



European Employment Observatory

EEO Review: Youth Employment Measures, 2010

Portugal

Nádia Simões

DINÂMIA

October 2010

This article is the sole responsibility of the author(s)

1. Trends

The economic crisis has strongly affected younger age groups in Portugal. Between 2008 and 2010, employment rates decreased in all age groups below 30 years old (for the age group 15-19 years: -4.3 percentage points (p.p.) to 8.3 %; 20-24 years: -5.9 p.p. to 48.8 %; 25-29 years: -2.1 p.p. to 76.7 %). Simultaneously, the incidence of temporary contracts in these groups has shown a rising trend (for the age group 15-19 years: +1.9 p.p. to 62.3 %; 20-24 years: +1.8 p.p. to 48.6 %; 25-39 years: +1 p.p. to 20.7 %).

The unemployment rate rose among these age groups (for the age group 15-19 years: +9.8 p.p. to 35.0 %; 20-24 years: +6.0 p.p. to 20.3 %; 25-29 years: +3.1 p.p. to 13.5 %). This rise is mainly explained by the impact of the crisis among low and medium-skilled workers. Between 2009 and 2010, the unemployment rate for the low (medium) skilled increased by 2.2 p.p. (+4.1 p.p.) in the 15-19 age group, dropped by 0.1 p.p. (+3.1 p.p.) in the 20-24 age group, and rose by 2.3 p.p. (1.1 p.p.) in the 25-29 age group. In the same two years, the evolution of long-term unemployment varied in the different age groups (+6.2 p.p. to 34.3 % in the 20-24 age group; -1.0 p.p. to 35.2 % in the 25-29 age group).

The tightness of the labour market and the impact of policies to promote the participation rate of young people in education and training led to a considerable decline in the early school leaving rate (2010: 31.9 %; 2008: 36.1 %).

2. Measures taken to promote youth employment

2.1 School education and training policies

Structural policies to stimulate youth employment and short term measures launched to tackle the effects of the recession among youth, focused predominantly on promoting participation in education and training. This is explained by the low level of formal education in the labour force (68 % with no more than basic education in 2009) and the high rate of early school leaving in comparison with other Member States (MS). To overcome this weakness, comprehensive reforms of the education and vocational education and training (VET) system have been launched in recent years. The reforms, introduced as part of the National Reform Programme 2005-2008 (NRP 2005-2008), were consolidated in the following years by the NRP 2008-2010. The allocation of EU funding for 2007 to 2013 has played a key role in supporting initiatives promoting youth employment.

Following the deterioration of the economic outlook, in December 2008, the government presented a recovery plan (Initiative for Investment and Employment, IIE) with measures to overcome low economic growth and to reduce the social effects of the increase in unemployment. In January 2010, the Employment 2010 Initiative (IE2010) was presented including 17 measures to foster job creation, to tackle unemployment and to facilitate the transition of young unemployed people to the labour market. Short term measures also include a few other measures launched between 2009 and 2010. However, some short term measures were suspended in May 2010, due to the need to adopt austerity measures to reduce the budget deficit. The suspended measures included:

- a decrease of the qualifying period to receive unemployment benefits;
- an extension of the duration of unemployment assistance;

- the Qualification-Employment Programme, the support to employment in micro and small firms;
- a programme aiming to promote the requalification of young graduates in scientific areas of low employability;
- the increase in the line of credit available to fund the creation of new firms by the unemployed.

On the other hand, the government decided to maintain until the end of 2010 the measures more likely to promote the employability of those searching for a job (e.g. increase of the resources allocated to the INOV Programme, traineeship programme for those finishing technological and professional courses leading to level 3 or 4 qualifications) and job creation (e.g. incentives for firms hiring young first job seekers with permanent contracts, incentives to firms hiring trainees from the programme cited above for individuals finishing level 3 and 4 qualifications).

Measures to prevent early school leaving and to develop the vocational training system

The ‘New Opportunities’ Initiative

The ‘New Opportunities’ Initiative (NOI) was presented in 2005 in response to the national qualifications deficit and to the European recommendation that Portugal should ‘implement measures to raise the educational performance levels of young people’. The initiative targeted both young people and adults. The key aims established for the younger group were:

- to reduce the failure rate in basic and secondary education;
- to place half of all secondary education students in vocational and technological courses until the age of 18.

Several measures were taken to that end, including the:

- diversification of the training offer, in particular vocational training, and an increase of places available in dual certification courses;
- more emphasis on practical training and on adjusting technical qualifications to specific occupations;
- extension of social support to secondary education.

Figures on the impact of this initiative will be presented further below.

The reform of basic education

Between 2005 and 2010, a programme to promote ‘the valorisation of basic education’ was launched and included several measures, as follows:

- curricular enrichment
- continuous training of teachers
- stability of the teaching staff in each school
- modernisation of schools by making ICT available in the classroom

- the reorganisation of the school network (closure of schools with fewer than 21 students).

