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Labour Market Policy in Portugal ¹

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1 Abstract

The Portuguese National Action Plan for Employment (NAP) is the main instrument for the labour market policy. It was adopted in 1998. The NAP transposes to the Portuguese reality the contents of such guidelines, with the adequate adjustments required by the national specificities, establishing objectives, quantified targets and action deadlines, as well as defining new programmes and measures. Therefore, the objectives of the labour market policy were focusing on the promotion of an adequate transition of the youngsters in active life, on the promotion of social and professional insertion and fight against long term unemployment and exclusion, on the improvement of basic and professional qualification of the working population in a perspective of lifelong training, namely as a way to prevent unemployment phenomena, and on the preventive management and follow-up of sectoral restructuring processes.

Keywords: labour market; Portugal; unemployment; qualification; training; restructuring

JEL classification: J21; J80; K31

2 Introduction

The National Action Plan for Employment (NAP) is the main instrument for the labour market policy in Portugal, and was adopted by the Ministers Council's Resolution no. 59/98 of May 5. It materializes the compromise assumed by the Portuguese State, within the scope of the Extraordinary Summit on Employment of Luxembourg, held in November 1997, towards the implementation of the guidelines on employment, which were agreed then. The NAP transposes to the Portuguese reality the contents of such guidelines, with the adequate adjustments required by the national specificities, establishing objectives, quantified targets and action deadlines, as well as defining new programmes and measures.

The European strategy for Employment was developed throughout a five years period as adopted at the Luxembourg Summit. The Vienna Summit, held one year after, was the first great opportunity for a balance and review of the European strategy for employment. With a view to identify action lines to respond to such new challenges the Portuguese Government launched a process of revision of the National Action Plan for Employment, involving various ministerial departments and the participation of the social partners. Within the scope of such process they were identified review lines oriented, in global terms, to the stability of the guidelines foreseen for 1998. It was decided to incorporate directly in the NAP the adjustments considered necessary

in all annual revisions, with the safeguard of the formal consistency of this instrument of multi-annual planning.

Therefore, the objectives of the labour market policy were focusing on the following:

- a) Promotion of an adequate transition of the youngsters in active life.
- b) Promotion of social and professional insertion and fight against long term unemployment and exclusion.
- c) Improvement of basic and professional qualification of the working population in a perspective of lifelong training, namely as a way to prevent unemployment phenomena.
- d) Preventive management and follow-up of sectoral restructuring processes.

3 Part One

3.1 Strategic lines of the National Action Plan (NAP) for Employment

In this context, the strategy towards employment, and labour market, in co-ordination with the Regional Development Plan, was grounded, among others, upon the following guidelines:

1. Promotion of the link between the fields of education, training and employment, through recognition of non-formal learning processes, namely those associated with the working context.
2. Development of macro-economic policies that have a favourable impact on the creation of employment.
3. Valuation of sectoral, regional and local approaches that solve social and environmental problems.
4. Promotion of social dialogue and partnerships to materialise agreements and initiatives that encourage employment.
5. Creation of links between the social protection policy and the labour market and training policies as a hinge between situations of exclusion and social integration.

The basic conditions to ensure the correct implementation of measures and programs were the following:

1. The existence of a global information system running along two trends: internal information to enable a timely adjustment of measures to reality; and external information so as to make the various target populations timely aware of available measures and programs.
2. To improve the range of follow-up and impact indicators dealing with employment and training related measures.
3. To identify the short and medium level training needs as well as the areas with a potential to create employment.
4. To intensify the quality of training as an instrument to intervene efficiently at the level of human resources and competitiveness.
5. To adapt the human resources allotted to the carrying out of the various interventions linked to the management and promotion of training and employment in the perspective of innovation.

The following specific objectives are in priority according to the overall objectives and serve as a framework for the measures of labour market policy:

1. Modernisation of the educational system;
2. Development of qualifying training systems in articulation with the economic agents.
3. Development of typified courses of insertion (to fight unemployment).
4. To back-up and facilitate the formation of companies, specially, micro- and small-sized ones.
5. Promotion of job creation, with emphasis on business facilitating and exploring new sources of employment.
6. Development of active policy instruments adapted to professional insertion of disfavoured social groups.
7. Re-orientation and intensification of recurring education and improvement of its articulation with professional skills.

