average full-time wage). Households can receive social assistance and housing-related benefits depending on eligibility.
Source: OECD tax-benefit models, OECD LMP database and Langenbucher (2015).

3.3. Partnerships and inter-institutional cooperation

65. Some elements of PES services are outsourced to a wide range of non-governmental organisations (NGOs), private training institutions or public entities for vocational training and labour market integration. For instance, for supporting adult unemployed jobseekers in their labour market integration a network of 400 licenced Offices for Professional Insertion is in place at a municipality level. .[11] Few of these licensed Offices have some specialisations (e.g. for people with disabilities, migrants). However, payments to these service providers are currently based neither on outcomes nor on jobseekers' characteristics.

66. The Institute for Social Security (ISS), which is managing the minimum-income programme RSI, is supposed to work in cooperation with IEFP and data should be exchanged between the two entities at the municipal level. However, according to interviews with relevant local actors, local social services and the PES, cooperation is not free of problems. Effectiveness and fluidity of information exchange appears constrained by scarce resources at the PES. Further, the integration of information systems is not sufficiently developed. No evaluation studies regarding the effectiveness of this cooperation were identified (Perista and Baptista 2015). RSI recipients represented some

[11]. In addition, the PES has partnerships with training institutions.

14% of the combined unemployment and social assistance benefit recipient stock (see Figure 7), but only around 7% of ALMP participants (IEFP data).

67. The project "One stop shop for employment" (*Balcão Único do Emprego*), currently under development by the Ministry of Labour, Solidarity and Social security within the national programme for simplification of public administration (SIMPLEX+), is intended as a step forward towards greater digitalisation and co-ordination of public services (OECD, 2017b). The initiative develops online services in order to facilitate PES/user interactions and to minimise the need to travel to the PES offices. Relevant applications are concentrated into a single online platform where both candidates and employers can handle relevant employment-related issues. A dedicated back-office support service staffed by technical specialists (from different public institutions or already using a network of privileged contacts) shall be available with full access to information coming from various databases. It is also planned to extend the range of services and institutions represented on this platform, such as those relating to employment and vocational training, education and qualification, social security, labour inspection, labour relations as well as foreigners and border services are engaged.

68. The National Qualification Agency ANQEP (*Agência Nacional para a Qualificação e o Ensino Profissional*), created in 2011 to improve cooperation and coordination across Employment and Education portfolios, operates under the Ministry of Labour, Solidarity, and Social Security and the Ministry of Education. ANQEP coordinates the different pathways leading to post-secondary vocational qualification, including professional schools[12] and technological schools.[13] There seems to be a competition between these school types. The IEFP apprenticeship scheme often commence in March / April as well as in September / October. There is the assumption that children from poor families might be attracted by this scheme, implying that they leave school early. For adults there is the possibility to obtain a vocational qualification through RVCC, certified modular training (CMF) and Adult education and training courses (EFA). These different pathways are based on a unified national catalogue of qualifications. One of the key recommendations of OECD (2017b) is to consolidate the two VET systems into a single dual VET with strong workplace training and perform a thorough audit of all vocational training programmes.

3.4. Policy challenges

69. This sub-section highlights groups with relatively low employment rates in Portugal, and discusses areas where policies could be reinforced. It also summarises selected recent policy reforms intended to increase employment among these groups.

[12]. Professional schools were set-up in 1999. They target low-educated youth (including early school leavers). The training consists of a class-room based and a practical part (provided at schools). About 30 000 young people were enrolled yearly. With the New Opportunities Initiative (2005-2010/11), vocational / professional courses have been offered at secondary schools (at professional schools as well as within upper secondary school.

[13]. There is also the possibility to complete upper secondary and then to enrol in a technical school ("cursos tecnologicos") (1 to 2 years of schooling). These courses are designed in a dual way. There is a high demand for this type of courses and employability is high. However, these courses do not seem to be very attractive for young people. It seems that upper secondary VET has a bad reputation among young people (mission to Portugal).

Designing and implementing effective skills policies

70. Low education level is a challenge that is common to unemployed youth and adults. The composition of ALMP participants varies with regard to their educational level, with lower participation among the low-educated (Table 5).

Table 5. Education levels of ALMP participants

In 2015.

	Below first cycle of primary education	First cycle of primary education	Second cycle of primary education	Third cycle of primary education	Secondary education	Higher education	Total
Employment measures	2%	10%	10%	19%	28%	31%	100%
Training measures young people	0%	0%	1%	95%	4%	0%	100%
Training measures adults	3%	11%	15%	28%	29%	15%	100%
Vocational rehabilitation	7%	12%	20%	38%	17%	6%	100%

Source: data provided by IEFP.

71. Among OECD countries, Portugal has achieved the second highest increase in education attainment between generations: while only 23% of those aged 55 to 64 attained at least upper secondary education, this rate jumps to 65% among 25-34 years old (OECD, 2017b). This achievement, has, however, not been without conflict between the younger generation who went through the usual upper secondary vocational education and the older cohorts who went through upskilling programmes. Another line of conflict arose between different pathways of young people to achieve upper secondary vocational education. Finally, there remains a mismatch between the supply and demand of specific VET and higher education courses, with skills mismatch as well as a low skills level continuing to represent major employment barriers. Some of the adult education pathways have suffered a bad reputation due to an assumed substitution effect of employment between generations. Nevertheless, evaluations have shown a positive link between upskilling adults and increasing the educational level of younger generations, as the school pathways and learning successes of children and young people are likely to depend on interest and skills of parents.

72. The difficulties in skills governance were acknowledged by the authorities during the last decade, resulting in numerous government initiatives, including the creation of a national agency to supervise all adult education and vocational education and training programmes, ANQEP (*Agência Nacional para a Qualificação e o Ensino Profissional*). These efforts have been reinforced in 2016, by establishing a national system of credits in all vocational education and training courses, the *Qualifica Passport* (see above) and the reactivation of the National Council for vocational education and training (*Conselho Nacional para a Formação Profissional*) (OECD, 2017b). Nonetheless, responsibilities for both the governance of the VET system and VET provision still span two ministries.

73. A skills anticipation system based on local skill needs is in place. Since the 1990s the Ministries of Education and Labour carried out a series of skills anticipation studies, including sectoral studies. Up to 2006 an innovative institute, with involvement of relevant stakeholders, was tasked with skills anticipation. It conducted about 45 studies, as well as in-depth analysis of sectors, partly based on scenario techniques. However, the results were not fully translated into the training policies. Now there are 16 Sector Council for qualification providing feedback and updates on skills anticipation to ANQEP. Since 2014, new efforts are underway to undertake skills anticipation exercises

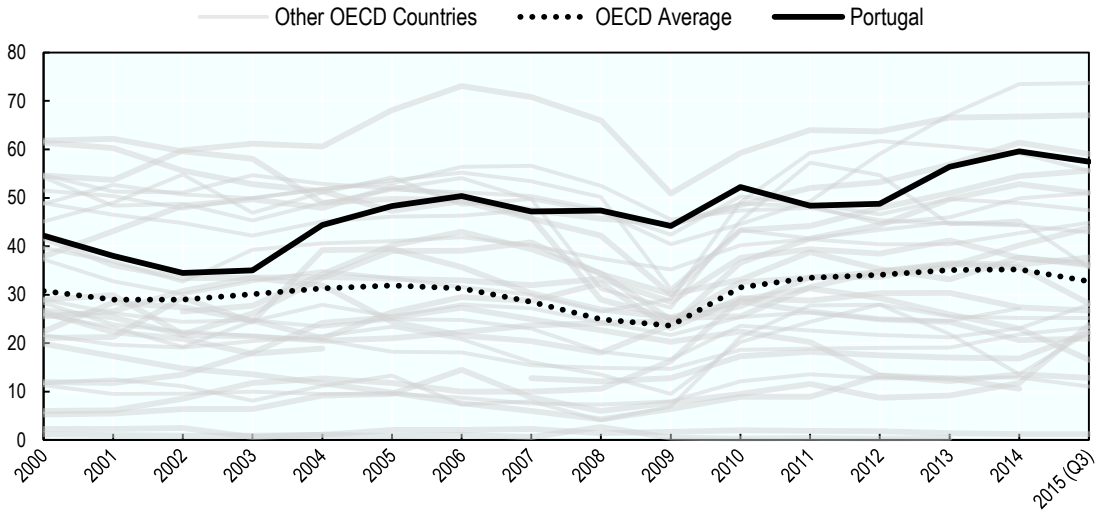
at local level. For PES training, the training needs identification has been carried out since many years at local level within the services proposal of an annual training plan. This identification of training needs is based on the analysis of the labour market, the inputs of territorially based partnerships and on the profile of the unemployed registered in PES.

Long-term unemployment

74. In 2015, 57% of the unemployed had been out of a job for a year or more. While this is partly a legacy of the crisis, much of the challenge appears structural as long-term unemployment incidence was already very high (47%) in 2007 (Figure 17). Part of the rise in long-term unemployment reflects a composition effect, as those who have been unemployed for short periods are most likely to be exiting unemployment as the recovery kicks in. But long-term unemployment is also self-sustaining: the longer someone has been out of work, the harder it becomes to successfully transition back into employment. This raises the risk of a further increase in structural unemployment – and there is some indication that this may already have occurred in Portugal (OECD, 2017a). An additional concern is that the rise in long-term joblessness has affected some groups more than others: at the end of 2013, two thirds of the low-skilled unemployed had been out of a job for a year or over – which points to the importance of maintaining, adapting, and improving skills of jobseekers.

Figure 17. The incidence of long-term unemployment, 2000 to Q3 2015

Proportion of the unemployed who have been out of a job for one year or over



Source: OECD Employment Database.

75. In 2015, about 72% of ALMP participants were unemployed for less than 12 months, 16% had been unemployed for 12-23 months, and 12% were unemployed for more than 2 years. It is indeed important that unemployed are activated at an early stage. However, the incidence of long-term unemployment among ALMP participants in Portugal points to risks of leaving the long-term unemployed behind.

76. Targeting of support to long-term unemployed was somewhat better for the internship programme, the employment stimulus programme as well as the programme

for socially useful work '*Contracts Employment-Insertion*' (CEI) which are designed for long-term unemployed (see Section 3). The long-term unemployed who are in receipt of an unemployment benefit may be integrated in the CEI. Long-term unemployed not receiving an unemployment benefit, including RSI recipients, can take part in the 'Contracts Employment-Insertion+' (CEI+) (see Section 3). However, in late November 2014 a complaint presented by the major Portuguese trade union (CGTP-IN) claimed that the measures were being used by public entities to replace regular jobs in the public administration (Perista and Baptista, 2015). The Ombudsman urged the Ministry of Solidarity, Employment and Social Security to undertake an evaluation of the measures with respect to its impact on employment. The Ministry of Labour, Solidarity and Social Security carried out a preliminary assessment of active labour market policies. The report was presented to the social partners.

Box 2. Approaches for supporting long-term unemployed support in Europe

The complexity of problems facing long-term unemployed may call for combining specific expertise in order to provide adequate services. Examples from international experiences are the Job Centres in Denmark, which work with teams of counsellors specialised in working with the long-term jobless and supporting either unskilled individuals or university graduates. In Austria, the PES office in Vienna has specific counsellors in charge of supporting long-term unemployed persons with a mental or physical handicap. In Bulgaria, in addition to "generalist" PES counsellors, some specialised counsellors are in charge of supporting unemployed individuals of Roma origin and encouraging inactive Roma to register with the PES. A number of further countries (e.g. France, Croatia, Germany, Austria and Denmark) have specific advisors dealing with youth unemployed, including those with long out-of-work spells (European Commission, 2014).

High rates of youth unemployment

77. In the third quarter of 2015, Portugal had the 4th highest youth unemployment rate in the OECD, after Spain, Greece and Italy. One out of six young adults aged 15-24 is neither in a job, nor preparing for employment, the so-called "NEETs". They have been in the focus of activation policies for many years (see for details Section 4).

78. In addition to its business cycle component, higher youth unemployment is also a result from lengthy pathways from school to stable employment. Further, there are still inefficiencies in matching supply and demand of skills. Interlocutors during the country dialogue mission reported that this seems to be the case both at upper secondary education and training as well as at tertiary level. In addition, early school leaving lead to a higher risk of unemployment.

79. The disproportionate increase in youth unemployment during the recession also occurred in some other OECD countries, particularly those where – like in Portugal – there are large gaps in the scope of employment protection legislation between temporary and permanent contracts. In those countries, youth are often hired on temporary contracts, with little hope of moving to a permanent position. When a recession hits, they are therefore especially likely to lose their job (OECD, 2017a). While formal employment protection rules have been significantly reformed between 2011 and 2014, legislation remains relatively strict by international standards for Portuguese workers on permanent contracts (see below).

Labour market segmentation and persistent incentives to hire on temporary contracts

80. The Portuguese labour market is characterised by a high degree of segmentation. In 2015, 22% of workers in dependent employment had a temporary contract, compared to just 11% across the OECD on average (Figure 18). The incidence of temporary employment is higher still for certain groups, like young people (67%). While temporary employment in itself is not necessarily bad, excessive use of such types of contracts can have an adverse impact on labour market outcomes. In particular, workers on temporary contracts often face a higher degree of job insecurity than employees on regular contracts, and firms may invest less in non-regular workers, for example regarding training, which in turn may depress productivity growth (OECD, 2014b, OECD, 2015).

