

SPRING 2014 REFORM BAROMETER - PORTUGAL

<i>Policy recommendations under economic adjustment programmes</i>		Q1: the recommendation is:	Q2: implementation effort is:	Detailed comments
1	Reduce the Government deficit to 5.5 per cent of GDP in 2013, 4 per cent of GDP in 2014 and 2.5 per cent of GDP in 2015 by means of high-quality permanent measures and minimizing the impact of consolidation on vulnerable groups.	Contrary to Federation advise	Mixed	After a fiscal consolidation based in the increasing of taxes and temporary or one off measures in 2013, the budget for 2014 contains austerity measures amounting to 2.3% of GDP, mainly on the expenditure side. From our point of view, this pace of consolidation is excessively violent. We fear that the recessive effects of those additional measures will impair the confirmation and strengthening of the still modest signs of economic recovery and employment recently registered.
2	Growth-friendly tax policy will be pursued through, among others, a comprehensive reform of corporate taxation to promote investment and competitiveness.	Important	Mixed	The reform of corporate taxation has been conceived in a positive way and approved, but it contains some points that deserved our negative appreciation and the pace of the reduction of taxes it's too slow.
3	Preserve financial sector stability; maintain liquidity and support a balanced and orderly deleveraging in the banking sector; ensure adequate financing and working capital for the productive sectors (...) complete the corporate and household insolvency frameworks and smoothen their implementation.	Extremely important	Unsatisfactory	Financial sector stability was achieved but no sufficient measures were adopted to ensure adequate financing and working capital for the productive sectors.
4	Improve the efficiency of the public administration by eliminating redundancies, simplifying procedures and reorganising services.	Extremely important	Unsatisfactory	Some progress has been done in this sense (broad orientations for a State Reform have been presented), but the long-time awaited reform of the state and public administration is still far from being clearly defined.
5	The stock of [public] domestic arrears will be significantly reduced by the end of the programme period.	Important	Unsatisfactory	Controlling public domestic arrears remains challenging, particularly in the health sector. Despite efforts to apply the commitment control law, slippages in the health sector are causing a net accumulation of arrears in SOE hospitals.
6	Revise the unemployment insurance system to reduce the risk of long-term unemployment while strengthening social safety nets;	Important	Mixed	The Law n. º 51/2013, of 24 July (amending budget) foresees a 6% cut in the amount of unemployment benefits that exceed 419€. This measure has a positive and a negative effect. It is positive in a way that such reduction can have a relevant impact on active job search. However it is also negative, because it constrains even more the termination of labour contracts by mutual agreement with access to unemployment benefits, which has led and still leads inevitably to collective redundancies, with all its associated social tensions.

7	Reform employment protection legislation to tackle labour market segmentation, foster job creation, and ease the transition of workers across occupations, firms, and sectors;	Important	Satisfactory	In this matter we highlight the Law 76/2013, of 7th November, that, with the aim to protect employment, establishes a system of extraordinary renewal of fixed-term contracts. This measure was defended and demanded by CIP.
8	Ease working time arrangements to contain employment fluctuations over the cycle, better accommodate differences in work patterns across sectors and firms, and enhance firms' competitiveness;	Important	Satisfactory	The positive effects of the Law 23/2012, 25 of June, which proceeds to the third revision of the Labour Code, were visible in 2013. Among the changes, we highlight the establishment of an individual or group "bank of hours", the changing the rest period scheme, among others.
9	Promote labour cost developments consistent with job creation and enhanced competitiveness;	Important	Unsatisfactory	Some of the positive measures provided by the Law 23/2012, 25 of June, namely concerning the rules on the payment of overtime work and holidays vis-à-vis collective bargaining regulations, were declared unconstitutional by the Constitutional Court.
10	Address early school leaving and improve the quality of secondary education and vocational education and training, with a view to raising the quality of human capital and facilitate labour market matching.	Important	Mixed	Despite political intentions publicly assumed and the development of some measures, there is still a need to implement new measures to reinforce the link between education/vocational training and employability.
11	Reduce excess rents and ensure sustainability of the national electricity system	Important	Unsatisfactory	Rent-reducing measures to eliminate the tariff debt by 2020 and ensure the sustainability of the system were implemented but appear to be still insufficient.
12	Improve the governance model of the ports system with the objective to enhance the competitiveness and the efficiency of ports	Important	Mixed	Policy decisions are urgently required to ensure that efficiency gains and cost-savings are passed on to port customers and that the port operation concession holders respect minimum performance criteria as provided for in the 5+1 Plan presented last year.
13	Improve the functioning of the judicial system, which is essential for the proper and fair functioning of the economy.	Extremely important	Satisfactory	Progresses have been done, but results are not yet clear.
14	Reduce administrative burdens on companies, namely licensing framework	Extremely important	Unsatisfactory	Some progresses have been done, but most legal reforms envisaged to ease licensing requirements to businesses are behind schedule.