3.2 Organisation structure of the labour market policies

The main institutions that promote the labour market policies, with the overall responsibility of the Ministério do Trabalho e Segurança Social (Ministry of Labour and Social Affairs) is the following:

Direct Administration Services and information systems:

1. Departamento de Estudos, Prospectiva e Planeamento (Department of Studies, Prospective and Planning)
2. Departamento de Estatística do Trabalho, Emprego e Formação Profissional (Labour, Employment and Vocational Training Statistics Department)
3. Direcção-Geral do Emprego e Formação Profissional (General Directorate for Employment and Vocational Training)
4. Direcção-Geral da Solidariedade e Segurança Social (General Directorate for Solidarity and Social Security)
5. Instituto de Informática e Estatística da Solidariedade (Institute for Computer Science and Statistics of Solidarity)

National Organisations in the areas of employment and professional training

1. Instituto do Emprego e Formação Profissional (Institute for Employment and Vocational Training)
2. Instituto para a Inovação na Formação (Institute for the Innovation in Training)

In the areas of insertion and social security

1. Centro Nacional de Protecção contra os Riscos Profissionais (National Centre for the Protection of Professional Risks)
2. Secretariado Nacional para a Reabilitação e Integração das Pessoas com Deficiência (National Secretariat for the Rehabilitation and Integration of Handicapped People)
3. Instituto de Solidariedade e Segurança Social (Institute for Solidarity and Social Security)

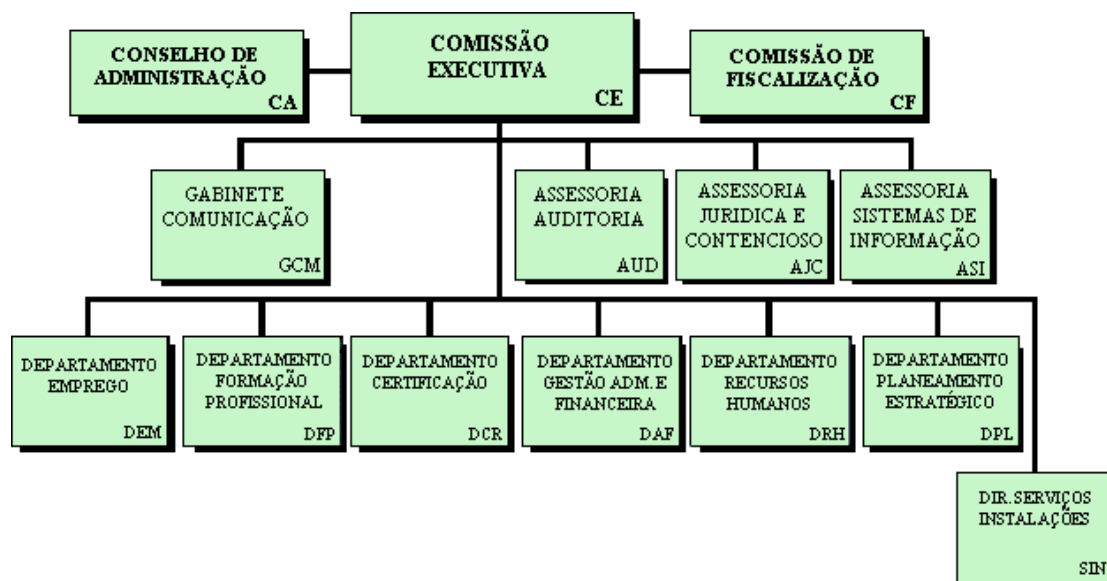
Committees

1. Comissão do Mercado Social de Emprego (Committee for the Social Market of Employment)
2. Comissão Nacional para a Promoção dos Ofícios e das Microempresas Artesanais (National Committee for the Promotion of Crafts and Microcompanies)