81. The large share of temporary employment is consistent with the sizeable gap in employment protection legislation between permanent and temporary contracts. Sizeable labour market reforms in recent years have sought to reduce this gap. For example, severance pay on new permanent contracts is now lower than on temporary contracts, and there is some evidence that this may have incentivised hiring on permanent contracts (OECD, 2017a). Despite this, a large proportion of the employment growth between 2013 and 2015 has been on temporary contracts and despite these reforms, Portugal's EPL for permanent workers remains one of the most stringent in the OECD (Figure 19). The Portuguese EPL reforms rank among the most substantial of those implemented by OECD countries in recent years. The evolution of the OECD indicators of EPL shows a decrease in the strictness of EPL concerning dismissals while the strictness of temporary contracts was reduced slightly between 2008 and 2013 (OECD 2017a). Collective dismissals are less stringent in Portugal than on OECD average. However, *de facto*, EPL may be less strict, as there is a lot of anecdotal evidence that SMEs have always found ways to bypass strict EPL, e.g. closing down some activities and setting up new entities.

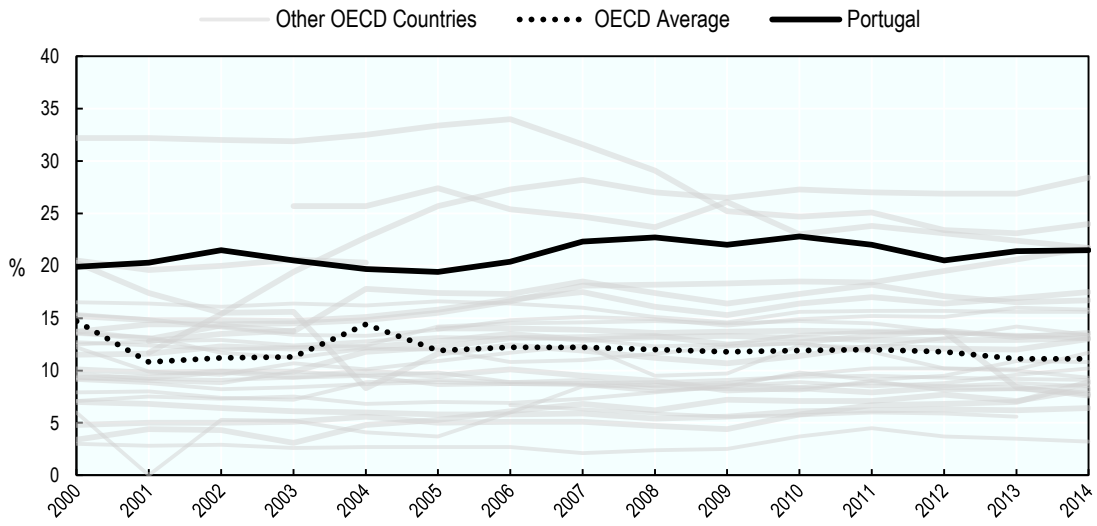
82. Nevertheless, the temporary extension of the duration of fixed-term contracts as a crisis-related measure made supported temporary contracts feasible for a larger share of workers. And downward nominal wage rigidity in a context of low inflation suggests that temporary contracts will remain a key source of flexibility.

83. The current government seeks to promote the stabilisation of employment pathways and to promote permanent employment (see also a new design of hiring incentives above). Experts met during the mission have found that segmentation has augmented between protected skilled prime-age workers on the one hand, and unskilled and older workers as well as young people entering the labour market and informal employment on the other. While long pathways into stable employment for young people may be more common in countries with strict EPL, a specific feature in Portugal is that the young generation, in instable employment conditions, has a much educational level than the more protected prime age and older population.

84. Other policy factors also affect the employment stability of low-skilled workers, many of them on temporary contracts. They include the level of employer taxes and social security contributions for minimum-wage workers, which is higher than in most other OECD countries. While significant labour-cost reductions are available for job starters and some other groups, the intended increase of the minimum wage to EUR 600 by 2019 underlines the importance of targeting these measures effectively to avoid dis-employment effects among low-skilled workers.

Figure 18. Incidence of temporary employment

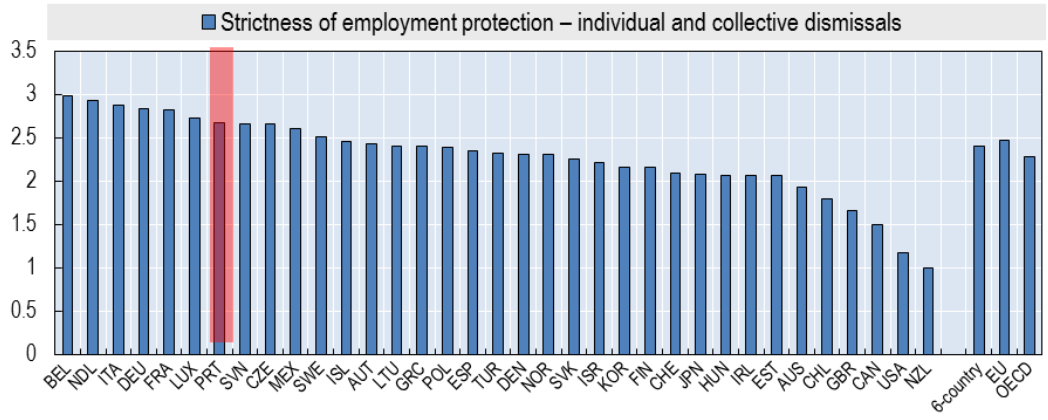
Temporary employment as a share of all dependent employment, 2000-2014



Source: OECD Employment Database.

Figure 19. Strictness of employment protection legislation

Individual and collective dismissals (regular contracts), 2013



Source: OECD Employment Protection Legislation database.

4. Overcoming employment barriers: Policy challenges and priorities for selected groups

85. The remainder of this paper focuses on the policy settings relevant for three of the nine groups identified by the statistical clustering analysis and examines whether the policies are well suited for addressing the main employment barriers that group members face. The groups selected for this illustration are as follows. The selection reflects discussions with national authorities and with the European Commission on contemporary policy debates, and on the expected added value that the analysis is expected to provide in this context:

- **Group A** - "Prime-age long-term unemployed with low education and scarce job opportunities" (20% of the target population).
- **Group B** - "Long-term unemployed youth without any past work experience and with scarce job opportunities" (9% of the target population).
- **Group C** - "Youth with unstable employment, some recent work experience and often with insufficient skills" (6% of the target population).

86. Most individuals in all of these groups are actively looking for work and their education levels are often low. The groups differ in terms of age, past work experience and opportunities. The first group comprises prime-age unemployed, who face a lack of job opportunities, but who benefit from past work experience. The second and third groups include individuals who are significantly younger. Individuals in the second group have *no* past work experience at all and face scarce job opportunities. Individuals in the third group have a *limited* work experience, but their characteristics mean that they tend to have better job opportunities than the other two groups, and a significant share of them have in fact worked during part of the past year.

87. The next three sub-sections describe the main employment barriers faced by each of these three groups and the policy settings and supports that are relevant for them. Each section begins with a box containing a Venn diagram showing extent and degree of overlap of the main barriers characterising the group, as well as other important individual and household characteristics that are common for the group. Together, this information can help in attaching labels ("*faces*") to groups, although labels are necessarily arbitrary to some extent. Complementing this summary narrative, Table A1.2 in Annex 1 reports a comprehensive list of individual and household characteristics for each of the groups.

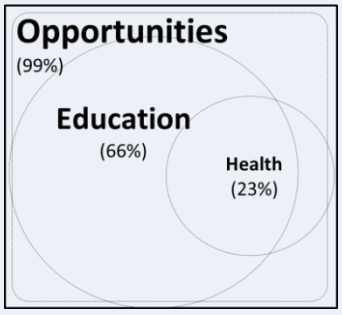
4.1. Prime-age long-term unemployed with low education and scarce job opportunities (Group A)

88. This group is 43 years old on average and was unemployed during most of the 2013 reference period. Only 14% of them found a job by the time of the interview while 82% were still actively looking for work. The most common employment barrier faced by this group is an overall lack of job opportunities which is related to the low level of work-

related capabilities characterising this group. 66% have very low education (41% have completed primary education only, and 25% have a lower secondary degree) and their past occupation was often at "low" skills levels, typically as craft/machine operators (35%) or clerks (30%). 23% also face health limitations. As in all EU countries except Greece, the risk of long-term unemployment was highest among the low-skilled and lowest among the high-skilled. In 2013, the long-term unemployment rate for 25-64 years old was 10.8% among the low-skilled, 8.7% among those with an intermediary skills level and 5.6% among the low-skilled. The low-skilled represented two-thirds of all long-term unemployed adults and the share of long-term unemployed among low skilled unemployed was 57% (Düll et al., 2016).

89. On average, members of this group face 2.4 simultaneous employment barriers (see Policy Analysis Note and Box 3). They tend to have dependent children and half of them live in a household with no other working adult. As a result, members of this group are often income-poor: 42% live in households in the bottom income quintile, 41% are at risk of poverty, 42% face material deprivation, and around 20% are *severely* deprived. 45% received unemployment benefits (EUR 6204/year on average) and 31% family benefits (EUR 906/year).

Box 3. Group A: "Prime-age long-term unemployed with low education and scarce job opportunities"

Main employment barriers	Selected characteristics	% of th Target Pop.
	43 years old (average) Unemployed Length of unemployment spell: 12+ months (average) 21 years of paid work (average) 10.9 years of schooling (average) Average equivalised disposable income: EUR 6867 (2nd quintile) 2.4 simultaneous employment obstacles (average)	

Income support

90. Income support for the long-term unemployed is available for up to 540 days, but its level is comparatively low (Figure 20).

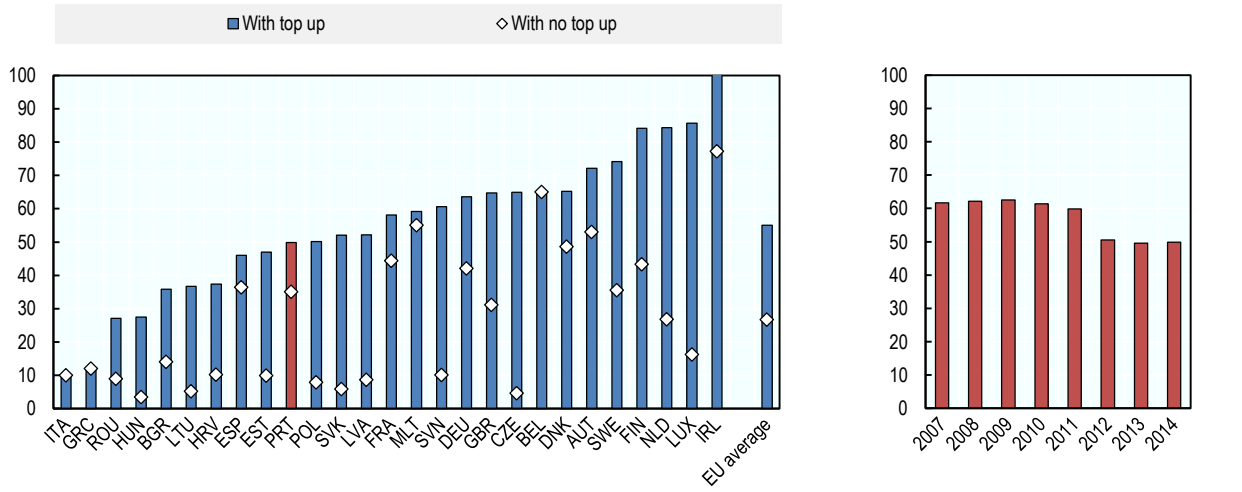
91. Over the past years, Portugal has implemented several reforms to reduce the generosity of unemployment insurance, in particular by reducing the cap and making it decreasing over time and shortening its duration. Early evidence on the impact of lowering of the cap and the introduction of the declining replacement rate, shows no statistically significant impact on exiting unemployment (OECD 2017a). The relatively generous benefits duration may have contributed to the increase in long-term unemployment in the past, in particular for those of prime-age. Related to such concerns,

the maximum duration was shortened in 2012 from the second unemployment spell onwards. To counteract hardships, recent reforms were also implemented to the unemployment assistance scheme. In the case of individuals aged 40 or over, the duration of unemployment assistance was increased from the second unemployment spell onwards.

Figure 20. Net replacement rate for long-term unemployed

Single person, 67% of average wage, after 5 years of unemployment.

By country, 2014 | In Portugal, 2007-2015, including top-ups



Source: OECD Tax-Benefits model - http://www.oecd.org/social/benefits-and-wages.htm

Public employment service

92. There are margins to facilitate closer or more regular links between jobseekers and the Public Employment Service. According to LFS data, in 2013, about 40% of individuals resembling those in Group A (prime-age long-term unemployed with low education and scarce job opportunities) had contacted the PES to find work (Figure 21, Panel A). This is a figure much lower than in many other countries. Only 4% of individuals with a profile similar to those in Group A benefitted from training – this is somewhat higher than the EU average but well below that of the best performers (Figure 21, Panel B).