The reform of secondary education

In Secondary School Education considerable reforms were introduced. Many of these changes were associated with the NOI, described above. In addition: an effort was made to promote the requalification of schools and their modernisation namely through the Technological Plan; and the system of school evaluation and autonomy was reformed.

Recent figures suggest that these reforms are helping decrease the early school leaving rate (2000: 43.6 %; 2005: 38.8 %; 2009: 31.2 %), especially thanks to enrolment in vocational training courses. The proportion of secondary education students attending vocational courses increased from 10 % in 2005 to 40 % in 2008 and is expected to reach 50 % in 2010/2011.

The reform of tertiary education

Over the past years, the Bologna Process was extended among Portuguese Universities. The number of students in higher education rose due to the decrease in the drop out rate in secondary education. In addition, measures were launched to attract students to these courses (e.g. a system of loans for undergraduate students; special conditions for those aged 23 or more wanting to enrol in higher education). In terms of legislative reforms, in 2007 Parliament approved a new Legal Regime of Higher Education Institutions.

Between 2005 and 2008, the number of tertiary education graduates increased from 70 023 to 84 009. As a consequence, the proportion of those with higher education aged between 30 and 34 went up from 2005 to 2009 from 17.7 % to 21.1 %, respectively.

It is also relevant to highlight the considerable increase in the number of students in Technological Specialization Courses (CET) at level 4. Between 2006 and 2009, there were 376 CETs (offered by universities and polytechnics) registered in the Directorate General for Higher Education mainly in the areas of computer science, engineering, and management. The number of students rose from 294 in the 2004/2005 school year to 6 214 in 2009/2010¹.

Meeting the labour market's demands for qualification

Education policies have given little attention to forecasting future skill needs and to the employability resulting from education and training courses. Nevertheless, recent changes seem to be pointing in the right direction. The most important developments include:

- The creation of Local Advisory Councils for Qualifications (LACQ) that can play a very important role in ensuring that the skills and competences acquired by students and trainees will promote their productivity/employability and respond to current and expected skills' needs. LACQs have been created² to identify the skills needs in order to update the National Qualifications Catalogue. The Councils integrate specialists for the respective activity sector, trade unions and employers' associations of the

¹ Source: GPEARI.

² In Portugal there are 16 Local Advisory Councils for Qualifications: Food sector; construction and urbanism; Manufacture of chemicals, ceramics, glass and others; Informatics, electronics and telecommunications; Metal industry; Fashion Sector; Business activities; Health; Transports and Logistics; Environment and energy; Handicraft and jewellery; Trade and marketing; Culture, heritage and content production; Wood, furniture and cork; Personal services activities; and Tourism.

corresponding sector, reference companies, training entities, and independent experts. Courses should be designed in order to answer to industry's requirements. To that end, it is necessary to involve different stakeholders in their design. The role of the LACQs is crucial to guarantee this interconnection;

- The Cabinet of Strategy, Evaluation and International Relations releases data on unemployment by scientific area that is used annually as an input to define places in each course;
- The creation of the Evaluation and Accreditation Agency for Higher Education, aiming to assess the quality of the education offered by universities.

Progress is being made within most levels of education but more needs to be done, especially in terms of meeting future skills needs.

Recognition of non-formal and informal learning

The system of Recognition, Validation and Certification of Skills (RVCC) was developed in 2001. There are two types of RVCC process available for individuals aged 18 or older: Education RVCC and Training RVCC. Adults who did not finish basic or secondary education can start an education process by applying to a New Opportunities Centre (NOC). Training RVCC processes are initiated for people who have acquired knowledge and skills through experience. The RVCC system has benefited from the expansion of the network of NOCs and from the reforms introduced in the framework governing the VET system. Between 2007 and 2009, 5.7 % of the overall number of completed certifications were by individuals aged 15-24 years-old and 25.3 % by individuals aged 25-34 years-old.

Linking education with work experience

Placement programmes have been playing a key role in policies aimed at linking education with work experience. An evaluation study³ recognised that placements increase employability and that three months after the placement 71 % of the trainees were still employed. The Institute for Employment and Vocational Training (IEFP) offers two key types of work placement programmes: the Youth Placement Programme and the INOV Programme.

The Youth Placement Programme was developed to facilitate the integration of first-time job seekers in employment and to create retraining conditions for the unemployed under 36 years of age with secondary or tertiary education, by providing them with an opportunity to complement their qualifications. Over the past years, the number of these placements offered by Public Employment Services remained relatively constant (2006: 20 127; 2007: 20 576; 2008: 19 260; and 2009: 21324 placements).

