

## EXECUTIVE SUMMARY

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### *Macroeconomic Framework - Portugal in the European Context*

- 1.** The Portuguese economy started to recover in 2013 after a deep recession. The strong contraction of domestic demand coincided with a significant increase in exports, together with a decrease in imports, allowing the equilibrium of the current account. After 2014, the recovery of private consumption and investment, coupled with a significant increase in exports, led to positive changes in GDP, maintaining external stability, although still insufficient to compensate for the real GDP decrease in the period 2009-2013, moving further away from the average European level until 2016.
- 2.** Labour market performance was more favourable when compared to the GDP evolution. However, the decline in unemployment in Portugal in the period 2013 to 2018 (-491,000) was higher than the increase in employment in the same period (+457,000), with this difference being explained mostly by the modest growth of the product and the high emigration between 2011 and 2015, that resulted in a reduction of the economically active population by 189,000 people in that period. In 2018, 361,000 economically active persons (15 to 64 years old) were unemployed, in Portugal.
- 3.** From 2013 onwards, a more dynamic employment growth in more labour-intensive sectors has resulted in stagnation in average productivity, and in an increase in the gap between Portugal and the EU average. This stagnation rests not only on the fact that employment growth was stronger in labour-intensive sectors but also in the slow recovery of investment, which in 2018, was only 79% of the investment in 2008.
- 4.** The recovery of public and private investment is crucial not only for the export dynamics to be sustainable in the medium term, but also so that the recovery of domestic demand can be carried out without inflationary tensions that could jeopardize the competitiveness of the Portuguese economy.

## **2. Synthetic analysis of labour market developments**

### **2.1. Labour supply**

- 5.** Since 2011, the population in mainland Portugal has been declining, and there is a decrease in the younger age groups and an increase in the older age groups, which is sharper the older the group is. Between 2017 and 2018, as from the beginning of the series, the age group that has decreased the most was 25 to 34 years (-2.2%).
- 6.** In 2017, and for the first time since 2010, there was a positive migration balance (over 4,800 people), since 31,800 people left Portugal permanently and 36,600 immigrants entered our country also permanently (19,600 from non-28 EU countries and 17,000 from other EU countries).
- 7.** Despite the decline in population, the active population in mainland Portugal increased between 2017 and 2018, as it had already increased in the previous year, although at a lower rate (0.2%). This increase was seen in the number of active women, in the age groups above 45 years, and in working people with secondary or higher education. The Portuguese activity rate remains above the EU average. For the younger age groups, the activity rate in the EU has stabilized at around 42% in recent years, while in Portugal it has seen a systematic decline since 2008 (40.9%) until 2017 (34%).
- 8.** In the opposite direction, there were 12,000 fewer economically inactive people in 2018 than in the previous year, following on the reduction observed in 2017 in all economically inactive people categories aged 15 and over, with the exception of the pensioners category. There were about 169,000 economically inactive people “available not seeking employment” in mainland Portugal, or 5% of the total inactive population.
- 9.** In 2018, the percentage of NEET (young people neither in employment nor in education and training) between the ages of 15 and 29 continued to decline, and now stands at 9.6%, below the EU average of 12.9%.

### **2.2. EMPLOYMENT**

- 10.** Employment in 2018 reached its highest level of the last nine years (4,631,100 employed people), having grown in the last year by 105,000 people, a growth, however, smaller than in 2017, when it grew by 143,000 people. The increase in employment has allowed the employment rate (15 years and more) to reach 55%, with the increase of the woman's employment rate being higher than the increase of the man's rate. As in 2017, the employment rate in Portugal was higher than that of the EU.
- 11.** The increase in employment was not homogeneous among the different age groups, and there was even a decrease in employment in the age group from 35 to 44 years. However, the increase in employment in the younger age groups, from 15 to 24 years old (5%), and employment growth in the age group 55-64 (6.4%), should be highlighted.
- 12.** On average, there was an increase in the qualifications of the employed population, with employees with secondary and higher education growing to about 54% of the total. A higher level of schooling corresponds, on average, to a higher employment rate: in 2018, the employment rate of those with primary education was 42.2%, with secondary education was 68, 7% and with higher education was 78.7%.
- 13.** Concerning the evolution of the working population by professional situation, between 2017 and 2018, the proportion of employees (TCOs) in total employment continued to increase, since the number of TCOs increased proportionately more than the number of self-employed workers (+2.7% and +0.4%, respectively).
- 14.** In 2017, 89.6% of all working population worked full time. In relation to the previous year, this category of employees grew by 3.2% while the number of part-time employees decreased by 4.9%.
- 15.** Fixed-term contracts in Portugal continue to show a significant difference compared to the average of all EU countries, which, since 2008, has been fluctuating around 14%, which corresponds on average to about 8 pp below the value for Portugal. However, between 2017 and 2018, open-ended contracts grew by 2.8%, slightly more than fixed-term contract, which increased by 2.4%. In mainland Portugal, 78% of all 3,859,600 employees had open-ended contracts, 18.3% had fixed-term contracts and 3.6% had other types of contracts (seasonal, casual and service).