93. In 2012, the government launched a broad initiative to modernise the PES, including two measures with considerable relevance for Group A or those at risk of becoming long-term unemployed:

- A strengthening of activation through referrals to active labour market measures for two target groups was at the centre of a job centre methodology called *Convocatórias*. The two target groups included jobseekers aged 45 years and above as well as unemployed for six years and longer, eligible for unemployment benefit. These groups had to meet with their caseworkers at the Public Employment Service, while for other groups this was less systematic and may not take place. Although, in general registered unemployed had to show-up fortnightly (this obligation has recently been removed, see Section 3), and

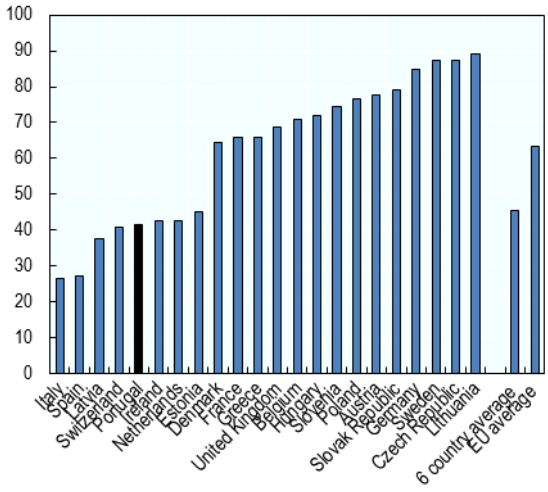
sanctioning rules are theoretically strict if jobseekers reduce to take-up referrals to ALMP and job offers, implementation was weak. In the context of implementing this method caseworkers decided after the mandatory meeting with jobseekers from the two target groups on the basis of individual assessments, including further monitoring of job-search efforts, to refer the unemployed to a specific ALMP, including counselling, internships, hiring subsidies, training, or public works, or to a job interview in case good matches were found with available vacancies. Further, individual employment plans were updated if needed. Martins et al (2014) assessed the impact of this measure on re-employment of those aged 44 years or less who were unemployed for six months or more, as compared with those unemployed for less than six months. This methodology has been found to double the next-month reemployment probability of those who had been unemployed for at least six months. Another interesting result of this evaluation study is that this methodology did not negatively impact on the reemployment probabilities of those not eligible for unemployment benefits, indicating that no substitution with this group was taking place (Martins et al. 2014). Between 2012 and 2016, around 70% of unemployed covered by the implementation of this methodology were younger than 45 years (according to data provided by IEFP).

- Other elements of the initiative include an upgraded vacancy-registration tool, disseminated via social media, and integrated with the online vacancy database (*Portal Net Emprego*), in order to strengthen the role of the PES in job broking There are also plans to co-operate more closely with other stakeholders (temporary work agencies, private employment agencies, employer associations, Offices for Professional Insertion – *Gabinetes de Inserção Profissional*) to better capture existing job vacancies. Options for electronic registration are being improved as well, including the possibility for the PES to upload individual action plans.

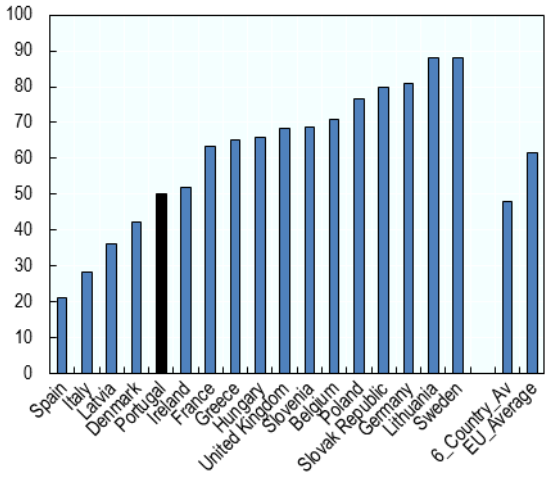
Figure 21. The role of Public Employment Service in job finding and access to lifelong learning: Group A

Share of prime-age long-term unemployed with low education, 2014

PANEL A – Contact with the Public Employment Service



PANEL B - Participation to lifelong learning



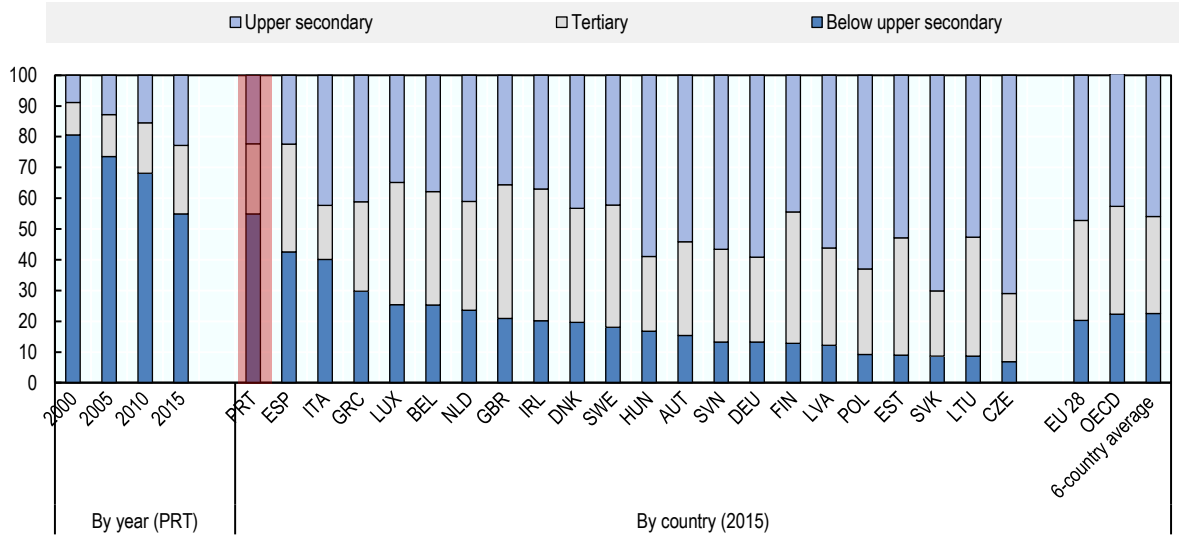
Source: Calculations based on EU-LFS

Training, upskilling and second-chance education

94. In comparison to other European countries, the average skills of Portuguese citizens are still low, despite recent improvements. 45% of the working age population have attained an upper secondary education, the lowest rate in the EU (Figure 22). This is a well-identified policy-challenge in Portugal. Impressive improvements in educational attainment of new generations have been achieved, but as discussed above, the legacy of lower-educated cohorts means that education levels for the working-age population as a whole still lag behind most OECD countries.

Figure 22. Low, but improving education levels in Portugal

Adult education level, % of 25-64 year-old, 2015 or as indicated



Source: Education at a glance: Educational attainment and labour-force status

95. Upskilling adults has been a central ambition of labour market policy for many years, starting in the early 2000s and reinforced with the introduction of the New Opportunities programme in 2005 (see Section 3). Opportunities for validating and certifying existing competences were linked to upskilling and education measures and modular courses were tailored to different levels of education and non-formally acquired skills. Adult Education and Training Courses (*Cursos de Educação e Formação de Adultos*) sought to offer content equivalent to school grades 9 to 12. Enrolment objectives for 2010 were 42 000 at grade 9 and 65 000 grade 12. These objectives were surpassed with actual enrolment by December 2010 at more than 167 500 and the number of participants surpassed the objective at the two grades (UNESCO et al. 2011). In 2015, about 28% of the 41 300 participants in the Adult Education and Training Courses were aged 35-44, 12% were aged 45-49, and 20% were 50 and older. In 2013, the share of 25-34 years old (31%) as well as the share of 35-44 (30%) was slightly higher. The share of 34-44 years old participants in modular training courses (*Formação Modular – Ativos empregados*), which are targeted at employees and can be regarded as a preventive measure, amounted to 31% and the 44-49 years old represented 14%.

Table 6 suggests that overall adult education courses are reasonably well targeted at unemployed and workers with low education levels, with the notable exception of those with the lowest educational level. Participants with an education level below the secondary level represent more than half of the participants. However, data of participants by duration of unemployment shows that those who are unemployed for less than twelve months are more likely to participate than long-term unemployed. In summary, training measures that successfully target prime-age low-skilled and long-term unemployed remain in relatively short supply.

Table 6. Participants in adult education by programme and educational level in 2015

	Total number of participants	Below first cycle of primary education	First cycle of primary education	Second cycle of primary education	Third cycle of primary education	Secondary education	Higher education
Adult education	306 031	3%	11%	15%	28%	29%	15%
Adult education and training Cursos de Educação e Formação para Adultos	41 285	4%	12%	29%	38%	15%	1%
Modular Training Formação Modular - Ativos empregados	51 241	0%	8%	12%	29%	32%	19%
Active Life Vida Ativa- Emprego Qualificado - Gestão Direta	184 167	1%	11%	13%	27%	32%	17%
Active Life Vida Ativa - Emprego Qualificado - Entidades Externas	20 476	0%	6%	10%	29%	36%	19%
Education for inclusion Formação para a Inclusão	6 719	64%	35%	1%	0%	0%	0%

Source: data provided by IEFP

Employment incentives

96. In 2015, there were about 64 700 participants in the programme for socially useful work for the long-term unemployed (CEI and CEI+, see Section 3). 27% of participants were aged 35 to 44 years, 17% were aged 45 to 49 years and 33% were between 45 and 49 years old.

97. The long-term unemployed are also specifically targeted by the *Reativar* measure introduced in 2015 and consisting of six-month traineeships. In 2015, about 1 000 people participated, of whom 47% were aged 35-44 years, 15% were aged 45 to 49 and 16% were 50 years old and above (for those aged 45 or above, PES co-payments to traineeship providers rise by 15%). The number of overall participants doubled in 2016, but the programme remains small. Most participants had either secondary or higher education (Table 7).

98. The employment stimulus programme *Estímulo Emprego* in place until the end of 2016, provided financial support to employers offering registered unemployed people permanent or fixed-term work contracts lasting at least 6 month work contracts (see Section 3). It was focused on 25-34 years old, who represented 35% of participants in 2015. About 22% were aged 35 to 44, and 10% were 45-49 years old. This programme was *de facto* better targeted at those with a lower educational level than the above mentioned programme *Reativar*, as the structure of participants by educational level shows (Table 7).

Table 7. Participants in targeted employment incentive programmes by education level in 2015

	Total number of participants	Below first cycle of primary education	First cycle of primary education	Second cycle of primary education	Third cycle of primary education	Secondary education	Higher education
Reativar	1 087	0%	1%	3%	21%	34%	39%
Programme for socially useful work CEI / CEI+	64 744	5%	22%	18%	25%	21%	8%
Estimulo Emprego	58 163	0%	7%	10%	23%	32%	27%

Source: data provided by IEFP

99. In January 2017, it was replaced by the "*Contrato-Emprego*". The new measure is focused on the promotion of hiring on open-ended contracts, while restricting support for temporary contracts to specific cases such as the long-term unemployed. Permanent contracts are also promoted through an increasing difference in the benefits granted for each type of contract. Further, in order to reinforce the effectiveness of the scheme, the reimbursement period of the support was extended: the last payment of the total amount of the financial support is now made 24 months after the beginning of the open-ended contract. This is meant to promote longer and more sustainable integrations into the labour market. To promote effective job creation after the end of the hiring subsidy, in the case of fixed-term contracts, there is a bonus awarded for the conversion to permanent contracts. The programme *Contrato-Emprego* is expected to create about 15 000 jobs in 2017, with an overall budget of EUR 57 million.[14]

100. For professional traineeships, an award for the transitions from traineeship contract to open-ended contract was created, requiring the maintenance of the employment level obligation. The payment of the conversion award is made 13 months after the open-ended contract starts. Monitoring mechanisms were introduced, in order to prevent eventual abusive uses of the measure. Further, similar to changes introduced in the hiring support scheme, professional traineeships are now subject to a tender period. The ranking of applications considers the employability outcomes of prior supports granted to the applicant employer, among other factors, as an incentive to good practices. The new scheme further values qualification efforts of trainees, by increasing the value of the internship grant for trainees with masters and doctorates.[15]

101. Hiring subsidies targeted at low-skilled workers include the *Estímulo 2012* and *Apoio à Contratação via Reembolso da TSU*. Both were introduced in 2012, revised in 2013, and eventually merged into one single programme (*Estímulo Emprego*) in 2014. While these programmes have been focused primarily on youth, the low-skilled and the long-term unemployed, their coverage has changed and broadened over time.

102. Employment incentives include the reimbursement of full or parts of the employers' social security contributions (*Apoios à Contratação via Reembolso da TSU*). Regulations of the year 2013 make this support possible for fixed-term and permanent employment, full-time or part-time, but with a minimum length of contract of six months. Target groups are young people between 18 and 30 years, unemployed aged 45 or above, as well as prime-aged unemployed aged between 31 and 44 years in a vulnerable situation, e.g. due to their low educational level, being single parent or the spouse of an

[14] . Portaria n.º 34/2017, de 18 de janeiro

[15] . Portaria n.º 131/2017, de 7 de abril

unemployed. They represented 5% of all hiring incentives in 2015 (which is a significant decrease as compared to 16% in 2016). OECD (2017a) carried out an assessment of the impact of hiring subsidies in general in Portugal, using a propensity score matching approach on the basis of administrative data, showing that the outcomes in terms of employment after 6 months after terminating the measure was largely above those in the control group. The gap narrowed over time, but was still large after 24 months.