3. Observatório do Emprego e Formação Profissional (Observatory of Employment and Vocational Training)

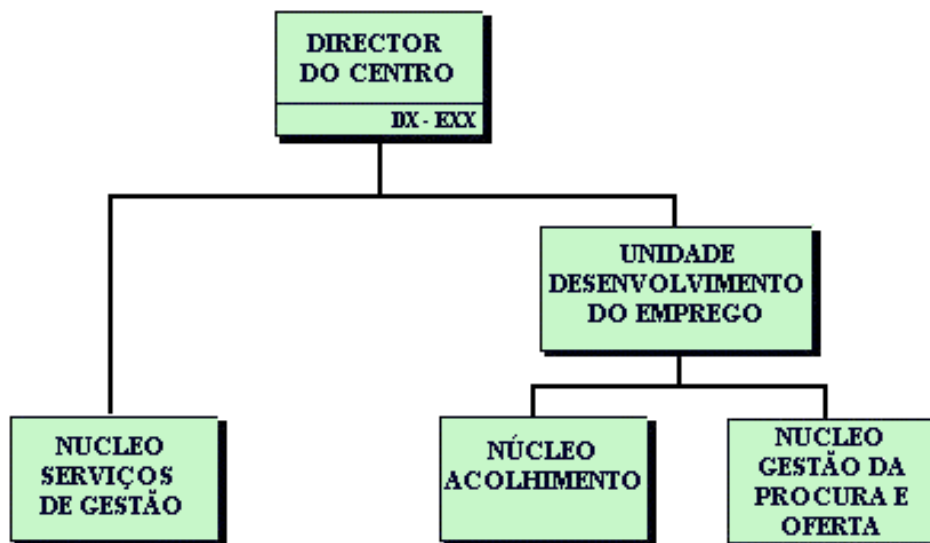
3.3 Unemployment Program - IEFP

The IEFP-Institute for Employment and Vocational Training, is a public institute with the representation of social partners, dependent from the Ministry of Labour and has the central head offices in Lisbon, but has 5 Regional Delegations covering all the country, and 86 Employment Centres, 31 Vocational Training Centres, 1 Centre for Professional Re-habilitation and 7 Centres for Enterprise Creation Support. The central structure of IEFP is the following:



The Programme of Stimulus to the Employment Offer (Measure: Support to Bargaining) comprehends a group of support measures to job creation. It is coordinated from the IEFP- Institute for Employment and Vocational Training that belongs to the Ministry of Labour and Social Affairs. And the above-mentioned one should stimulate the liquid job creation supporting entities that celebrate no term/full time labour contracts. The entities that can ask for the support of this programme must have more than 50 workers, and the new jobs should be filled by handicapped, poor (with the Minimum Guaranteed Income) or unemployed with at least 45 years old. The technical support can be given on the selection and recruitment of unemployed workers. The financial support is in the form, of subsidy for each job created (12 times the minimum wage for each job for an unemployed). When more than 60% of jobs are occupied by people of different gender, there will be a Prize for Equality of Opportunities that would represent 10% more of the value of all given supports.

The Employment Centres have the following structure, that includes a unit of demand and offer management (for placements in labour market) and a unit of counselling:



3.4 The four pillars of the NAP for Employment - the national situation and priorities

The approach to the National Action Plan for Employment was developed in the framework of the strategy enunciated above, however, in perfect co-ordination with the four pillars which sustain the European employment strategy: to improve employability, to foster the entrepreneurship, to encourage the adaptability of the workers and the enterprises and to strengthen the policies on equal opportunities.

The generality of the specific objectives contained in the (NAP) are closely linked to the employability pillar, despite the highly centred creation of typified integration ways which favour an individual follow-up of job seekers, as well as the aimed strengthening in terms of continuing training and lifelong education. The improvement of employability conditions is considered a powerful instrument to better adapt the labour supply and demand with a view to increase the levels and the quality of employment.

The promotion of entrepreneurship pays tribute to an increased efficiency of various instruments and it will be stimulated at a short term by the strong bet we put on a more friendly relationship between the corporate sector and Public Administration. Likewise, this applies to the strengthening of state policies so as to reach a more favourable framework for the creation of enterprises.