- 16.** In sectoral terms, the population employed in Services (68.8% of the total) grew (+ 2.7%) slightly more than the population employed in *Industry, construction, energy and water* (25.4% of the total) which grew 2.6%. Employment in *Agriculture, forestry and fishing* accounted for 5.8% of the total, and decreased 3.7% compared to 2017.
- 17.** With regard to the most significant sectors in terms of employment in *Industry, construction, energy and water*, between 2017 and 2018, employment grew by 28,000 people in the *Manufacturing* sector and decreased slightly (-1,400) in the *Construction sector*. With respect to the evolution of employment in the most representative sectors of *Services*, between 2017 and 2018, the sectors that grew the most were *Education* (+33,600), *Public Administration and Defence; Compulsory Social Security* (+25,900 people) and *Human health and social work activities* (+11,900 people). Of these sectors, the only ones where there was a decrease in employment were *Administrative and support service activities* (-5,200 people) and *Wholesale and Retail trade; repair of motor vehicles and motorcycles* (-4,800). Employment in *Tourism* related activities increased by 3,400 people between 2017 and 2018.
- 18.** The weight of the different professional groups has changed dramatically since the beginning of the series. Between 2017 and 2018, the fastest growing professional groups were *Professionals* - which is now the most representative group, representing 19.1% - followed by *Services and sales workers*, and *Plant and machine operators and assemblers*.
- 19.** With regard to employment in *Public Administrations*, in December 2018, there were 631,900 people working in Public Administrations in mainland Portugal, 13,200 people more than in December 2017, 80.8% in the *Central Government* and the rest in the *Regional and Local Government* (17.8%) and in *Social Security Funds* (1, 4%). In 2018, employment in *Public Administrations* remained below the 2011 value (- 43,300). It should be noted that between 2011 and 2018, the only age groups that recorded an increase in jobs were the 55 years old and over age groups, growing by 53.4% (+ 58,000 jobs). On the other hand, age groups up to 34 years old decreased by 45.3% (-64,800 jobs). Regarding the type of contract, 75.1% of the workers had open-ended contracts, an increase of 16,000 workers when compared to 2017, and the largest increase in the series<sup>1</sup>. By contrast, the number of workers with fixed-term contracts decreased by about 4,000.

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<sup>1</sup> This increase is largely due to the implementation of the Extraordinary Regularization of Precarious Employment Contracts Program (PREVPAP) .