103. A differentiation of reduction rates by contract type is under discussion. The discussed reform plans aim to render have a higher reimbursement rate for permanent contracts than for fixed-term contracts, in order to set incentives for hiring on fixed-term contracts. Some concrete reforms are now being proposed with reductions for young people amounting to 50% and being available for five years. The duration would be three years for long-term unemployed, while very-long-term unemployed as well as older workers over the age of 45 would qualify for a 100% reduction over a period of three years when hired on a permanent contract. Further, the portability of social security contribution reductions is currently discussed, with the aim to increase mobility between (subsidised) jobs.

Health policy

104. One quarter of Group A report poor health conditions that limit their ability to work. While the health status of prime-age working adults is good overall, the picture is different for the out-of-work individuals. According to Eurostat, 4% of the 45-54 year old in employment report long-standing health limitations, while it is the case of 7.5% of the unemployed and 16% of the inactive in the same age group (Figure 23). The Eurofound Survey on Working Conditions also concludes that 19% of the unemployed and inactive aged 35-49 report severe health problems, against less than 4% of employees.

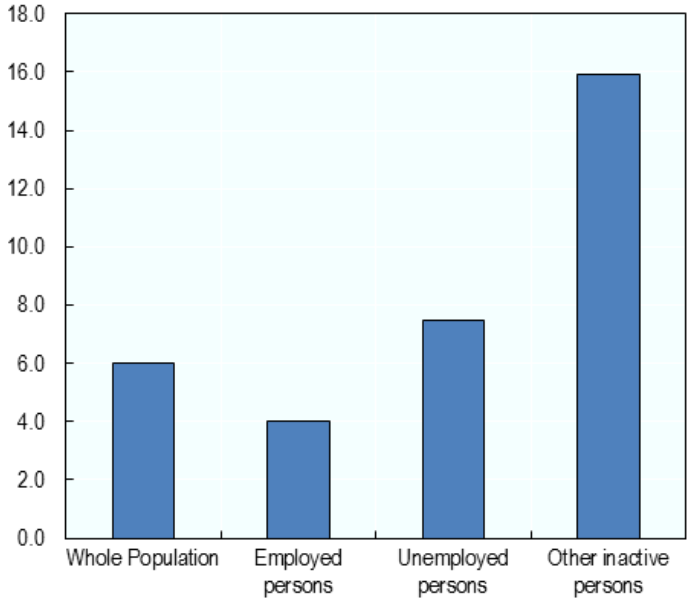
105. Health and work are interrelated in many ways: health problems can reduce labour market participation and income, and conversely, bad employment conditions or unemployment can negatively affect physical and mental health (OECD, 2016c). Expenditure data for disability benefits and paid sick leave illustrate the substantial immediate fiscal burden related to ill-health. Combined public and mandatory private expenditure on disability benefits and paid sick leave represented, respectively, 1.6% and 0.6% of GDP in Portugal in 2013, compared to 1.2% and 0.8% on average across EU countries (Figure 24). This pattern with above- average spending on disability benefits and below- average sickness benefits may suggest scope for rebalancing expenditures from disability benefits towards measures aimed at maintaining or restoring work capacity of those with temporary health-related absences from work. The share of budget spent on vocational rehabilitation measures are low (1.6% of budget spent by IEFP on ALMPs in 2015). The number of participants amounted to 10 300 in 2015, including 3 000 participants in guidance and diagnostic measures, and had more than doubled since 2013. For instance, evidence for a number of OECD countries point to positive effects of return-to-work programmes and flexibility/adjustments that allow those affected by sickness or disability to continue their usual activities as much as possible and at an early stage (Waddell and Burton, 2004, OECD 2010).

106. Costly health care can discourage effective prevention, in particular among low-income groups. In Portugal, out-of-pocket expenditures are comparatively high (27% of total health expenditure, as opposed to 17% in the EU on average, source: OECD Health Statistics database). As a result, those with limited incomes may be reluctant to seek

treatment for health conditions when they first arise, causing greater risks for more significant and harder-to-address problems later on.

Figure 23. Self-perceived severe long-standing limitations in usual activities due to health problem in Portugal

Population aged 45-54, 2015

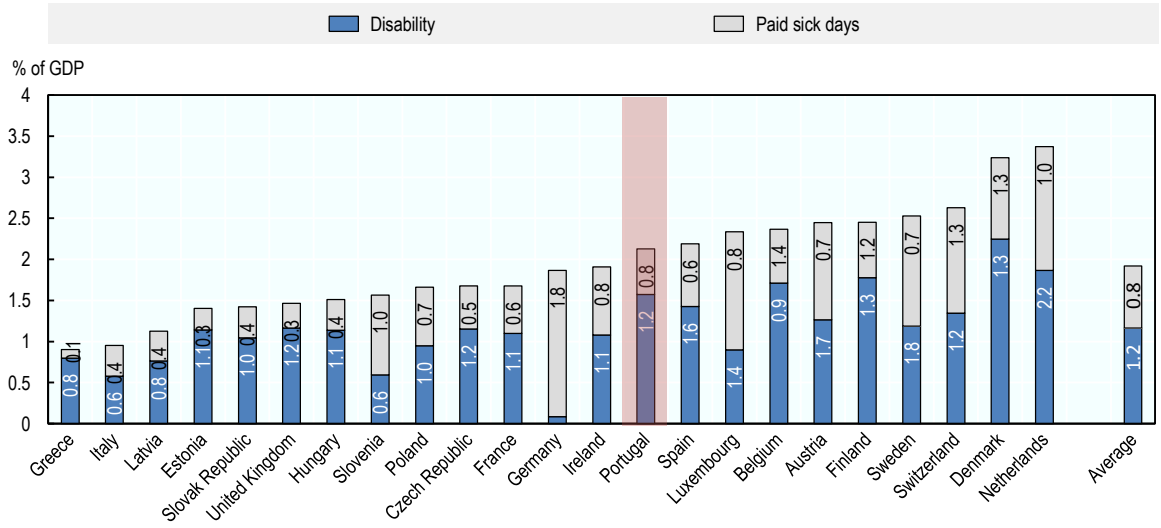


Source: Eurostat

107. Interlocutors during the country dialogue mission mentioned that tighter conditions for assessing health status and eligibility for income support have recently led to a reduction of inflows into the disability scheme, while receipt of sickness benefits remained stable during the crisis, even as employment declined markedly. One weakness of the current system is the often weak financial incentive to go back to work. Plans are currently underway to reform the disability scheme to allow disability pensioners to combine disability benefits and work, similar to approaches in other countries, such as Estonia. Another approach that is currently under discussion, is to guarantee disability benefit recipients a "right to return to benefits" in case they start and subsequently lose a new job.

Figure 24. Expenditure on disability benefits and paid sick leave

In % of GDP, 2013



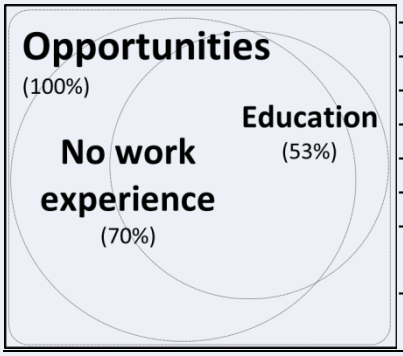
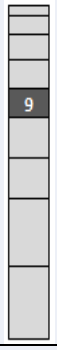
Note: Public and mandatory private expenditures.
Source: OECD (2016), Health at a Glance.

4.2. Long-term unemployed youth without any past work experience and with scarce job opportunities (Group B)

108. The second focus group consists of young people (average age of 24 years) who had been unemployed for most of the reference period (78%). This group is likely to face three or more simultaneous employment obstacles, the second-highest incidence of multiple barriers among all nine groups. A major barrier is low professional skills, reinforced by the fact that 70% do not have any work experience. Low skills levels and low education (53%) are likely to reduce employment possibilities and this helps to explain why *all* group members face scarce job opportunities.

109. All of those who were unemployed throughout the reference period were still either unemployed or inactive at the time of interview, i.e. a few months to one year after the end of the reference period. Among them, only 4% receive unemployment payments, which puts individuals in this group under severe financial strain. 74% live with their parents and 68% live in a household where another adult is working, meaning that they have access to income from sources other than benefits. Nonetheless, 70% live in households in the poorest fifth of the population, 45% are at risk of poverty and 49% face material deprivation. 28% are *severely deprived*, the highest share among all nine groups.

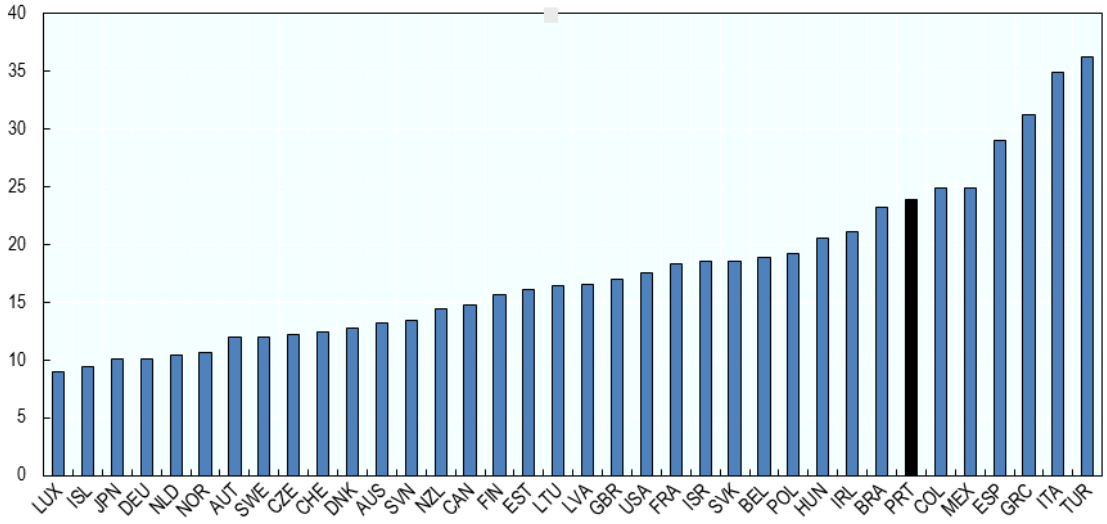
Box 4. Group B: "Long-term unemployed youth without any past work experience and with scarce job opportunities"

Main employment barriers	Selected characteristics	% of the Target Pop
	- 24 years old (average) - Unemployed - Length of unemployment spell: 12+ months (average) - No past work experience - 11.6 years of schooling (average) - At risk of poverty - Average equivalised disposable income: EUR 6 081 (1st quintile) - 3 simultaneous employment obstacles (average)	

110. Like one fifth of all 20-24 year-olds in Portugal, members of Group B are NEETs (not in employment, education or training), a group identified as a policy priority at European level (see Figure 25).

Figure 25. Youth not in employment, education or training (NEET)

% of 20-24 year-olds, 2014



Source: OECD, Education at a glance: Transition from school to work

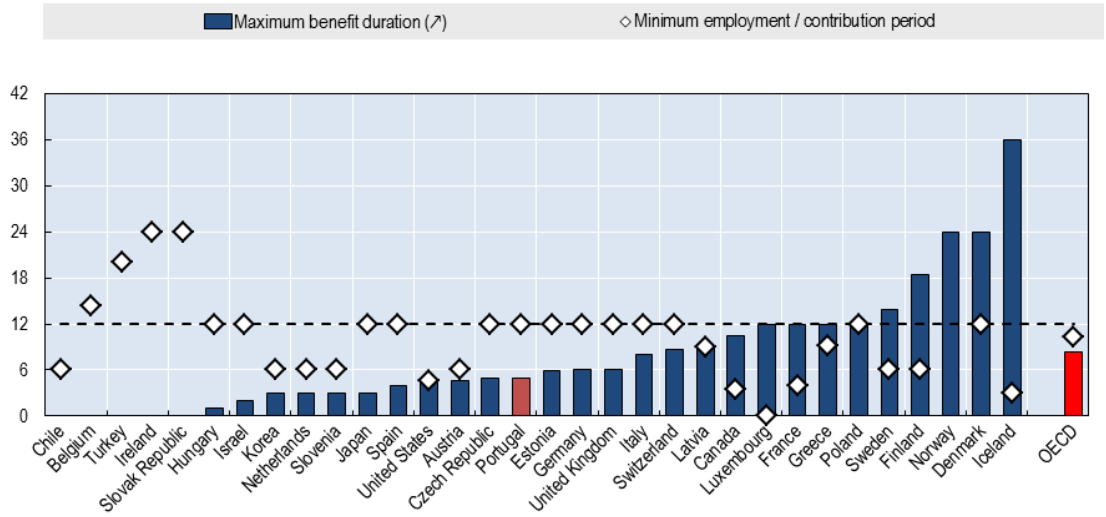
Income support

111. As illustrated by the low share of Group B receiving benefits, access to income support is typically limited for Portuguese youth, both in terms of unemployment benefits and lower-tier safety nets (guaranteed minimum income). As regards unemployment

benefits, one year of contribution is necessary to be entitled to unemployment benefits in Portugal, a requirement that is however not unusual in a comparative context (see Figure 26). Nonetheless, with a high share of young people with no or limited work experience, many young jobseekers are not covered by benefits or associated employment-support measures.