The INOV programme incorporates several measures. The INOV-Jovem offers more placements per year than any other of the INOV initiatives. Launched in 2005, this Programme aims to foster innovation among SMEs and to facilitate the integration of young graduates in the labour market by giving them opportunities to develop their skills and gain experience. Housing benefits are available for those who accept a placement away from their current residence (stimulating mobility). The relevance of this programme in relation to other employment programmes has been increasing. In 2007, the government decided to boost the

³ IEFP/OEVA, *Labour Market Pathways of Individuals Participating in Work Placements*, Monitoring data, first Semester of 2004.

funds allocated to this measure and set the aim of offering 5 000 placements annually (2006: 912 placements; 2007: 693; 2008: 3 139; and 2009: 8 421 placements). The other INOV measures provide support and funding for placements for graduates, as follows:

- INOV Contacto (2005): international placements for young professionals (target: 550 placements per year);
- INOV-ART (2008): placements for young graduates in arts or cultural areas (target: 200 placements per year);
- INOV Mundus (2008): international placements for young entrepreneurs and SME managers (target for 2010: 75 placements);
- INOV Vasco da Gama (2008): placements to enhance the qualification of young people in the area of cooperation for development (target: 150 placements per year);
- INOV-Social (2009): placements in the social economy sector (target: 1 000 placements per year);
- INOV-Energi@ (2010): placements in firms within the green economy (target: 1 500 placements per year);
- INOV Export (2010): placements for young specialists in international trade and exporting SMEs (target: 500 placements per year).

In addition, there are two other traineeship programmes available for young people: the traineeship programme in local administration (PEPAL) and the more recently created traineeship programme in the central administration (PEPAC). Both aim to provide an opportunity for young job seekers to gain work based experience. PEPAL is available for the unemployed aged between 18 and 30 with at least an upper secondary education. The number of traineeships available in this programme is established annually (2007: 1 399; 2008: 1 000; 2009: 1 114). On the other hand, PEPAC was launched in 2010 and aims to offer 5 000 traineeships for unemployed graduates under age 35.

Short term measures strengthened some programmes that were already in place. The placement programmes were included in this group. In December 2008, the government increased the number of places by 12 000 and highlighted that special attention would be given to graduates in areas of low employability. Following this, in the IE2010, the resources allocated to the INOV Programme were also increased (the target for INOV-Jovem in 2010 is 8 424 placements). Additionally, another placement programme was presented in the IE2010 for young individuals who have completed a vocational/technological course leading to a certificate of secondary education, and incentives were created for firms hiring these trainees following the end of the placement period.

2.2 Labour market and employment related policies and access to benefits

Active labour market policies

The placement programmes presented above play an important role in active policies to promote the rapid insertion of young people in the labour market. Young unemployed people benefit from job assistance and career guidance in the same way as the other unemployed individuals registered at job centres. IEFEP offers a programme specifically for the young unemployed (INSERJOVEM Initiative) providing them with an opportunity to become active

through a job offer, placement, training or another measure to promote their employability within a maximum of 6 months. For the unemployed under 23 years of age who have not completed secondary education, the Intervention Programmes for the Young unemployed aged between 15 and 22 years strives to give them an opportunity to enrol in education/training within a maximum of 3 months.

However, the activation measures can simply postpone unemployment since a job placement or a training opportunity does not guarantee that an individual will subsequently attain work. Centeno et al. (2009) shows that the enrolment in the INSERJOVEM Initiative leads to a 'marginal increase in the duration of unemployment'.

The initiatives aiming to tackle youth unemployment can be divided into two groups: broad measures for young people and measures focused on sub-groups (e.g. placement programmes for new graduates such as the INOV Programme). IEFP measures usually include special provisions for people with disabilities such as a higher rate of funding by the IEFP and by not setting age limits for these cases.

Access to Social Security benefits

Persons from all age groups have equal access to social security unemployment benefits (UB). The benefits are only available to those who meet the qualifying period (450 days of social security contributions in the two years prior to unemployment). However, this requirement is less likely to be met by younger individuals. Social Security statistics are indicative of this: of the 399 948 individuals that received unemployment insurance in 2009, 786 were aged under 20, 25 274 were from the 20-24 age group and 48 966 were from the 25-29 age group⁴.

Tax systems and labour market legislation

Firms that create jobs and hire individuals under 36 years of age on open-ended contracts are given a tax incentive. Firms hiring first-time job seekers on open-ended contracts also benefit from social security incentives. A measure has been launched in the recovery plan (IIE) to promote job creation for young workers. Firms hiring workers aged under 36 years on open-ended contracts benefit from: an exemption from social security payments for three years or receive an exemption for two years plus a subsidy of EUR 2 500.

