

## PORTUGAL

- GDP per capita relative to the upper half of the OECD has declined over the past decade, mainly due to falling labour utilisation. However, lower productivity alone continues to explain the large gap in income levels.
- Considerable progress has been made in easing administrative burdens. Progress has also been made in reforming employment protection and adult education.
- Improving education and innovation outcomes and increasing competition in non-manufacturing sectors are essential for faster productivity growth. Abolishing administrative extension in wage bargaining would promote productivity and job creation. Furthermore, fighting high unemployment calls for continuing to scale up active labour market policies.
- Pursuing efforts to improve outcomes and also equity in education would raise equality of opportunity from its very low level. Reducing the age-dependency of unemployment benefits and widening their coverage further would help addressing labour market duality.

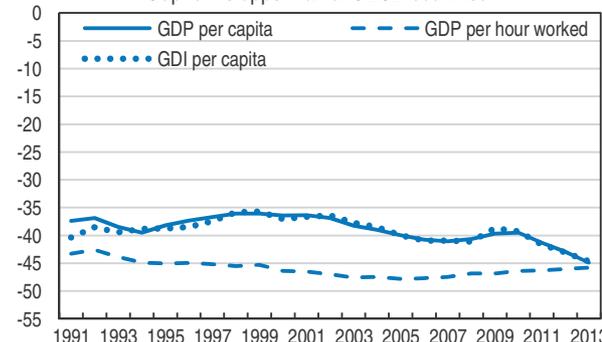
### Growth performance indicators

#### A. Average annual trend growth rates

Per cent

	2003-08	2008-13
Potential GDP per capita	0.5	-0.2
Potential labour utilisation	-0.5	-1.1
of which: Labour force participation rate	0.0	-0.6
Employment rate <sup>1</sup>	-0.4	-0.6
Trend employment coefficient <sup>2</sup>	0.0	0.1
Potential labour productivity	1.0	0.8
of which: Capital deepening	1.5	1.0
Labour efficiency	-1.4	-0.9
Human capital	0.9	0.8

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

Per cent Gap to the upper half of OECD countries<sup>3</sup>

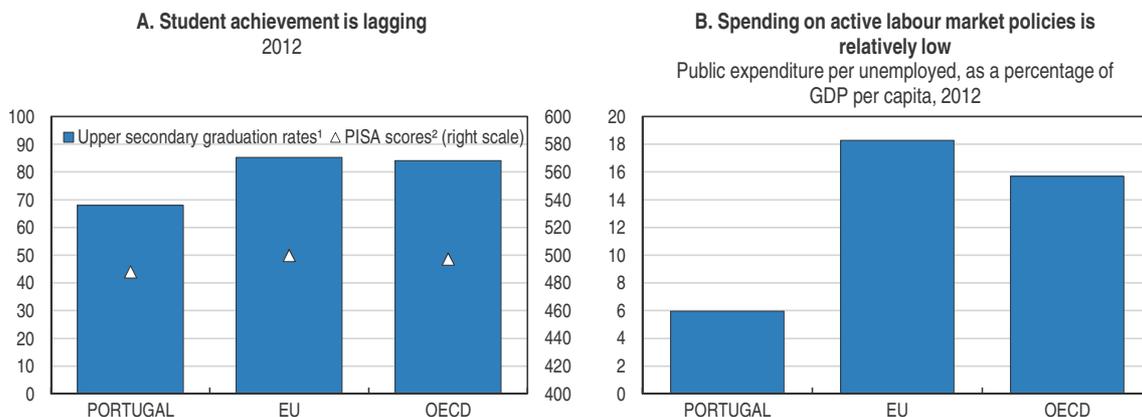
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

StatLink  <http://dx.doi.org/10.1787/888933177930>

## PORTUGAL

## Policy indicators



1. Graduation rate for typical age at upper-secondary level (first-time graduate). 2011 data for Portugal. Due to a statistical feature generated by the “New Opportunities” programme in Portugal, for this country data refer to graduation rates for students under 25 years old.

2. Average of PISA scores in mathematics, science and reading.

Source: Panel A: OECD (2014), *Education at a Glance 2014: OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2014-en>; and OECD (2014), *PISA 2012 Results: What Students Know and Can Do (Volume I, Revised edition, February 2014): Student Performance in Mathematics, Reading and Science*, PISA, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264208780-en>. Panel B: OECD, *Public expenditure and participant stocks on LMP*, *Economic Outlook and Employment Protection Databases*.

StatLink <http://dx.doi.org/10.1787/888933178368>

## Going for Growth 2015 priorities

**Priorities supported by indicators**

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

**Actions taken:** The Authorities have taken steps to expand vocational education and training (VET), provide adult training courses linked to the acquisition of formal qualifications (2013) and are introducing 2-year polytechnic courses (2014).