## 2.3. UNEMPLOYMENT

- 20.** In 2018, 6.9% of the working age population in mainland Portugal was unemployed, 1.9 pp less than in 2017. This decrease brought the unemployment rate closer to the European average, a trend observed since 2013, and in 2018 the Portuguese rate was only 0.1 pp higher than the European average. The youth unemployment rate followed a similar behaviour, settling at 20.8% in 2018, and 5 pp above the European average.
- 21.** In 2018, 343,500 people were unemployed in mainland Portugal, a decrease of 21.6% (-94,500) compared to the previous year. Women were the majority of the unemployed population (52.6%).
- 22.** The unemployment rate amongst the active population with at least *Primary and lower secondary education* was 7.0%, which is lower than the unemployment rate of the active population with *Upper secondary education*, which was 8.2%. The economically active population with *Tertiary education* had an unemployment rate of 5.4%.
- 23.** In 2018, 41,700 people (12.1%) in mainland Portugal were looking for their first job and 301,600 people (87.9%) were looking for a new job. Of all the unemployed people looking for a new job, 71.2% came from the *Services* sector, 25.6% came from the *Industry, construction, energy and water* sectors, and 3.1% came from the *Agriculture, forestry and fishing* sectors.
- 24.** In 2018, the professional groups with the highest number of unemployed people looking for a new job were *Services and sales workers* and *Craft and related trades workers* sectors. Compared to 2017, unemployment fell in all professional groups.
- 25.** Long-term unemployment (DLD) decreased by 30.5% when compared to 2017, and now stands at 174,000, more than triple the decrease in the unemployed up to 12 months (-8.9%).
- 26.** According to the information provided by the Institute for Informatics and Statistics of Social Security of the Ministry of Labour, Solidarity and Social Security (MTSSS), in 2018
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there were about 160,600 beneficiaries receiving unemployment benefits. Of these, 292 people were receiving the benefit due to termination of activity, i.e., they were self-employed. The number of beneficiaries with benefits decreased, when compared to the same period of the previous year (-6.3%), which corresponded, in absolute terms, to a decrease of around -10,700 beneficiaries.

## **2.4. Labour flows between employment, unemployment and inactivity**

- 27.** In 2018, as in the previous year, the employed population increased by about 78,100 people, mainly as a result of the re-entering of people formerly unemployed. The unemployed population, on the other hand, decreased by about 72,900 people, mainly due to the number of unemployed people who become employed. The number of economically inactive people also decreased, mainly due to changing their status from inactive to unemployed.
- 28.** In *Public Administrations*, 60,100 new people were recruited and 54,200 left permanently. If we add to this difference (5,900) the balance between entries and exits resulting from mobility and other situations<sup>2</sup> (+7,300), in 2018, the number of workers increased by 13,200 people.
- 29.** According to the statistical data provided by the MTSSS's Institute for Informatics and Statistics of Social Security, 150 employers were in a lay-off situation during 2018.
- 30.** In 2018, 320 collective dismissals cases were reported, covering a total of about 3,600 workers. In year-on-year terms, there was a decrease of 19.2% in 2018, corresponding to 76 fewer collective redundancy cases reported.

## **3. Corporate Structure and Workers in the Companies**

- 31.** In 2017, 279,200 companies in mainland Portugal responded to Establishment Plans (QP), 2,900 more than in the previous year. Between 2008 and 2013, the number of companies steadily declined, but started to increase since then. However, this increase

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<sup>2</sup> Includes internal recruitment, mobility, assignment, return of unpaid leave or probationary period, service commission (beginning or return) and other situations .

was slower, so in 2017 the number of companies was close to the one in 2011. These companies employed, in 2017, 2,951,400 workers, 127,000 more than in the previous year, the largest increase since 2008.

- 32.** According to data from Statistics Portugal's (INE) *Integrated Business Accounts System*, in 2018, there were 1,189,100 companies in mainland Portugal, 44,500 more than in 2016. Of these companies, 67.9% (807,900) were individual companies and 32.1% (381,300) were corporate companies. Between 2016 and 2017, the number of companies grew in both categories considerably more than in the previous year. Accordingly, individual companies increased 4% (+31,000) and corporate companies 3.7% (+13,500).
- 33.** Between 2016 and 2017, and according to the Establishment Plans, the sectors with the largest increase in the number of companies were the *Accommodation and food service activities* sector (+ 900 companies), the *Real estate activities* sector (+580), the *Construction* sector (+724), and the *Professional, scientific and technical activities* sectors, (+485 companies). In terms of employment, between 2016 and 2017, as in the previous year, the number of workers employed in companies has increased in the most important sectors in terms of employment, with the *Administrative and support service activities* (+ 26,000 people), *Manufacturing* (+ 23,800), and *Wholesale and Retail trade and repair of motor vehicles and motorcycles* (+14,500) being the sectors where it grew the most.
- 34.** The business structure by company size remained practically unchanged. Of all the companies, 83.8% had *up to 9 workers*, 13.5% had *10 to 49 workers*, 1.5% had *50 to 99 workers* and 1.2% had *100 or more workers*. Companies in the latter group accounted for 41.3% of the total workforce, with this number growing by 5.3 pp between 2008 and 2017 due to companies *up to 49 workers*.
- 35.** Between 2008 and 2017, the sectors that lost the largest number of workers were *Construction* (-164,200), *Manufacturing* (-63,300) and *Wholesale and Retail trade; repair of motor vehicles and motorcycles* (-57,000). In contrast, the number of workers increased mainly in *Human health and social work activities* (+73,600 workers) and in *Administrative and support service activities* (+27,300).
- 36.** Looking at enterprises and employment in technology-intensive or knowledge-intensive sectors, in 2017, the high and medium-tech sectors accounted for 1.9% of all enterprises (+7.1% compared to 2016) and 5,8% of total workers. Information and communication