Figure 26. Twelve months of work experience bring entitlements to unemployment insurance benefits, but the duration of benefit payments is often short for young people

Minimum employment / contribution period in months and maximum duration, in months, of unemployment insurance benefits for a 20 year-old with one year of previous employment, in 2014

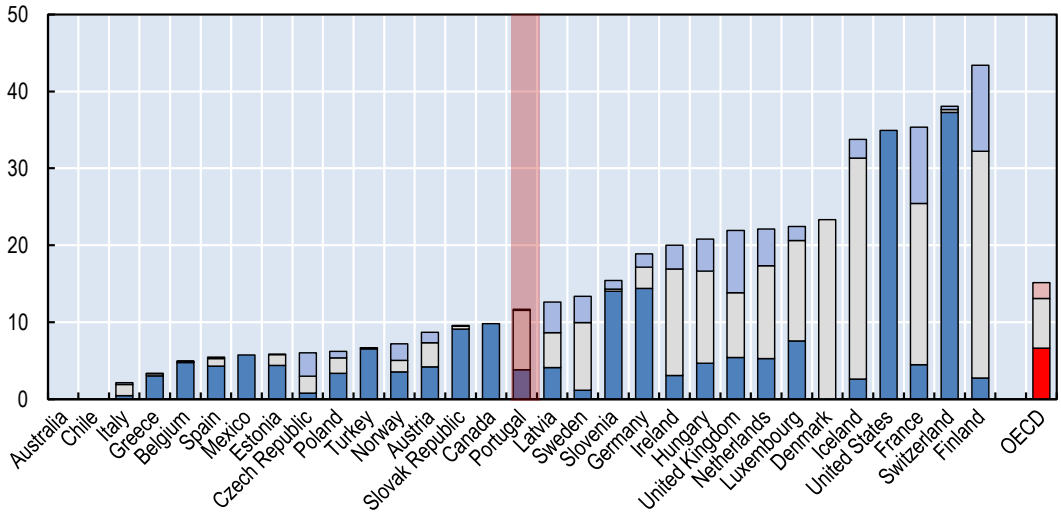


Note: 20-year-olds with a contribution record of one year do not qualify for unemployment insurance benefits in Belgium, Ireland, the Slovak Republic and Turkey. Norway has a minimum earnings requirement instead of a minimum contribution period. In Luxembourg, reduced benefits are paid to school graduates without employment record after a waiting period. No maximum benefit duration applies in Chile. No unemployment insurance benefit programmes exist in Australia and New Zealand. For the United States, results are for the State of Michigan.
Source: OECD Tax-Benefit models, www.oecd.org/social/benefits-and-wages.htm.

112. Those not covered by unemployment benefits cannot necessarily fall back on support from lower- tier safety nets. Most individuals in Group B are likely to live with their parents - the share of NEETs living with their parents is the 3rd highest in the OECD (OECD, 2016a). Such living arrangement does not however guarantee those young people a sufficient income, as most of them live with an income in the lowest income quintile. As discussed in section 3.1, eligibility to RSI involves strict conditions on household-level incomes and assets. Moreover, young people above 16 are not entitled to family benefits, unless they are in education, which excludes NEETs. Only 4% of young people aged 16-29 live in a household receiving minimum-income benefits (12% if housing benefits are included), among the lowest share in the OECD (Figures 27 and 28, and OECD, 2016a).

Figure 27. Accessibility of minimum-income support for young people is limited

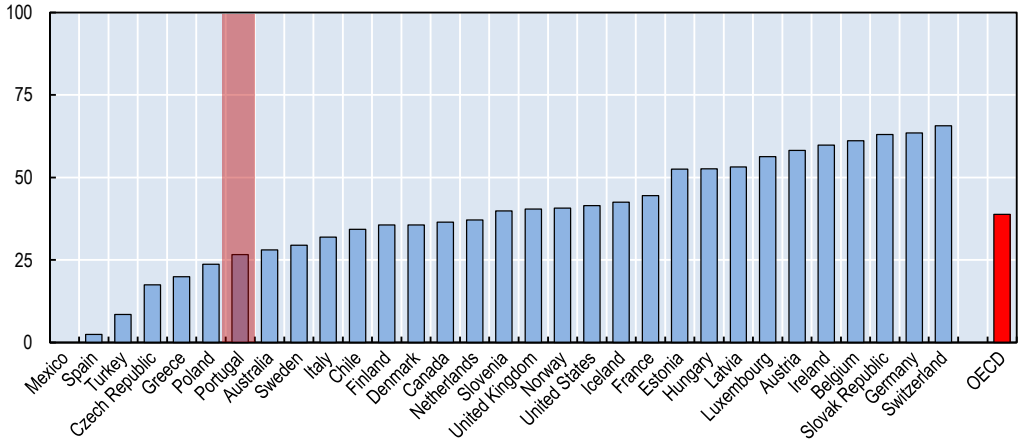
Percentages of young people in receipt of social assistance and housing benefits as a percentage of the total youth population, by country in 2014



Source: OECD, 2016a, Society at a Glance

Figure 28. Few young people are covered by family benefits in Portugal

Percentages of young people (16 to 29 years old) in receipt of family allowances, by country, 2014



Source: OECD, 2016a, Society at a Glance

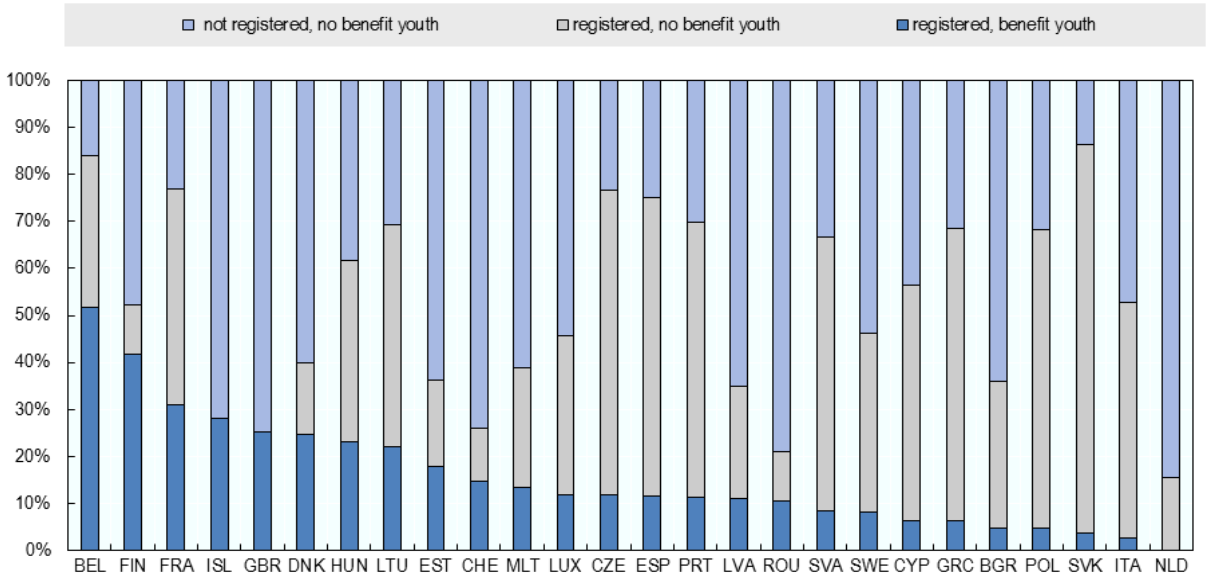
Public employment service and active labour market programmes

113. A key challenge for the Public Employment Services is to reach out to those young people who do not receive out-of-work benefits and are therefore often not registered. Despite the low benefit coverage, PES registration is higher than in many other countries (Figure 29). Participation in training among young people who have characteristics similar to Group B is close to the country average (Figure 30, Panel B). However, the intensity of contact with the PES among some registered groups is low.

Only about 50% of young, low-skilled, long-term unemployed contacted the PES to find work during the last month, a figure that is much lower than in many other countries (Figure 30, Panel A). Moreover, 30% of young jobseekers are not registered at all. Given high youth unemployment in Portugal, this translates into a large share of young people who are left without employment support and are at risk of becoming NEET.

Figure 29. Benefit receipt and PES registration among young jobseekers

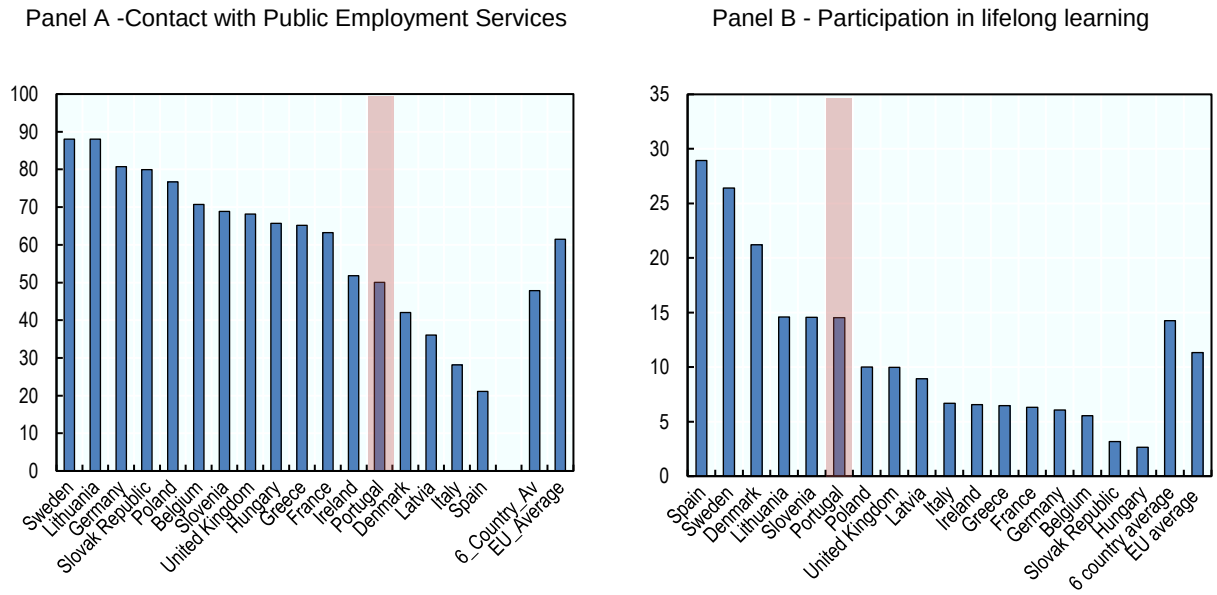
% of young unemployed (age 20-40)



Source: Author calculations based on EU-LFS

Figure 30. The role of Public Employment Service in job finding and access to lifelong learning: Group B

Share of young, long-term unemployed with low skills and no prior work experience, 2014



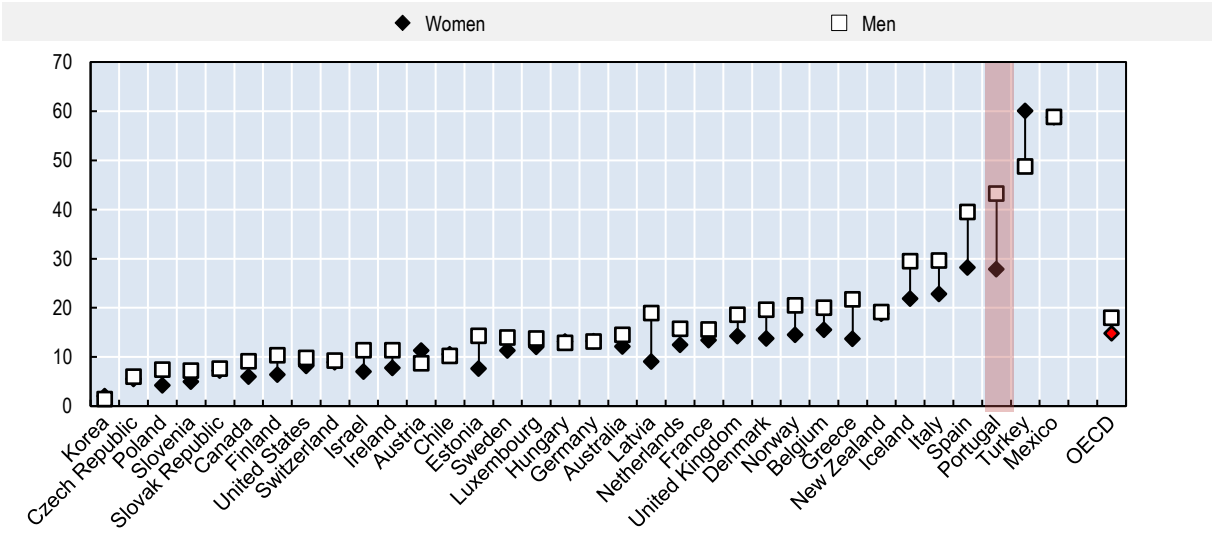
Source: Calculation based on EU-LFS

Policy priorities and recent or planned reforms

114. Despite the impressive progress, with a decline in early school dropouts from 43.6% in 2000 to 17.7% in 2014, early school leaving in Portugal remains among the highest in OECD countries (see Figure 31). To further reduce the number of young people who leave school without an upper-secondary qualification, signs of disengagement should be detected at an early stage, and young people at risk of dropping out should receive the support they need to complete their education. 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) has been designed using three-pronged approach: to support students at risk of dropping out, to reintegrate those who have dropped out, and to strengthen VET in upper-secondary education (OECD, 2014b).

