

PORTUGAL

Priorities supported by indicators

Improve secondary and tertiary education attainment (2007, 2009, 2011)

Recommendations: Improve outcomes and equity by reducing school-year repetition and enhancing teacher and school accountability. Further expand vocational education and training (VET).

Actions taken: The authorities have expanded VET for youngsters and low-skilled adults (*Novas Oportunidades* programme) and since 2007 have introduced tertiary education reforms, comprising governance, degrees and adults enrolment. The compulsory education age was raised from 15 to 18 (2009). The government introduced (2007) and revised (2010) a national teacher performance evaluation system.

Strengthen competition in non-manufacturing sectors (2007, 2009, 2011)

Recommendations: Reduce barriers to competition in network industries, retail and professional services.

Actions taken: The authorities unbundled energy networks, eased regulation of large outlets (2009, 2010), eliminated the state's special rights in privatised companies (2011) and presented a roadmap for phasing out regulated energy tariffs (2011). In 2011 they also announced plans to carry out privatisations in network sectors and liberalise regulated professions.

Reduce labour market dualism (2007, 2009, 2011)

Recommendations: Ease job protection on regular contracts and reduce unemployment benefit (UB) duration and replacement rates for older workers, while better covering the young.

Actions taken: The authorities relaxed legislation on regular contracts (2009), mainly by reducing procedural inconveniences and notice periods for individual dismissals. In 2011 they introduced legislation to lower severance payments for new hires, with reforms to be carried further in 2012 by expanding the definition of fair dismissal and making UB less generous, along with extended eligibility.

Other key priorities

Simplify the tax system and broaden tax bases (2007, 2009, 2011)

Recommendations: Improve tax collection and substantially curb tax expenditures for all types of taxes.

Actions taken: The tax administration has made steady progress in electronic tax filing and payment, sped up the handling of tax disputes (2009) and started a broad updating of dwellings' taxable values (2011). The 2012 Budget contains major base-broadening reforms in consumption and income taxes.

Reduce administrative burdens on business (2009, 2011)

Recommendations: Lower administrative burdens, especially in licensing and at the local level.

Actions taken: The authorities have continued to simplify administrative procedures at the central and local levels (*Simplex* and *Simplex Autárquico* programmes). In 2011 the government introduced legislation to abolish licensing for some services, to be extended to other sectors.

Reform public administration (2007)