The strengthening of adaptability, also favoured by many of the specific objectives contained in the Plan, will greatly depend on the capacity to materialise social partnerships that promote an increased weight of training of the working population in enterprises, namely the small and medium sized ones.

On the other hand, the Equal Opportunities for Men and Women pillar shall be developed with a strong emphasis on its cross-relations with the different instruments for the Plan implementation.

4 Part Two

4.1 The Development of the National Employment Action Plan

In Portugal, the link between the Action Plan and the European Employment Strategy is particularly important as to the consolidation of the stabilisation strategy running along the participation within the European and Monetary Union and the strengthening of the dynamics of convergence and economic development which is essential for the consolidation of social and economic cohesion.

In this sense, the development and consolidation of the NAP requires a specific articulation with structural interventions implemented in Portugal, with the support of financial instruments with structural goals – the FEDER, the FEOGA-O, the IFOP, the Cohesion Fund and specially the ESF-European Social Fund. In Autonomous regions of Azores and Madeira the support of the Structural Funds is predominantly integrated in Regional programmes with multi-funds characteristics (PEDRAA II e PROPAM II, respectively in Azores and Madeira). One can conclude that the Portuguese labour policy is strongly supported by these funds, and indirectly by the taxation in the welfare system.

The active labour market policies will have to continue promoting conditions of employability and fight against unemployment in a perspective, which allows for territorial particularities focussing on disadvantaged areas. Therefore, the instruments and measures of the employment policy must contain increased levels of flexibility so that they can adapt to territorial or sectoral differentiated phenomena or to phenomena temporally dynamic.

The evaluation of the NAP development points to the fulfilment of the quantified goals defined by the European Union and at national level. The National Action Plan for Employment has also established a set of quantified goals related to the strengthening of the active measures, particularly in the fields of training. The degree of accomplishment of the goals established for the achievement of the objectives relating the improving of the youth employability was clearly higher than the targets set in what refers to the programme of training placements and to the apprenticeship system and is near the value established for the youth training. The balance of the instruments launched is also, in general terms, positive.

The Government has through the Ministers' Council Resolution no. 8/99 of February, 9, adopted a regional employment plan, which has allowed to adjust the national objectives of the NAP to Alentejo, as to reduce the negative social impact of unemployment on that region and to fight the incidence of that phenomenon.

Considering that the employment trends in the Metropolitan Area of Porto have been in disfavour being namely translated into unemployment levels that are higher than the national average, a Regional Employment Plan was launched in this metropolitan area in 1999, in order to ensure the adjustment of the national employment strategy to the particularities of that region. In this context, it should also be referred the Regional Employment Plan for Madeira on the initiative of the Madeira Regional Government as well as the Regional Employment Plan for Azores on the initiative of the Azores Regional Government. Finally, they will be launched specific actions in differentiated territorial areas as for example in the field of the fight to the seasonal character of employment in the tourism sector in Algarve region.

In the follow up of the national early unemployment approach methodology the areas were enlarged in 1999, where the commitment to provide new solutions to the registered unemployed were assumed. The launching pace of the INSERJOVEM and REAGE methodology into the new areas corresponded to the launching of 10 new regional employment networks. As a whole, the regional networks launched in 1999 covered 45% of the total population in national territory. If we consider the population covered by the regional employment networks launched in 1998 and 1999, the networks and territorial pacts will account for approximately 75% of the Continental population.

Jointly with the already mentioned goals, the National Employment Plan also foresees other quantified objectives. The situation of the labour market, where historically low unemployment values were attained (around 5%), the persistent importance of the long term unemployment phenomenon and the difficulties encountered to ensure adequate transition into active life, advises that strong priority should be placed on the reinforcement of employment for the unemployed stock, and bring candidates nearer to professional insertion.

The budgeted values for 1999, in terms of active employment policies and promotion of human resources qualification, are set at approximately a thousand million Euros. Moreover, the main instruments for the promotion of employment, employability and entrepreneurship, translated into reduction of income, represent a financial value of around 325 million Euros.

