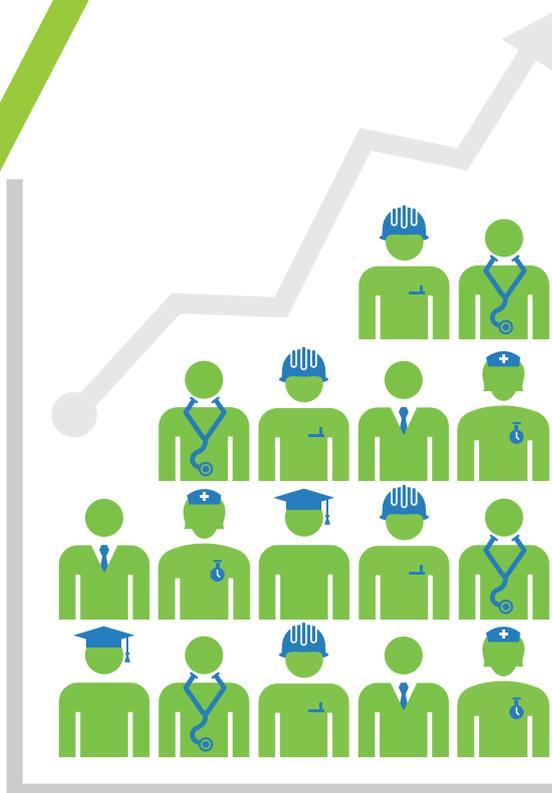


OECD Skills Strategy  
Diagnostic Report  
Executive Summary

Portugal  
2015



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



In what way?

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

By supporting improvement in productivity and growth.

By supporting high levels of employment in good quality jobs.



How is this achieved?

## By strengthening skills systems

Designing and implementing an evidence-based national skills strategy.

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

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



## OECD SKILLS STRATEGY DIAGNOSTIC REPORT PORTUGAL 2015

### EXECUTIVE SUMMARY

#### *Better skills, better jobs, better lives*

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

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



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

#### *Building an effective skills strategy for Portugal*

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

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

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

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

### *Portugal's skills challenges*

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

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

#### *Pillar 1: Developing relevant skills:*

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

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

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

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

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

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

## 12 SKILLS CHALLENGES FOR PORTUGAL

### *Developing relevant skills*

1. Improving quality and equity in education
2. Strengthening the responsiveness of VET to labour market demands
3. Targeting adult education and lifelong learning towards the low-skilled

### *Enabling conditions for an effective skills system*

10. Financing a more equitable and efficient skills system
11. Adjusting decision-making power to meet local needs
12. Building capacity and partnerships for evidence-based skills policy

### *Activating the supply of skills*

4. Reducing youth unemployment and NEETs
5. Increasing labour market re-entry for the long-term unemployed
6. Reducing barriers to employment

### *Using skills effectively*

7. Promoting entrepreneurship
8. Stimulating innovation and creating high-skilled jobs
9. Providing employers with incentives to engage in skills development, especially SMEs

***Pillar 2: Activating skills supply:***

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

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

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

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

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

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

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

***Pillar 3: Using skills effectively:***

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

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

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

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

**9. Providing employers with incentives to engage in skills development, especially SMEs.**

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

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

**Strengthening Portugal's skills system:**

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

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

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

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

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

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

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

### *Making use of this diagnostic report*

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

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

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

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

This paper is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.



# OECD Skills Strategy Diagnostic Report Executive Summary Portugal

Better skills policies help build economic resilience, boost employment and reinforce social cohesion. The OECD Skills Strategy provides countries with a framework to analyse their skills strengths and challenges. Each OECD Skills Strategy diagnostic report reflects a set of skills challenges identified by broad stakeholder engagement and OECD comparative evidence while offering concrete examples of how other countries have tackled similar skills challenges.

These reports tackle questions such as: How can countries maximise their skills potential? How can they improve their performance in developing relevant skills, activating skills supply and using skills effectively? What is the benefit of a whole-of-government approach to skills? How can governments build stronger partnerships with employers, trade unions, teachers and students to deliver better skills outcomes? OECD Skills Strategy diagnostic reports provide new insights into these questions and help identify the core components of successful skills strategies.

This report is part of the OECD's ongoing work on building effective national and local skills strategies.

## Write to us

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- [www.pisa.oecd.org](http://www.pisa.oecd.org) for the Programme for International Student Assessment (PISA) data
- [skills.oecd.org](http://skills.oecd.org) for OECD work on skills

## Further reading

OECD (2012), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, OECD Publishing.

OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*, OECD Publishing.



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