Figure 31. Early school leaving has declined but remains high

Percentages of 25 to 34 year-olds with below upper-secondary education by gender in OECD countries, 2014



Source: OECD calculations based on the EU-LFS and national labour force surveys, OECD National Educational Attainment Classification

115. In the 2015 PISA evaluation, student performance was above the OECD average in science and reading, and slightly below average in mathematics and reading (OECD, 2017b). However, equity indicators are not favourable. Although, the parent's social background is less determining the success at school than a decade ago, its impact on the pupil's results is still above OECD average.[16] Comprehensive reforms in the past have sought to address issues of both quality and equity in education, notably by expanding compulsory education to 12 years starting at age 6 (OECD, 2015). Portugal further needs to strive towards improving the training for teachers, to improve the quality of education, especially in schools with higher shares of children from disadvantaged households, and to continue progress on tackling school drop-outs.

116. As the main VET programme, the "*aprendizagem*" scheme has been in place for over 30 years. It is inspired by the German and the French models leading to level-4 qualifications of the national qualification framework. The target groups are young people aged between 15 and 24 years, with 9th-grade schooling level. The class-room based courses have a duration between 2 800 and 3 700 hours (approximately two and a half years) distributed over four training components: socio-cultural, scientific, technological and practical. The practical training developed within the companies lasts between 1 100 and 1 500 hours (40% of the total duration of the course).

117. The apprenticeship scheme also has the role of a second chance education. This is important as there are only very few dedicated "second chance" schools. The number of participants in the apprenticeship scheme has declined recently, amounting to 36 000 in 2013, and 30 000 in 2016. About 38% of participants were younger than 20 years, 53% were between 20 and 24 years old and 10% were 25 to 34 years old. 90% were registered with the IEFP for less than 12 months. Given that participants are relatively old for their

[16]. http://www.oecd.org/pisa/pisa-2015-portugal.htm.

educational level, it can be assumed that many of them have gained some work experience, although it is not known how many of participants had been long-term unemployed. Monitoring data show that, in 2015, 16% of participants were employed 1 month after the termination of the measure, 27% after 3 months, 37% after 6 months and 42% after 9 months.

Table 8. Age structure of participants in ALMPs in 2015

	Below 20	20-24	24-34
2013	5%	16%	26%
2015	4%	17%	27%
2016 (*)	6%	19%	26%

(*) provisional
Source: data provided by IEFP

118. The programmes for socially useful work CEI and CEI+ are designed for long-term unemployed. However, young people participate little in this measure (4% of the 51 200 participants in 2015 ware aged between 20 and 24 and 17% were young adults aged 25-34 years).

119. At the end of 2013, Portugal adopted a Youth Guarantee, *Garantia Jovem*, resulting of the implementation of the European recommendation, and built on the earlier *Impulso Jovem* programme. *Garantia Jovem* aims to intervene early and prevent youth at the margins of the labour market from falling into inactivity. This program ensures that all young people under 30 get a good quality, concrete offer (either a job, apprenticeship, traineeship or continued education) within four months of leaving education or becoming unemployed. It builds on four pillars: internships (*Estágios Emprego)*, hiring incentives (*Apoios à Contratação*), vocational training (*Formação Profissional*) and entrepreneurship support (*Empreendedorismo*).

120. More specifically, the Youth Guarantee measures include the following tools:

- *Estágios Emprego*: internships for unemployed youth
- Vocational training measures, including *Aprendizagem*
- Programme of traineeships in Public Administration (PEPAC) and Programme of traineeships in Local Administration (PEPAL)
- INOV- Contacto – Traineeships abroad
- Hiring Incentives (*Estímulo Emprego*)
- *COOP Jovem*: supporting the creation of co-operatives through direct financial support to each worker aged between 18 and 30 years, and who have completed the first cycle of basic education.
- Development of a national microcredit programme which provides technical support and training of the entrepreneur during the first years of operation, giving priority to individuals aged between 16 and 29 and who have been registered as unemployed for at least four months.
- Investment support, including a component to facilitate access to finance for small- and medium-sized enterprises.

121. The programme *Emprego Jovem Ativo* introduced in September 2014 is a six-month work experience/group apprenticeship programme which involves a co-ordinator, a highly-skilled unemployed youth (with a university degree) as well as 2-3 low-skilled unemployed youths (who have not completed basic education). Participants need to be aged between 18 and 29 and registered with the Public Employment Service. For low-

skilled youth, the programme provides an opportunity to acquire a range of professional as well as soft skills. However, this remains a small-size programme, covering only about 600 participants in 2015.

Box 5. Approaches for vocational guidance and upskilling for low-skilled young people in Europe

Countries with a well-established dual training system have implemented PES financed pre-vocational measures for low-skilled young people, e.g. Austria, Germany and Switzerland. These measures include vocational guidance and orientation, acquisition of basic skills and key competences, workplace related experience and basic vocational skills. One example is the pre-apprenticeship scheme *Entrance Qualification* (EQ) Programme in Germany links a flexible contract form (internship) with a duration of 6 to 12 months to a preparatory phase with the aim to engage in training. It targets young people who could not find an apprenticeship training place. The scope of the programme now also includes young people with learning difficulties and socially disadvantaged young people. At the end of the period the company may establish a certificate proving the acquired skills. In 2012, 21 810 young people participated at EQ (Dietrich 2014). In addition, the Federal Government initiated the "assisted training" scheme. This scheme combines career entry support and introductory training by involving educational institutions in order help youth with difficulties in completing vocational education or in finding an apprenticeship placement (http://www.bibb.de/de/1301.php).

The Austrian *Spacelab* project, which has been established by the Austrian PES, offers services that require various levels of commitment from young people, according to how far they are from the labour market. *Spacelab* is a modular programme for different levels of personal commitment, to stabilise participants, develop their skills, provide practical occupational guidance, draw up personalised career development plans and eventually integrate them into the labour market. Research to date shows that those who attend the training for more than three months increase their employment prospects (European Commission 2014).

A good example for providing life skills is *Youth Workshops* in Finland that have been set up for the integration of hard-to-place jobless young people. A workshop is a community in which work, training and guidance services are used to improve an individual's life-management skills and readiness to seek education and employment. The workshops are mostly run by the municipalities, but also by different kinds of NGOs. The most important buyers of this service are the Public Employment Services, the social welfare agencies and the disability insurance. Programmes showed positive results (Düll et al., 2009). The average duration of the training period is 3 to 6 months. It currently involves 14 200 young people.

In Denmark, services for young unemployed persons without university qualifications are handled by a special youth job centre. In Austria, the AMS Vienna has an office dedicated to the young unemployed (*AMS Jugendliche*), who receive support from specially trained "youth counsellors." In France, the work of youth advisors took place as part of a "reinforced support" programme. In addition, from 2011 to 2014, the employment centre implemented a reinforced support plan for 50,000 young people (initial target) with a low-to-medium level of educational achievement and recurrent problems in accessing sustainable employment. On average, the beneficiaries had been registered as unemployed for 14 months over the last three years. The reinforced support included six months of individual coaching by in-house counsellors (including weekly contact and in-work follow-up support). Since 2011, 59 000 young people have been given support through this programme. An evaluation following the first year of implementation (based on 28 500 participants) showed good post-programme results, with 65% of participants in employment after finishing the programme, and 6% in education and training (Düll et al., 2016).

In Ireland street-counsellors, in the UK so called *gang advisors* are hired to seek cooperation with young people (European Commission/Hall et al. 2015). In order to earn the trust of youth, the counsellors need to have good knowledge of the local area, and the local situation of youth. Based on the experiences in the UK, counsellors need very specific skills and competences: to be a patient listener, to empathise, to be encouraging, and to have excellent communication skills. Austria has a special outreach programme for immigrant youth. The success of the programme lies in the cooperation of youth and migrant organisations and in the engagement with the local community by visiting and organising events for youth and their parents in mosques, cultural centers, and youth clubs (Düll, Kettner, Vogler-Ludwig, 2011).

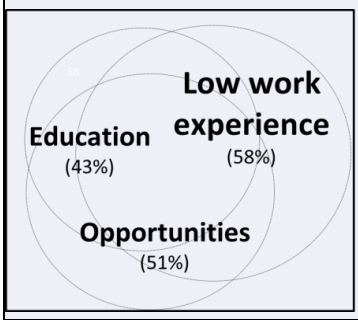
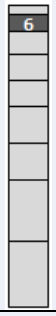
The example of the Swedish *Unga* In programme, co-funded by European Social Fund and municipalities, is a motivational project for NEETs aged 16–24 that confronts marginalised young people on their own turf and encourages them to take up work or training. Participants in the project are hired as "ambassadors" to recruit new participants, going to public meeting places and approaching young people with information about the possibilities for them within Unga in. All "ambassadors" have themselves experienced what it is like to be excluded from society and can use their own experiences when they meet and talk with the young people (HoPES, 2013).

4.3. Youth with unstable employment, some recent work experience and often low skills (Group C)

122. Individuals in this group are mainly young (average age 26) and unemployed with an average unemployment spell of 10 months. 64% were unemployed during the reference period and 28% found a job by the time of the interview while the rest were still seeking employment. All group members have worked in the past (5 years on average) but for 58% of them this work experience is low relative to their age. Within this group, 51% face also scarce job opportunities as a result of the high youth unemployment rate in Portugal, and this may explain why many (30%) are still actively seeking employment at the time of the interview. Low education represents a barrier to re-employment for 43% of group members.[17]

123. 77% live in households with other working members, typically their parents, and 34% in households with high levels of income from other sources, such as parents or partner's earnings, which could weaken financial incentives to undertake paid work. The group has the second highest equivalent disposable income of all the groups (EUR 7 914/year on average) and the second lowest number of simultaneous barriers (2 on average).

Box 6. Group C: "Youth with unstable employment, some recent work experience and often low skills"

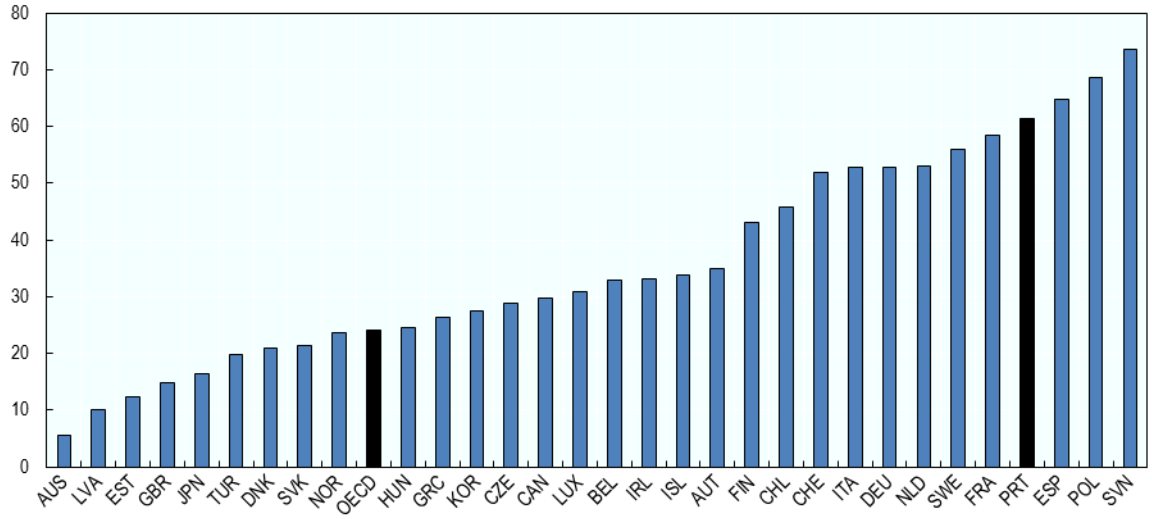
Main employment barriers	Most frequent characteristics	% of the Target Pop.
	- 26 years old (average) - Unemployed - Length of unemployment spell: 10 months (average) - 5 Years of paid work experience (average) - 13 years of schooling (average) - Average equivalised disposable income: EUR 7 914 (2nd quintile) 2 simultaneous employment obstacles (average)	

124. In comparison with Group B, individuals in Group C have acquired some work experience. They face better outcomes than those in Group B, as most of them were reemployed less than one year later. Individuals in this group mainly face challenges raised by the weak labour demand. More precisely, their unemployment spells might be linked to the large share of temporary contracts among this age group (Figure 32). Previous sections have already highlighted the share of temporary contracts in Portugal, but it is particularly an issue for young people, as Portugal has the 4th highest share of 15-24 people in temporary employment in Europe.

17 . The probability of re-employment in this group is strongly related to the education level. Among those who found a job by the time of the SILC interview 70% have a secondary degree or an upper-secondary degree (36% and 34%, respectively).