The NAP goals are implemented on regional level, and the regional organisation of the Ministry of Labour and the regional institutions (CCR-Committees for Regional Co-ordination) are involved in planning regional measures. The budget is transferred to regional level through these links connected directly to the operational programs for employment. The budgets are not related directly to unemployment rate, but the projects are supported taking into consideration the labour market situation at the regional level.

4.2 Promotion and follow-up of the Plan

The promotion and development of the Plan require highly concentrated efforts from both the Government and the Social Partners. At Government level, and due to the transverse nature of the Plan, various ministries are being involved in dynamization and divulgation of the Plan. The Autonomous Regions of Azores and Madeira are

also participating in the process through Regional Action Plans duly adapted to the specific features of each Region, with their own specific budget.

Considering the extremely important role of the Ministry of Labour and Solidarity in this process, a body is to be set up within the Ministry specifically devoted to dynamizing the Plan. Internally, such a body will promote the progressive articulation with local staff in charge of the development of the Plan duly appointed at all Employment Centres.

At inter-ministerial level, the Follow-up Commission of the NAP will monitor the process in close co-operation with the various ministerial offices involved. This is the system that monitors whether the objectives (set by NAP) are reached. At the institutional level and parallel to the direct involvement in its implementation, the participation of the social partners in the follow-up of the Plan, both in terms of evaluation and the discussion of its adjustments, is promoted at the level of the Standing Commission for Social Dialog (SCSD). This Commission has the direct participation of social partners.

Pursuant to § 9 of the Council Resolution dealing with the guidelines for Employment in 1998, in order to ensure that the contribution of the Social Partners for the «implementation of the guidelines and the promotion of a high employment level» is «evaluated periodically», reports related to the implementation of the Plan are submitted and evaluated in the ambit of the SCSD.

4.3 Guidelines of the NAP for Employment

1. Every young person unemployed is offered a new start before reaching six months of unemployment, in the form of training, retraining, work practice, a job or any other adequate measure to favour his professional integration.

The adequate insertion of the youngsters into working life is one of the top priorities of the Portuguese employment policy, since one of the main critical factors of the labour market resides in youth unemployment. Youth unemployment stands for 31% of the total unemployment figure and the prolonged nature of that type of unemployment is significant. Moreover, precarious employment strongly alternates with unemployment. In pursuance of the European goal as defined in this guideline, a new methodology involving an early approach to unemployment was launched via the INSERJOVEM Initiative. The priority is the strengthening of active policies to fight youth unemployment carried out through three main vectors: a) broadening and improving the quality of skill training for the youngsters; b) intensifying the participation of the youngsters in programs that approach professional performance, namely through periods of training; and stimulating the recruitment of the youngsters.

An objective is to guarantee a new opportunity for all unemployed young people within 6 months of becoming unemployed, in all areas covered by pacts and regional unemployment networks. It is also important the emphasis on training for employability.

2. Unemployed adults are also offered a fresh start before reaching 12 months of unemployment by one of the aforementioned means or, more generally, by individual follow-up in professional guidance. These preventive measures and these measures for increasing employability must be combined with measures for the reinsertion of the long-term unemployed.

Long Term Unemployment (LTU) is particularly high in Portugal. Reaching in 1998, 44,6% of the total unemployment figure, the very long-term unemployment being extremely high. The LTU is particularly high among the low schooled employed and mainly affects the young adults (25-44 years of age) specially women. The national priorities for the fight against LTU run along three main vectors: a) to consolidate the basic qualification of the unemployed so as to increase their professional reinsertion capacity; b) to develop the qualifying training bringing them closer to working environments and inserting, when appropriate, logics of professional reconversion retraining; to promote job creation mainly focusing on the development of the capacity to create self-employment (self-employment, employment in micro-units, employment in the cooperative sector); d) to intensify the initiatives for professional insertion and reinsertion of the long term unemployed; and e) to combat long term unemployment among women.