technology companies accounted for 1.25% of all companies and 2.7 % of the workers. In either case, their percentage remained stable or increased over the course of the series.

**37.** High and medium high-tech companies represented 8.0% of the *Manufacturing* and 17.3% of its workers. Companies with advanced competitive factors represented 42.5% of the sector's total and 46% of its workers. In both categories the percentage of workers remained the same or increased between 2008 and 2017. The largest percentage was, however, represented by low-tech companies (61%) accounting for 56% of the workforce.

**38.** With regard to accidents in the workplace, and according to the information provided by the MTSSS's Office for Strategy and Planning (GEP), in 2016 there were around 207,600 accidents in the workplace in Portugal, including 138 fatal accidents, 23 fewer deaths and 890 fewer accidents compared to the same period last year. On the other hand, considering the evolution of accidents in the workplace in the last ten years, there is a downward trend in the number of accidents, both non-fatal and fatal. Thus, within a decade, the total number of accidents in the workplace fell by 13.5% (-32,500 accidents), and the number of fatal accidents (-40.3%, corresponding to 93 fewer deaths) also decreased.

**39.** In addition to accidents in the workplace, another cause for absenteeism is sick leave. At the end of 2018, in mainland Portugal, around 826,600 sick leaves ended, representing an increase of 12.3% in year-on-year terms. These leaves were mostly for a short period, between 0 and 7 days (41.3%) and between 8 and 12 days (22.6%).

**40.** Over the last decade, there was an upward trend in the evolution of the number of sick leave, despite a slight decrease of this behaviour in 2013.

#### **4. Earnings and Wages**

**41.** According to the data from the Establishment Plans (QP) in October 2017, the average monthly earnings of employees in mainland Portugal who worked full time was 1.133,34 €, representing an increase of 2.3% compared to October 2016, an increase of 1.3 pp over the previous year, and also the largest increase since 2010. The average monthly earnings of female workers was about 81.7% of male workers. The median of earnings in 2016 was 822.95 €, an increase of 2.9% when compared to 2016.



- 42.** The average monthly salary for a TCO working full time was 943 € having also increased by 2% compared with the same month in the previous year.
- 43.** In October 2017, the average monthly earnings of TCOs working full-time was highest in the Lisbon area (1,410.5 €). This was followed by the Alentejo and North regions, with very close average monthly earnings (1016.4 € and 1,015.6 €, respectively). The Algarve region remained as the region with the lowest average monthly earnings (€ 968.2). Compared to the same month last year, in all regions, the average monthly earnings increased between 3.2% and 3.5%, except in the Lisbon area, with an increase of only 2.2%.
- 44.** Regarding the distribution of full-time employees by salary groups, and considering the monthly pay plus regular benefits, in 2017, more than half of the workers (56.8%) earned between “600 € to 999.99 €”. The second most representative group was workers earning “1,000 € to 2,499.9 €” (28.3%). Workers earning the national minimum wage (SMN) represented 5.5%, and 5% had a salary between “2,500 € and 4,999.99 €”. Compared to the previous year, the only significant changes were in the “660 € to 999.99 €” group, which increased by 4.4 pp, and in the “1,000 € to 2,499.9 €” group, which increased by 1.1 pp.
- 45.** According to information from the *Establishment Plans*, in 2017, in mainland Portugal, the average monthly salary for TCOs with open-ended contracts working full-time was 1,030 €, about 9% above the average monthly salary of all contracts. For TCOs with fixed-term contracts, the average monthly salary was 760.2 €, representing 79% of the average salary of all TCOs. On the other hand, the average monthly salary of employees with a contract of indefinite duration was slightly higher (760.2 €).
- 46.** According to INE’s data for Portugal, in 2018, the Labour Cost Index (average hourly cost) increased by 2% year-on-year. Since the beginning of the series in 2012, Portugal has been one of the EU countries where the labour cost index has grown the least, even falling sharply in 2014 (-2%).
- 47.** According to Directorate-General for Administration and Public Employment’s (DGAEP) data, in 2018, in mainland Portugal, the average monthly earnings of workers working full-