Figure 32. Incidence of temporary employment among 15-24 in Portugal

15-24, % of those in dependent employment



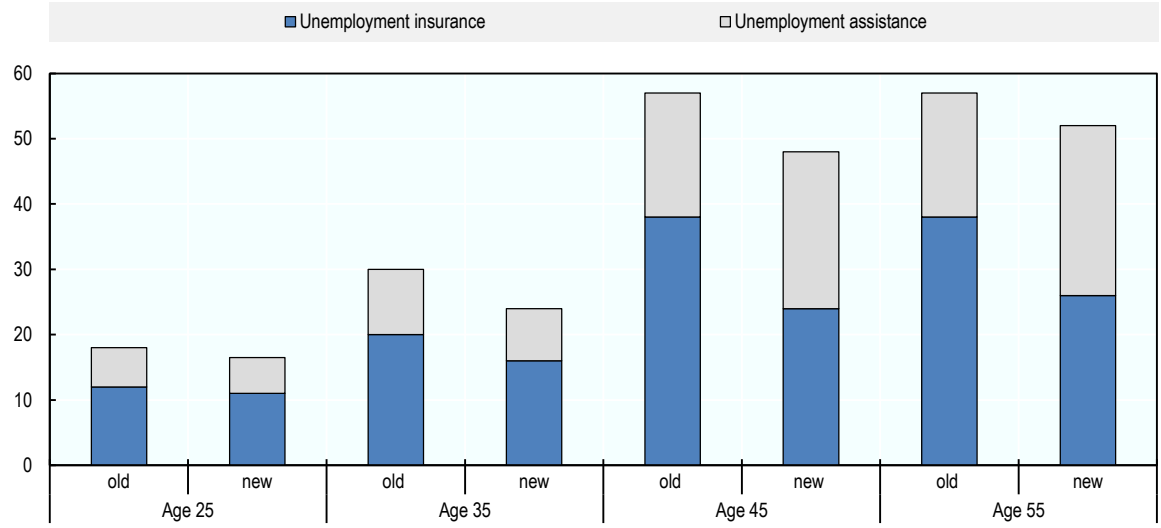
Source: EU-LFS

Income support

125. Compared to other young people described in Group B, individuals in Group C have acquired *some* work experience. As a result, they are more likely to be entitled to unemployment benefits than individuals in Group B. However, the duration of unemployment benefits in Portugal is lower for young people than for other age groups (see Table 5 in section 3.1 and Figure 33). As a result, young unemployed people who contributed enough to be entitled to unemployment benefits are covered for a much shorter duration than their older peers. For example, a 45 year-old person with 15 to 24 months of contribution is entitled for a duration of 360 days, while its counter peers aged less than 30 will be entitled for 210 days.

Figure 33. Duration of unemployment benefits by age in Portugal

in months, comparison of old and new regime (2012 reform)



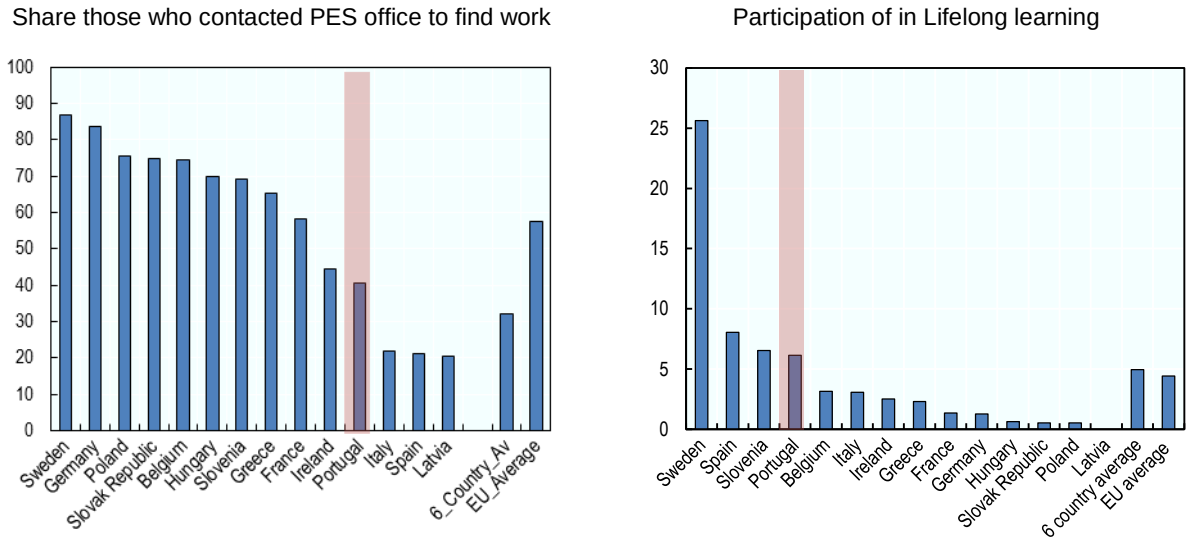
Note: 1. Unemployment insurance (subsídio de desemprego) and unemployment assistance (subsídio social de desemprego subsequente).
2. "New" concerns the regime since the 15 March 2012 reform (Decree-Law 64/2012).
Source: OECD, 2012, Economic Survey Portugal

Public employment service and active labour market programmes

126. Effective active labour market policies are instrumental for individuals in Group C to maintain or improve their skill level during unemployment spells. Good connexions with the public employment services are also crucial to ensure smooth transitions and good matching on the labour market. According to labour force survey (LFS) data, about 40% of prime-age long-term unemployed with low education and scarce job opportunities contacted PES to find work, a figure much lower than in many other countries (Figure 34). The share of individuals with a profile similar to Group C (20-30, low educated, with some work experience) having participated to a training over the past year is higher in Portugal than in many countries, but it remains very limited (around 5%).

Figure 34. The role of Public Employment Service in job finding and access to lifelong learning: Group C

in % of young people unemployed with unstable employment, some recent work experience and low skills, 2014



Source: Calculation based on EU-LFS

127. Individuals in Group C are covered by the same type of Youth Guarantee *Garantia Jovem* measures as those described in the previous section. In particular, the internship programme (*Estágios Emprego*) is adapted to their profile. Its objective is to promote the professional integration of the most disadvantaged unemployed people as well as to ease the school to work transition. The target group are young people aged 18-30 years, unemployed with disabilities, single parents, drug addicts under recovering process as well as some other highly disadvantaged groups. The programme lasts for 9 months. It can also last for 12 months for those who belong to highly disadvantaged groups.

128. Monitoring data indicate that one month after participation to *Estágios Emprego* 52% were in employment, after 3 months 61%, after 6 months 66% and after 9 months 68% were in employment. Thus, quite likely roughly half of participants stayed with the same employer. According to anecdotal evidence, companies make largely use of this instrument when they employ university graduates in large companies and it is assumed that deadweight losses are high. The structure of participants by educational level indicates that this measure is not well targeted to the most disadvantaged groups (Table 9).

Table 9. Participants in internship programme by educational level in 2015

	Total number of participants	Below first cycle of primary education	First cycle of primary education	Second cycle of primary education	Third cycle of primary education	Secondary education	Higher education
Internship (estagio emprego)	**70482**	0%	0%	0%	10%	32%	58%

Source: data provided by IEFP

Box 7. Support measures for young people with unstable employment and insufficient skills: Experiences in other EU countries

Many PES are using social media sites such as Facebook, Twitter and LinkedIn to better connect with young people. Some PES indicate that they use such social media sites primarily to provide information on their overall services and interventions for youth. Other PES examples include blogs on apprenticeship (France) and e-learning modules on use of social media for job search (Netherlands). PES in Sweden reported a presence on Facebook, YouTube, and Instagram, along with group chats and webinars for jobseekers on various topics, e.g. how to write your CV, how to prepare for a job interview and how to use your social network to find a job (Leigh Doyle 2015). In Belgium, the PES VDAB launched a competition for IT-students to develop smartphone-applications that make use of our data in a way that is both appealing to young people and useful in their search for a job (HoPES, 2013).

The PES can cooperate with employers and training organisations and organise job fairs at the premises of training institutions. In Germany, PES have established several mobile career information centres (BiZ-Mobil) driving to different training institutions and job fairs (European Network of Public Employment Services, 2015). Aiding the empowerment of young people may also fall under these services (inspiring practices can for instance be found in the Netherlands and Spain, Eurofound 2015).

The Estonian PES uses job clubs and job search workshops to deliver a tailored, individual approach to young people. The job clubs provide specialised guidance to young people who are looking for work. Each session includes young people who have similar backgrounds or experiences or are a similar age and are used to motivate the young people by sharing and discussing their experiences. Workshop topics depend on the group characteristics as some groups may focus on confidence building activities whilst others may focus on CV writing and interview techniques. The workshops take place at local PES offices, schools or youth centres are led by career guidance specialists from an external provider. (European Commission 2014)

In France, the 'jobs for the future' programme supports labour market participation of young people with lower levels of education, from disadvantaged areas, or with disabilities. It uses subsidised contracts for 3 years (both in profit and non-profit sectors; eventually, many are in the public sector), complemented by provision of mandatory training (formal- qualifying- and non-formal) and counselling (Farvaque, 2014)

A strategy for paving the way to smoother school-to-work transitions is to top-up school-based (vocational) education and training by work experience, in particular in those countries where there is no well-established dual vocational training system. The learning components vary and reach from work life skills, work experience to concrete vocational skills. Note that in a number of European countries short internships with this aim are already embedded in the school curricula or as an element of higher education curricula.

5. Conclusions

129. This paper has used a novel method for identifying, analysing and visualising the most common employment barrier profiles characterising the Portuguese population with potential labour market difficulties. The resulting information was used to inform a people-centred policy inventory and a discussion of priorities across policy domains and institutions that are involved in providing employment support.

130. The underlying premise is that out-of-work individuals, either unemployed or labour-market inactive, and workers with weak labour market attachment face a number of possible employment obstacles, and each of them may call for different policy responses. The success of activation and employment-support policies, and of social protection measures more generally, is expected to hinge on effective strategies to target and tailor policy interventions to these barriers and to individual circumstances.

131. 29% of working-age individuals in Portugal were persistently out of work for at least 12 months, and a further 10% had low work intensity working less than half of the year, or reporting limited working hours or very low earnings. The main employment barriers in Portugal relate to skills and scarce job opportunities, resulting in a number of key policy challenges:

- **Upskilling the adult labour force**, reducing early school leaving, improving skills governance and reducing skills mismatches remain challenges despite decisive policy initiatives and progress achieved in the past. For instance, the skills governance system would benefit from continuing efforts towards better anticipating skills needs at the local or regional level.
- **Reducing youth unemployment and smoothing school-to-work transitions** in a way that allows young people to build on the education and training they received. Providing better vocational guidance and developing secondary vocational education are among the priorities in this respect.
- **Addressing long-term unemployment** resulting from scarce job opportunities. While long-term unemployment is partly a legacy of the crisis, this challenge is also structural, resulting from the combination of economic restructuring, weak economic dynamics, skills mismatch and a negative impact of long unemployment periods on a person's employability. In addition, labour market segmentation makes the transition from unstable to stable jobs difficult.
- **Effective targeting of employment services and ALMPs** to those who most need them. Making employment support measures accessible and tailored to jobseeker needs and circumstances requires further strengthening the institutional capacity of the Public Employment Services (IEFP), in particular by increasing resources for profiling, guidance and individual follow-up. Inter-institutional cooperation at local and national levels between social services, the social security institute as well as employment services needs to be tightened in order to facilitate integrated service provision for people with multiple employment barriers. In

addition, greater use of evidence and systematic evaluations of ALMPs would make employment support more effective and provide better value for money.

132. The results reported here refer to 2013, when employment rates in Portugal were bottoming out following a deep economic crisis. The empirical approach can easily be repeated with data for later periods. However, while the size of groups is likely to change as the labour market recovers and cyclical unemployment is absorbed, the more structural barriers are likely to persist while underlying policy and related constraints remain in place.

133. A statistical segmentation method identifies nine distinct combinations of employment barriers that characterise the population of "joblessness" in Portugal. Results show that "short-hand" groupings that are often referred to in the policy debate, such as "youth", "women", "unemployed", are far from homogeneous, and may distract attention from the specific employment obstacles that policies seek to address. For example, the data analysis reveals three groups of women who are likely to respond to policies in different ways because of various profiles in terms of age, education, health and family conditions; two groups of early retirees, with different employment obstacles (health and education or financial incentives); two groups of young people, sharing low education and scarce job opportunities as obstacles to employment, but differing upon their past work experience.