To carry out such priorities means to strengthen the role of Public Employment Services chiefly through the individual follow-up of the unemployed on the verge of becoming LTU in their re-insertion process and also through the building of typified profiles of insertion. There is the objective of guaranteeing a new opportunity for all unemployed adults within 12 months of becoming unemployed, in all the areas covered by pacts and regional employment networks, and to broaden by 25% professional training for unemployed adults and long term unemployed adults, focussing on the training for employability.

There are available instruments such as methodologies for fighting long term unemployment, involving increased job offers, personalised training programs, and new forms of professional insertion, occupational programs for unemployed on benefit and unemployed in poor economic situation, aid for the recruitment of the youth seeking their first job and the long-term unemployed, the socio-professional integration of long term unemployed adults, and greater incentives for hiring unemployed women over the age of 45.

3. Each Member State will endeavour to increase significantly the number of persons benefiting from active measures to improve their employability. In order to increase the percentage of unemployed who are offered training or any similar measure, a target will be established, in the light of its starting situation, to gradually achieve the average of the three most successful Member States, and at least 20%.

In Portugal, the percentage of active measures out of the total cost of the employment policy has consistently grown, now and is now close to 50%. Yet, this indicator must be relativized as the unemployment rate is low and the coverage of passive measures

(unemployment benefit) is also relatively low. The process of improving the social security system involved has provided greater cover in unemployment protection for the most vulnerable sectors of society. While the active measures aimed at helping the unemployed as a whole, the relative weight given to actions designed to improve qualifications within these measures is still not enough.

Thus, a priority in this guideline is the need to intensify the presence of active measures for the unemployed improving their quality. And also the need to make the management of passive measures more flexible so as to facilitate professional reinsertion of the unemployed.

A target would be to increase by 25% the importance of professional training aimed at the unemployed so as to reach 20% of the unemployed attending training actions by the end of the lifespan of the Plan. Another one is the increase of the importance of the active measures made available to the unemployed without jeopardizing the improvement of the coverage of unemployment benefits. The available legislation governing the unemployment protection scheme is an important instrument for that. But also are the training schemes for the unemployed and the employment programs.

In the period 1998-2002 were created new instruments, such as: a) launching of a new framework for the “employment clubs” and for UNIVA and b) implementation of the new unemployment protection scheme, intended to reduce the factors that discourage people from working.

These factors can be reduced by the following means: possibility of receiving unemployment payments with part-time work; creation of the partial unemployment allowance for beneficiaries who, while receiving their unemployment-allowance, have a part-time work contract, and permission for a period of 30 days, to receive unemployment payments and the training subsidy in those cases where the unemployed person attends professional training courses lasting 6 months or more.

The “employment clubs” and UNIVA are units located and organised by associations (professional, local, sectoral) that promote the integration of young people in the labour market or support unemployed workers finding placement for them in articulation with the employment centres (IEFP). This system works with incentives if these clubs and UNIVA are successful in placement of people into jobs. But also, within the specific employment programs that were mentioned before, employers can have incentive if they place unemployed workers or disabled workers,

In Portugal, the development of active measures with a view to promote employability of the unemployed does not reduce the role traditionally played by social security schemes and which is due to be strengthened.

5 ANNEX

SOCIAL PARTNERS' JOINT STATEMENT ON THE NATIONAL PLAN OF EMPLOYMENT

The above-mentioned Social Partners, members of the Standing Committee for Social Dialog, consider that the National Plan of Employment should be an important instrument for a co-ordinated strategy of job creation and unemployment reduction combined with an increase of the enterprises competitiveness.

For this purpose, it is necessary to take on an effective co-ordination and coherence between the economic policies and the promotion of employment pointing out the role played by the fiscal policy and the reforms in Social Security and Public Administration.

Job creation requires a significant economic growth supported by the strengthening of internal consumption, investment and exports as well as by an increase in the enterprises competitiveness.

It requires also the strengthening of structural policies, which may support a significant economic growth necessary to ensure the real convergence.

The Social Partners' participation cannot be restricted to the measures, which involve them bilaterally, such as those relating to the Guidelines 4 and 13.