time for *Public Administrations* was 1,724.9 €. Compared to 2017, the average earnings grew by 2% in *Central and Local Government* and decreased by 5% in *Social Security funds*.

**48.** As regards public companies and other public sector bodies, in 2018, in mainland Portugal, the average monthly earnings was 2,276.89 € in bodies held by Central Government and 1,157.9 € in bodies held by local government. The average monthly salary was 1,492.8 € and 895 €, respectively.

## **5. Vocational Training and active employment measures**

**49.** According to data from the Integrated Information and Management System for Educational and Training (SIGO), in 2018, about 250,800 people enrolled in education and training programs. Of these, 83% attended courses aimed at young people up to 24 years old and the rest attended adult education and vocational training courses. In contrast to the previous year, between 2017 and 2018, the number of students enrolled in dual certification courses increased by 26%, due to the growth in the number of students enrolled in youth training courses (+ 34.4%), as enrolment in adult training courses declined, albeit slightly (-1.3%).

**50.** In 2018, 621,600 people enrolled in modular training carried out under the National Qualifications Catalogue (CNQ), a growth of 117% over 2017. There were 583 enrolments in Life-long learning programs not included in the CNQ (corresponding to 420,000 people), 13% more than in the previous year.

**51.** Regarding training activities promoted by the Institute of Employment and Vocational Training (IEFP), these involved 306,000 people, 85.2% of which, in Adult Qualification (260,800), 9.7% in Youth Qualification (29,500) and 0.6% in Training of Trainers (1,900 people).

**52.** As for Adult Qualification, there were 123,000 people attending “Modular Training”, and 77,600 people involved in “Active Life” measures. “Adult Education and Training courses” were attended by 46,000 people.

**53.** In 2017, 95.5% of the graduates of Youth Qualification programs were unemployed at the beginning of their training. In Adult Qualification programs, 27% were employed.

- 54.** In 2018, the employment support measures promoted by the IEFP covered 84,400 people, of which around 35,000 had entered into “employment-placement contracts”, 32,400 people were undergoing internships under “Employability” measures”, and 13,000 had benefited from “hiring incentive measures”. The number of people covered by employment support measures has decreased by 38,000, when compared to 2017. “Support for self-employment” was the only measure that saw an increase in the number of people covered. The decrease was particularly marked in “Support to hiring” (-22,000 people).
- 55.** Under “Employability” measures, 56.3% of the individuals who had completed internships in 2017 were employed. The overwhelming majority had been hired by the company where they completed their traineeship. Regarding the individuals who had concluded “Employability Contracts”, only 18.5% had become employed (4,200 people), of which 2,900 had found placement on their own.
- 56.** According to data from the *Annual Report on Life-long Learning*, in 2017, 50,000 companies implemented training activities for their employees, which corresponded to 19.6% of all companies that responded to the *Single Report (Relatório Único)*. Compared to 2016, this meant an increase of almost 3,000 companies, which is much larger than the increase between 2015 and 2016, which was 1,800 companies. These training activities covered around 1,168,300 employees (40% of the total number of employees working in the companies), 242,700 more than in the previous year, and between 2015 and 2016 this increase was only 44,600.
- 57.** According to data provided by the IEFP, job vacancies received at the Job Centres continued to decline throughout 2018, thus maintaining the progressive downward trend since late 2015, totalling almost 131,000 in 2018. As for the number of placements made by the Employment Centres, these decreased by 9% in the period under review, which corresponded to 13,000 fewer placements compared to 2017. In 2018, 64% of all offers were filled by Job Centre placements (60% in 2017).