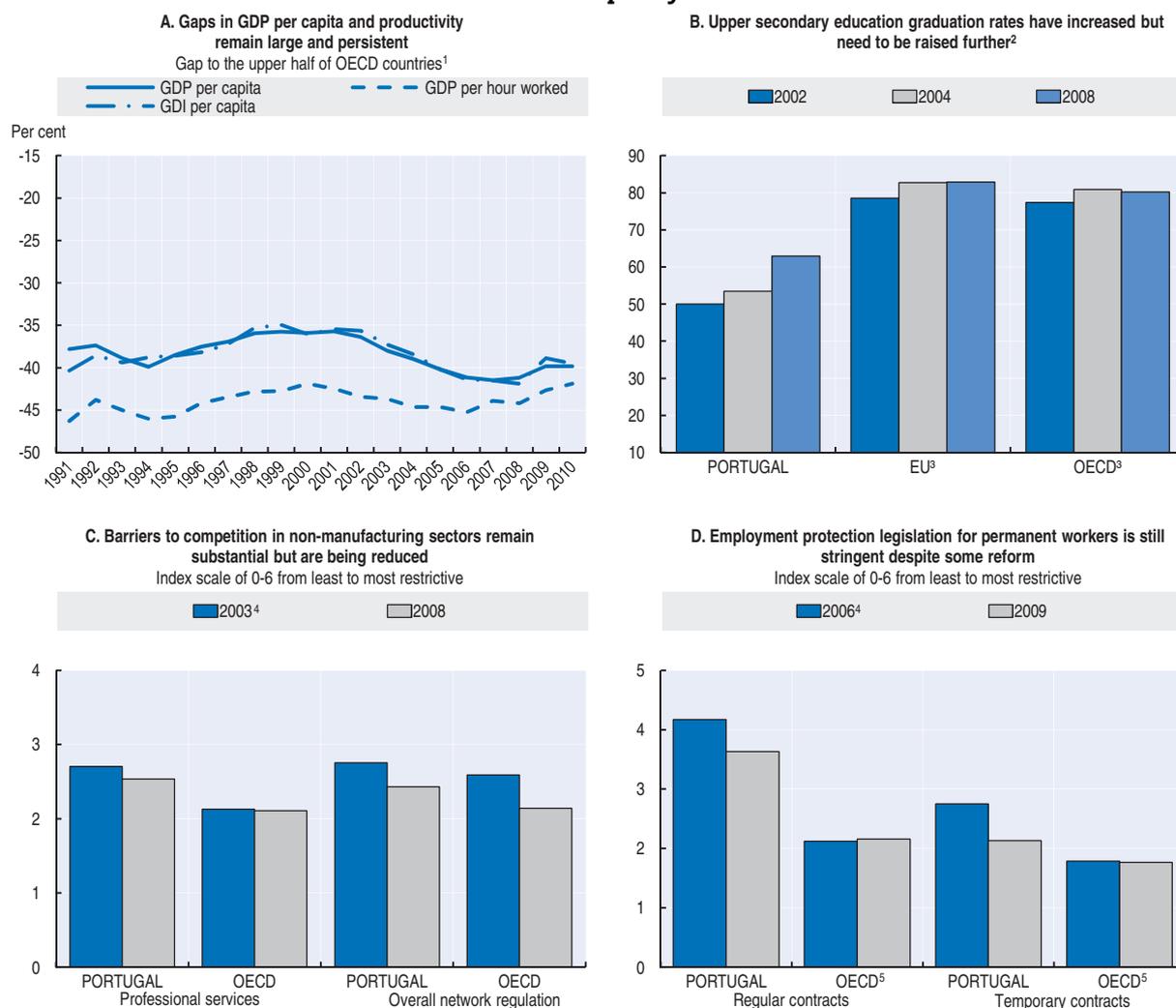
Recommendations: Restructure the administration, assess performance and increase staff mobility.

Actions taken: The authorities restructured central administration (*PRACE* programme) and implemented performance assessment in 2009. In 2011 they started a new round of central government streamlining, to be extended to local governments in 2012-13, and announced reforms to promote mobility.

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- GDP per capita relative to the upper half of OECD countries has declined over the past decade. This trend decline has been mainly accounted for by a relative fall in labour utilisation, but lower productivity alone explains the large gap in income levels.
- Against the background of the recession and the euro area sovereign debt crisis, Portugal negotiated an EU/IMF financial assistance programme, under which certain structural reforms are being implemented. In priority areas, substantial progress has been made since 2007 in improving educational attainment, reducing administrative burdens on business and reforming employment protection, although more efforts are needed to address labour market dualism. The areas of unemployment benefits and tax base broadening have witnessed less progress.
- In other areas, a major pension reform was implemented in 2007-08. Labour market support measures introduced during the crisis, and mostly withdrawn in 2010, included targeted reductions in non-wage costs, expansions in short-time working schemes and job-search, training and income support for the unemployed.

Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. First-time graduation rates for single year of age at upper secondary level.
3. Average of European countries in the OECD. EU and OECD averages exclude Australia, Austria, Belgium, Estonia, France and the Netherlands.
4. The OECD average excludes Chile, Estonia, Israel and Slovenia.
5. Years 2006 and 2008.

Source: Chart A: OECD, *National Accounts and Economic Outlook No. 90 Databases*; Chart B: OECD (2011), *Education at a Glance*; Chart C: OECD, *Product Market Regulation Database*; Chart D: OECD, *Employment Database*.
StatLink <http://dx.doi.org/10.1787/888932565661>