It requires a permanent evaluation and follow-up, which implies an adequate quantification in terms of objectives and investments involved in the public policies and a cost-benefit analysis.

The Social Partners agree as follows:

Guideline 5

For an appropriate support of employability it is essential to ensure to all European citizens the access to the process of lifelong learning. This presupposes that every citizen should have a basic educational level.

Therefore, the Social Partners consider that the cohesion policies should help to overcome deficits in the infrastructures area as well as in education and training and in the reduction of the social differences between regions and citizens.

The Social Partners point out the priority which consist in increasing employability through the different ways suggested by the European Council, and commit to negotiate the different issues with a view to establish agreements at different levels. Such negotiations should involve namely:

- a) Promotion of professional training and a more clear definition of the enterprises and workers mutual responsibilities. To establish through collective negotiation or, when no collective regulation instruments exist, through agreement between representatives of workers' and employers' organizations, how the training actions should be carried out, at what time they should take place as well as the co-ordination between the improvement of the qualifications and the development of the professional career.
- b) Promotion of equal opportunities and non-discrimination.
- c) Co-ordination between the recruitment rules, the experimental and training periods and the response to occasional needs of the enterprises taking into account the safeguard of the workers involved, who are mostly youngsters.

The Social Partners commit to co-ordinate this negotiation with other measures to be implemented by the Government, namely the dynamization of employment/training scholarships, one year of qualifying training after the conclusion of the basic education and the incentive to the recurring education of the population employed.

Lastly, the Social Partners express their commitment to go on participating actively at all levels of the social agreement with a view to the strengthening of the entry into working life and a more effective adjustment between employment demand and supply.

It should be pointed out the participation in the following institutions:

- Institute of Employment and Professional Training;
- Territorial Pacts for Employment and Regional Networks of Employment;
- INOFOR;
- National Certification System;
- National Learning Commission;
- Commissions of Follow-up of the Community Support Framework (CSF), including the ESF;
- Standing Committee for Social Dialog.

The Social Partners show, on the other hand, an insufficient participation in many of these bodies particularly in the Territorial Pacts and the Regional Networks of Employment and in the CSF follow-up structures.

The Social Partners request from the Government the rapid implementation of lifelong education and training programs in order to reduce the strong national deficit in relation to the European average.

Guideline 16

The Social Partners respond favourably to the invitation made by the European Council concerning the negotiation, at the adequate levels, of agreements towards the modernization of work organization and commit to promote the dynamization of the collective negotiation.

The collective negotiation should be developed on the basis of a balance between the enterprises interests and the workers' interests.

Therefore, Social Partners commit to develop the social agreement in matters such as: definition of the incomes policy, management working time, improvement of working conditions and of lifelong learning and the definition of functions and careers in the framework of the enterprises' modernization and productivity growth.

Considering the different opinions as to the reduction of the hours of work, the Social Partners agree in proceeding with the discussion of such matter, taking specially into account the negotiation of the hours of work, co-ordinating the strengthening of the competitiveness of the enterprise' with the safeguard of the workers personal life.

The Social Partners shall analyze in particular the availability of qualified workers and the overtime issue and shall agree to promote the compliance with the law in the resort to overtime and absenteeism fields, introducing adequate control and supervising mechanisms.

The Social Partners agree to proceed with the dynamization of the collective negotiation by promoting namely:

- Adequate mechanisms of information and consultation of the workers at the enterprises, with an obvious interest for both;
- Improvement in professional hygiene and safety conditions;

The Social Partners also express their willingness to discuss the indirect labour costs.

The Social Partners hope that the Government in co-ordination with them may also promote and incentive the development of collective negotiation as well as the creation of a Labour Relations Centre with a tripartite management in order to support and promote the social agreement and the negotiators training.

Lisbon, April 13, 1998

THE EMPLOYERS' CONFEDERATIONS

Confederação dos Agricultores de Portugal

Confederação do Comércio e Serviços de Portugal

Confederação da Indústria Portuguesa

THE TRADE UNIONS CONFEDERATIONS

Confederação Geral dos Trabalhadores Portugueses – Intersindical Nacional

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