**Recommendations:** Continue to scale up VET, adult education and back to school schemes. Better align VET to labour market needs. Reduce grade repetition in secondary education to lower drop-out rates.

**Reform the unemployment benefit system and strengthen active labour market policies (ALMP).** Long benefit duration for older workers and insufficient job-search assistance increase long-term unemployment and labour market mismatch. Low coverage of unemployment benefit contributes to labour market duality.

**Actions taken:** New ALMP measures include short training courses, financial support for internships, a hiring subsidy paid to companies that provide training and lower social security contributions for hiring unemployed individuals below 30 or above 45 years (2013).

**Recommendations:** Further reduce the age-dependency of unemployment benefits and take further action to widen their coverage. Scale up ALMPs including job-search assistance, while closely monitoring programme performance. Focus training on maximising employability gains.

## PORTUGAL

**Promote wage bargaining at the firm level and avoid administrative extensions of wage agreements.** Administrative extension of collective wage agreements can hamper the entry of new firms and hurt productivity and employment.

**Actions taken:** Job protection for permanent workers was lowered by further (i.e. on top of what was already achieved in 2011-12) reducing severance pay in case of “fair” dismissals (2013). In 2013, the Authorities temporarily imposed conditions that resulted in substantive declines of administrative extensions, but a relaxation of these conditions decided in 2014 is likely to revive extensions for a large majority of sectoral agreements.

**Recommendations:** Abolish administrative extension of wage agreements permanently and promote wage bargaining at the firm level.

### **Other key priorities**

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

**Actions taken:** A new regulatory framework law was passed in 2013. Several privatisations were carried out in network sectors and some steps were taken to curb excessive electricity generation support.

**Recommendations:** Phase out electricity generation schemes with guaranteed prices sooner than currently planned and reduce the role of industry associations in regulating entry into professional services.

**\*Enhance innovation policies and strengthen the link between research and business.\*<sup>1</sup>** Innovation and knowledge-based capital are key to creating value and strengthening productivity growth.

**Recommendations:** Improve the links between researchers in universities and the private sector. Consider a better balance between tax credits and direct support in fostering research and development and refunds of tax credits for loss-making firms.

## **Reform areas no longer considered a priority in Going for Growth**

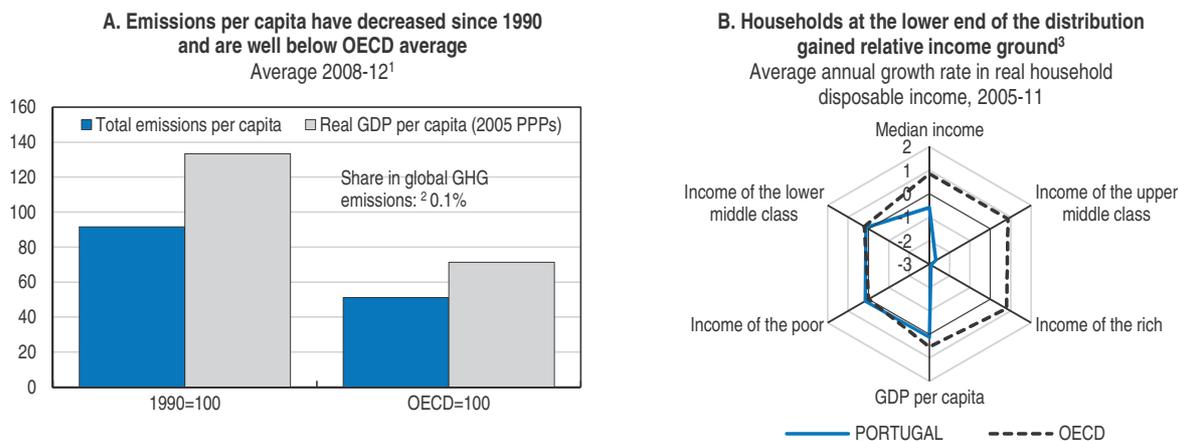
**Reduce administrative burdens at the local level.** To encourage entrepreneurship and productivity, it was recommended to reduce administrative burdens at the local level, for instance local licensing procedures.

**Actions taken:** The Authorities have implemented the Zero Authorisation initiative for many services and industrial projects, and eliminated licensing surcharges levied by municipalities. A silence-is-consent rule has also been put in place for many licensing issues.

1. New policy priorities identified in *Going for Growth 2015* (with respect to *Going for Growth 2013*) are preceded and followed by an “\*”).

## PORTUGAL

## Beyond GDP per capita: Other policy objectives



1. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and United Nations Framework Convention on Climate Change (UNFCCC) Database. Panel B: OECD, *National Accounts and Income Distribution Databases*.

StatLink  <http://dx.doi.org/10.1787/888933178795>