

**SPRING 2018 REFORM BAROMETER – PORTUGAL**

**European Semester - Overall assessment of 2017 cycle**

	<b>To what extent do you agree with these statements:</b>		<b>Detailed comments</b>
1.	The National Reform Programme submitted by your Government (April 2017) is appropriate.	To a large extent	CIP has generally agreed with the general strategic guidelines of Portuguese NRP, but we were particularly critic on the chosen strategy to reduce the segmentation of labour market as well as on the minimum wage policy.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	<p>On budget consolidation, we would like to see a clearer and stronger emphasis on the strategy to follow. The references to arrears and adequate budgeting in the health sector as well as to the expenditure review were positive. On the strategy addressing NPL, we note that this should not be seen exclusively from the perspective of credit institutions, as CSR 3 could suggest. The first point of CSR 2 "Promote hiring on open-ended contracts, including by reviewing the legal framework." reveals a positive evolution of the position of the European Commission.</p> <p>In fact, if we analyse the present point of the Recommendation with the European Commission's overall assessment, which is the basis for its Recommendation, we conclude that the Commission's intention is to amend the legal regime for individual dismissals associated with open-ended contracts.</p> <p>This reasoning is, for example, in line with the reference made in the OECD's "Employment Outlook 2016 - How does Portugal compare?" of July 2016: "Permanent workers in Portugal still benefit from the highest level of protection against individual dismissal in the OECD.". Effective impact assessment of new legislation should be included in the roadmap to further reduce the administrative burden, especially for SMEs.</p>
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	

## Assessment of Country Specific recommendations 2017 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	<p>Ensure the durability of the correction of the excessive deficit. Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Portugal's public finances. Use windfall gains to accelerate the reduction of the general government debt-to-GDP ratio. Step up efforts to broaden the expenditure review to cover a significant share of general government spending across several policies. Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals and ensure the sustainability of the pension system. To increase the financial sustainability of state-owned enterprises set sector-specific efficiency targets in time for the 2018 budget, improving state-owned enterprises' overall net income and decreasing the burden on the state budget.</p>	Important	Mixed	<p>Budget targets will be comfortably met, but the expenditure review is still a very limited exercise. No progress in the reduction of arrears in hospitals. No progress in the reduction of tax burden.</p>



		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 2	Promote hiring on open-ended contracts, including by reviewing the legal framework. Ensure the effective activation of the long-term unemployed. Together with social partners, ensure that minimum wage developments do not harm employment of the low-skilled.	important	Unsatisfactory	<p>With regard to Recommendation n. º 2, it addresses three distinct points:</p> <ul style="list-style-type: none"> <li>• " Promote hiring on open-ended contracts, including by reviewing the legal framework."</li> </ul> <p>This point of the Recommendation reveals a positive evolution of the position of the European Commission. In fact, if we analyse the present point of the Recommendation with the European Commission's overall assessment, which is the basis for its Recommendation, we conclude that the Commission's intention is to amend the legal regime for individual dismissals associated with open-ended contracts. This reasoning is, for example, in line with the reference made in the OECD's "Employment Outlook 2016 - How does Portugal compare?" of July 2016: "Permanent workers in Portugal still benefit from the highest level of protection against individual dismissal in the OECD."</p> <ul style="list-style-type: none"> <li>• " Ensure the effective activation of the long-term unemployed."</li> </ul> <p>The second part of the Recommendation does not bring anything new and does not raise special comments.</p> <ul style="list-style-type: none"> <li>• " Together with social partners, ensure that minimum wage developments do not harm employment of the low-skilled."</li> </ul> <p>The supra-transcribed Recommendation suggests that the European Commission has changed its understanding of the evolution of the minimum wage. It should be noted that Recommendation n. º 2 of 2016 stated: "In consultation with the social partners, ensure the consistency of the minimum wage with the objectives of promoting employment and competitiveness in different sectors". Comparing these Recommendations, the European Commission, apparently, is no longer afraid that the evolution of the minimum wage could compromise the promotion of employment, and especially, the competitiveness of the sectors. Therefore, the evolution of the Commission's position is negatively assessed.</p>

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 3	Step up efforts to clean up the balance sheets of credit institutions by implementing a comprehensive strategy addressing non-performing loans, including by enhancing the secondary market for bad assets. Improve the access to capital, in particular for start-ups and small and medium-sized enterprises.	Important	Mixed	There were progresses on the program to improve the access to capital, but we still wait for developments on an effective strategy addressing non-performing loans.
CSR 4	Implement a roadmap to further reduce the administrative burden and tackle regulatory barriers in construction and business services by the end of 2017. Increase the efficiency of insolvency and tax proceedings.	Important	Mixed	Some progresses on the increase of the efficiency of insolvency.

### Reform Progress in your Member State in 2017

How would you assess reform progress in 2017, for the following broad areas:

<b>Taxation and Public Finances</b>	Mixed
<b>Business environment (regulation/access to markets)</b>	Mixed
<b>Labour market</b>	Unsatisfactory
<b>Innovation and skills</b>	Mixed
<b>Access to finance and Financial stability</b>	Mixed

## Reform priorities for 2018

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
<b>Priority 1</b>	Labour market mismatch and labour mobility	Prioritize vocational training, linking it with the labour market needs, deeply involving social partners and companies.	yes
<b>Priority 2</b>	Bank lending conditions	Address the high level of non-performing loans and the need for business to restructure their debt and recapitalize	yes
<b>Priority 3</b>	Tax reforms	Reduce the tax burden on companies	no
<b>Priority 4</b>	Business Environment - Regulatory barriers to entrepreneurship	Implement an effective and transparent impact assessment system. Focus on improving judicial system.	yes
<b>Priority 5</b>	Job protection	<p>Regarding labour legislation, positive advances have been registered in recent years, particularly in relation to collective bargaining.</p> <p>These advances that must be preserved to safeguard and allow the dynamization and modernization of sectors.</p> <p>In this context, it should be stressed that both the Commission on its 2016 Country Report and the OECD's assessment of the labour reforms undertaken in Portugal between 2011 and 2015 are unanimous in considering that labour reforms had positive effects.</p>	no