134. This paper reports a detailed policy inventory tailored to employment barriers and circumstances of three of the nine groups identified in the profiling exercise. The three groups, listed below, represent some 35% of the population with no or weak labour market attachment. Portugal operates a range of policy measures aimed at addressing employment barriers they face, but there are also remaining challenges and gaps meaning that existing activation and employment support may not be accessible or effective:

A. **Prime-age long-term unemployed with low education and scarce job opportunities**. Efforts have been dedicated to upskill the population in Portugal since more than a decade, in particular with the New Opportunities Initiative (INO) followed by continued (although reduced after the peak in 2009/2010 before the INO programme was stopped) spending in adult education and training, focusing on short-term courses. Recent measures, such as the programme *Qualifica*, launched in 2016, will contribute to upskill the working age population. However, gaps persist, in particular, access to training remains salient in Portugal for the very-low educated, and this group could benefit of more targeted training measures. A pre-requirement to ensure the success of such kind of programme is to activate the links of this group with the Public Employment Service (IEFP). Job incentives, such as *Estagios Emprego*, the former *Estimulo Emprego* or the new *Contrato Emprego* (in place since January 2017) could, on the other side, contribute to compensate scarce job opportunities. Demand-oriented measures may help to address the lack of opportunities in this group, in particular by refocusing hiring subsidies on low skilled. Considering health issues - faced by one quarter of this group - linking different kind of measures and actors could be instrumental. This would refer for example to relying on the network of occupational doctors, offering re-skilling options to those suffering from health problems, promoting occupational mobility, supporting employers to adapt workplaces, increasing incentives to work also for those receiving disability benefits.

B. **Long-term unemployed youth without any past work experience and with scarce job opportunities**. Individuals in this group live on very limited resources, with high rates of poverty and material deprivation. A major employment barrier is the lack of professional skills, reinforced by the lack of work experience. At the end of 2013, Portugal adopted a Youth Guarantee, *Garantia Jovem*, ensuring that all young people under 30 get a good quality, concrete offer (either a job, apprenticeship, traineeship or continued education) within four months after leaving education or becoming unemployed through internships (*Estágios Emprego)*, hiring incentives (*Apoios à Contratação*), vocational training (*Formação Profissional*) and entrepreneurship support (*Empreendedorismo*). Portugal is also implementing policies to reduce early school dropout and increase educational attainment and qualifications of the workforce. However, reducing school drop- outs remains a major challenge. Individuals in this second group are entitled little or no income support. A combination of both income support and activation measures would be required to safeguard decent living standards and improve employability among this group. Strengthening employability and activation could be supported by further developing second-chance schools, better coordinating the apprenticeship system with other upper secondary education programmes, while maintaining dual-VET offers, implementing a modularised dual-VET system for disadvantaged young people, improving vocational guidance and putting in place hiring/wage-subsidies targeted to this group.

C. **Young people with unstable employment, some recent work experience and often low skills.** Individuals in this group are more likely to be entitled to unemployment benefits than Group B but for those covered, unemployment-benefits are short. Group C also benefits from the Youth Guarantee *Garantia Jovem* measures, in particular, the internship programme *Estágios Emprego*. However, the measure is only weakly targeted to the most disadvantaged groups and arguably delivers limited value for money. Policy priorities include making unemployment benefits and the associated employment-support measures more accessible in order to ensure that job losers retain a connection with the labour market and to prevent further inflow into long-term unemployment. One option would be reviewing the structure of, and rationale for, age-dependent benefit durations. Work-experience programmes and internships may also be reviewed to further target available measures towards low-skilled youth and reduce leakage of labour-cost subsidies to employers of well-educated, more employable youth.

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Annex 1: Latent class results for Portugal

1. Using the 2014 SILC, the segmentation algorithm outlined in Pacifico and Thévénot (2016) leads to a model with **9 groups**. Table A1.1 shows the estimated parameters, i.e. the *share* of individuals facing the employment barriers in each latent group and the related *group size* in the target population (first row). Groups are ordered by size; colour shadings are used to highlight barriers with higher (dark blue) and lower (light blue) frequencies in each group.

Table A1.1. Latent class estimates

Percentage of individuals with selected characteristics, by group

		Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Target Pop
	Group Size (Target population=100)	**22**	**20**	**12**	**12**	**9**	**9**	**7**	**6**	**3**	**100**
Core indicators	*"Low" education*	93	66	61	100	53	50	99	43	53	73
	No past work experience	0	0	0	0	70	0	69	0	0	11
	Positive but "low" relative work experience	58	20.3	6	0	29	1	16	58	72	27
	No recent work activity	94	72	7	80	100	96	100	17	100	74
	Health limitations	66	23	25	63	17	41	53	13	1	39
	Care responsabilities	8	5	3	4	5	2	13	4	66	7
	"High" non-labour income	27	20.0	29	23	31	41	28	34	34	28
	"High" earnings replacements	3	11	5	5	0	70	2	0	5	10
	Scarce job opportunities	2	99	1	14	100	1	100	51	35	43

Note: Section 3 describes the indicators and applicable thresholds. Group sizes refer to the target population as defined in Section 1. Colour shadings identify categories with high (dark blue) and lower (light blue) frequencies. Complementary categories (e.g. "high" skills) are omitted. Additional information on model selection and model specification is provided in Annex 2 of the Profile Analysis Note for Portugal.
Source: Authors' calculations based on EU-SILC 2014

Table A1.2. Characterisation of the latent groups

Percentage of individuals with selected characteristics, by group

		Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Target Pop
Number of individuals (% of the Target population)		22	20	12	12	9	9	7	6	3	100
Number of individuals (frequency, in thousands)		518	484	293	279	212	205	173	136	71	2372
Unstable jobs		3	28	33	7	1	3	0	62	0	15
Restricted working hours		3	0	23	5	0	0	0	10	0	5
Reason for restricted hours (% of)	No better job opportunities	..	..	73	..	..	..	..	81	..	68
	Housework or care responsabilities	..	..	7	..	..	..	..	0	..	7
	Other reasons	..	..	20	..	..	..	..	18	..	25
Zero or near-zero earnings		3	2	56	12	0	1	0	24	0	11
*Women**		78	42	52	45	47	39	80	46	99	56
*Age groups**	*Youth*	0	6	5	0	85	0	8	84	18	15
	Prime age	53	85	83	7	15	10	65	16	81	50
	Old-age	47	9	13	93	0	90	27	0	0	34
Age (average)		55	43	46	60	24	61	49	26	38	49
Main activity during the reference period	*Employed FT*	1	0	7	2	0	0	0	5	0	2
	Employed PT	3	0	19	4	0	0	0	12	0	4
	Self-employed FT	2	0	38	8	0	1	0	9	0	7
	Self-employed PT	1	0	9	2	0	1	0	2	0	2
	Unemployed	22	99	15	25	78	10	38	64	67	46
	Retired	26	0	3	44	0	80	0	0	1	18
	Unfit to work/disable	12	0	1	4	6	3	15	0	0	5
	Housework	32	0	2	7	7	2	44	2	30	13
	Other inactive	3	0	4	2	8	3	2	6	1	3
Activity at the time of interview	*Employed*	6	14	86	17	0	3	0	61	0	20
	Unemployed	21	85	7	23	77	9	38	36	66	40
	Inactive	73	2	7	61	23	88	62	3	34	40
Length of unemployment spell †		12+	12+	12	12+	12+	..	12+	10	12+	12.1
Actively seeking a job at the time of the interview		6	82	..	14	76	..	37	30	44	67

Table A1.2. Characterisation of the latent groups *(cont.)*

Percentage of individuals with selected characteristics, by group

		Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Target Pop
Number of individuals (%)		22	20	12	12	9	9	7	6	3	100
Level of education (ISCED)	Primary	76	41	42	84	28	35	81	18	36	54
	Lower secondary	16	25	19	16	26	15	17	25	17	20
	Upper secondary	5	21	21	0	32	23	1	33	34	16
	Tertiary	2	13	17	0	15	27	0	24	13	11
Years of education		7.6	10.9	11.1	7.0	11.6	12.2	6.6	13.0	11.4	9.8
Work-related skills (ISCO)	No work-related skills	0	0	0	0	70	0	68	0	0	11
	Elementar occupations	30	14	22	17	4	4	9	20	26	18
	Craft and machine operators	32	35	16	42	6	19	10	18	16	25
	Clerk and sales	31	30	29	29	14	24	11	38	37	27
	Technicians et al.	3	10	6	6	3	17	1	6	6	6
	Professionals	2	7	12	0	2	25	0	13	11	7
	Managers	3	4	13	6	0	10	0	5	4	5
Years of paid work experience †		22	21	26	41	4	37	19	5	10	24
Severe health limitations		20	5	6	16	3	8	17	3	0	10
Migrant		5	9	11	3	9	5	5	8	12	7
Equivalent disposable income (€/year - average)		7097	6867	6949	7760	6081	15741	5854	7914	6538	7705
Position in the income distribution	Bottom quintile	36	42	43	29	46	6	49	33	42	36
	Second quintile	25	21	20	24	23	8	23	26	20	22
	Third quintile	18	17	13	21	16	12	15	17	21	17
	Fourth quintile	13	12	12	17	9	23	9	11	11	13
	Top quintile	8	8	12	9	6	51	5	13	6	12
AROPE (eurostat methodology)		35	41	41	29	45	6	48	32	41	36
Material deprivation (Eurostat)	No material deptivation	63	59	72	66	51	89	52	67	59	64
	Deprived	18	22	17	19	21	7	27	17	25	19
	Severe	19	20	11	15	28	4	21	16	17	17
Benefits - Recipiens and average amounts (€/year)	Sickness and disability recipients (%),	23	3	8	17	4	17	18	2	3	12
	they receive, in average †	4250	..	4372	4833	..	9737	3340	..	..	4872
	Unemployment benefits recipients (%),	5	45	10	16	4	7	8	12	13	16
	they receive, in average †	4564	6204	5529	5163	..	..	..	..	..	5773
	Social Assistance recipients (%),	6	9	3	3	14	1	13	5	11	7
	they receive, in average †	2198	2397	..	..	3124	..	..	..	..	2552
	Housing Benefits recipients (%),	5	7	9	4	7	7	4	6	12	6
	they receive, in average †	154	157	194	..	..	..	..	..	..	174
	Family-related benefits recipients (%),	17	31	23	8	31	3	30	22	54	22
	they receive, in average †	928	906	1074	..	1174	..	944	837	1115	982
	Old-age Benefits recipients (%),	21	1	3	40	0	75	1	0	0	16
	they receive, in average †	5465	..	..	6288	..	19271	..	..	..	11227
Household type	Single	6	7	3	10	1	10	3	1	1	6
	Couple without children	34	20	22	45	12	46	25	15	10	28
	Couple with children	16	33	33	5	12	8	20	13	57	21
	2+ adults without children	29	21	23	31	38	28	29	46	11	28
	2+ adults with children	13	14	16	8	36	7	22	22	18	16
	Lone parents	2	4	2	1	1	2	2	1	4	2
Have children*		15	36	29	8	30	5	23	21	66	23
Number of children †		1.7	1.4	1.5	..	1.8	..	1.7	1.4	1.6	1.5
Age of the youngest child †		6	6	5	..	4	..	5	5	4	5
Live in rural area*		32	25	27	31	23	20	38	27	26	28
Household with other working household members		51	55	68	47	68	42	54	77	77	57
Number of simultaneous barriers		2.6	2.4	1.3	2.1	3.0	2.1	3.8	2.0	2.7	2.4

Note: Results based on weighted observations. Colour shadings identify categories with high (darker) frequencies. The average number of simultaneous barriers per individual is computed for the core indicators in table A1.1 with the exception of recent work experience. Income quintiles refer to the entire population. Poverty risks and material deprivation are calculated with the Eurostat methodology. "Length of unemployment spell" only covers reference period: unemployment spells that started before the start of the reference period are left-censored at the start of the reference period. Unemployment duration is calculated as an average of durations top-coded at 12 months

* The variable enters as an additional indicator in the latent class model.

† average across observations with strictly positive values.

Source: Authors' calculations based on EU-SILC 2014.

Table A1.3. Characterisation of the latent groups *(cont.)*

Coefficient of variations, by group

		Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Target population
Age		0.2	0.2	0.2	0.1	0.3	0.1	0.2	0.3	0.2	0.3
Length of the unemployment spell		1.9	0.2	2.1	1.7	0.5	2.9	1.3	0.7	0.7	1.1
Years of education		0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.3	0.4	0.5
Years of paid work experience		0.6	0.5	0.5	0.2	1.2	0.2	0.6	1.3	0.8	0.6
Equivalent disposable income		0.7	0.8	0.8	0.7	0.7	0.6	0.7	0.8	0.6	0.8
Benefits	*Sickness and disability*	0.7	0.9	0.9	0.6	0.4	0.7	0.5	0.7	0.8	0.8
	Unemployment benefits	0.4	0.9	0.6	0.5	0.4	1.3	0.4	0.6	0.3	0.9
	Social assistance	0.7	0.6	0.6	0.7	0.9	0.7	0.7	0.4	0.6	0.7
	Housing benefits	2.0	1.6	2.8	1.7	1.8	2.2	0.8	2.0	1.5	2.1
	Family-related benefits	0.9	0.9	1.1	1.1	0.9	1.0	0.9	1.0	0.8	0.9
	Old-age benefits	0.7	1.1	0.7	0.6	0.4	0.6	0.6	0.6	0.7	0.9
Number of children (12 years or less)		0.7	0.5	0.4	0.7	0.6	0.5	0.5	0.5	0.5	0.6
Age of the youngest child		0.7	0.6	0.7	0.7	0.9	0.7	0.8	0.8	1.0	0.7
Number of simultaneous barriers		0.4	0.4	0.4	0.4	0.3	0.4	0.2	0.4	0.4	0.4

Note: Indices calculated for to the "continuous" variables shown in Table A1.2. See notes of Table A1.2 for more information on the sub-samples these indices refer to. Indices based on less than 30 observations are omitted.
Source: Authors' calculations based on EU-SILC 2014.