For unemployment insurance beneficiaries, the IEFP offers a measure to promote the creation of one's own job (*Apoios à Criação do Próprio Emprego por Beneficiários de Prestações de Desemprego*). The support given to the unemployed includes:

- the overall amount of UB that s/he would receive during the maximum period of entitlement is granted as an advance for investment in the project;
- incentives are given to create businesses that promote employment and contribute to the development of the local economy;
- a credit line with lower interest rates;
- technical support to develop the project.

⁴ These figures should be interpreted carefully. They indicate how many beneficiaries received unemployment insurance during the year (cumulatively) and not the average number of beneficiaries by month; the latter would be easier to interpret and to compare with the number of unemployed by age bracket.

This initiative is available to all unemployment insurance beneficiaries (including younger persons). In September 2009, the Support Programme for Entrepreneurship was launched to mitigate the consequences of the economic crisis by fostering entrepreneurship. This programme provided aid for the start up of small, for-profit companies that create jobs and contribute to stimulating local economies. Two credit lines with low interest rates were launched to support the approved initiatives. Individuals who are eligible to apply to this programme include: first-time job seekers (aged 18-35) with at least secondary education and those who have not had an open-ended work contract or never exercised a professional activity.

In order to promote youth entrepreneurship, the Finicia Jovem Programme, launched in 2008, aims to offer financing solutions and technical consultancy for new projects for young entrepreneurs with secondary education who are aged between 18 and 35.

Mobility of the young

In 2007, a new framework was adopted to govern VET. The National System of Qualifications adopts the principles of the European Qualification Framework.

As a broad measure, IEFP offers regional mobility incentives to encourage the unemployed in regions of high unemployment to move to regions with high rates of job creation. Financial support is given to the unemployed (mobility and re-settlement benefits) and this is complemented by other types of support (e.g. transfer of children to a school in the new residential area). Nevertheless, the efficiency of this measure is very limited.

2.3 Addressing problematic features of youth employment

Youth employment is marked by features such as the high incidence of temporary contracts (Portugal, 1999; Varejão and Portugal, 2004) which leads to a considerable problem of precariousness. The latest reform of the Labour Code (February 2009) which limited the use of fixed-term contracts (by reducing their maximum duration to three (from six) years and by preventing the use of repeated fixed-term contracts with the same employee), may have a positive effect on this problem. At the beginning of 2011, new provisions are expected to come into force in the Contributory Code that will increase the social security contributions paid by firms for workers with fixed-term contracts and will decrease the employer social security contributions for employees on open-ended contracts. Nevertheless, these measures risk causing an increase in unemployment due to the closure of some firms.

Another problem faced by young people is 'false' self-employment. These workers apparently perform autonomous work but under conditions that are characteristic of a work contract (illegal precariousness). The new Labour Code imposes stronger sanctions on this practice. Additionally, the number of labour inspectors has been increased to monitor firms more closely in this respect.

Due to their low qualifications (mainly in the 15-19 and 20-24 age groups), younger workers are more likely to attain jobs with lower wages. Measures tackling early school leaving may help improve this situation.

2.4 Roles of labour market actors

The social partners are involved in the design of policies and their implementation. As a result of social dialogue, agreements have been signed in various policy areas, including VET and industrial relations.

While the PES assumes a very important role in facilitating the transition from school to work, especially for the low-skilled unemployed, it is not so successful when it comes to finding a solution for the more highly qualified. The PES has been undergoing a modernisation process in recent years. Nevertheless, the current crisis has led to a sharp rise in the number of registered unemployed soliciting the help of the PES (between December 2008 and July 2010, registered unemployment increased by 31 %) resulting in criticisms about the ability of the PES to provide adequate responses.

3. Conclusions

The labour market outlook for the 15-19 and 20-24 age groups is a cause for great concern in Portugal, where employment rates are low and unemployment rates are high compared to adults and to other EU Member States. Additionally, precariousness is a very common characteristic of labour relations in this age group. As a result, the youth unemployment rate is very high for the 15-19 and 20-24 age groups. The economic crisis has had a marked effect on young low and medium-skilled workers. Despite signs of convergence, the rate of early school leaving remains higher than the European average.

Since 2008, structural measures targeting young people have been concentrated on promoting qualifications. To that end, the reforms initiated in previous years were consolidated between 2008 and 2010 (e.g. the reform of the education and VET systems). These measures can play an important role in overcoming the problematic features of youth employment and unemployment by providing the conditions for young people to find better jobs. Nevertheless, more progress is still required to guarantee greater articulation between the skills offered and those in demand. The reform of the Labour Code can also contribute to improving the quality of jobs for young people by reducing the use of fixed-term contracts and increasing sanctions on firms using 'false' self-employment positions. Much attention has also been placed on the Placement Programmes which aim to facilitate the transition between school and work; these have recently been allocated increased funding.

Short term measures launched during the crisis have also targeted young people specifically. The aim of the recovery plan (IIE) was for 18 % of its financial resources to support youth employment. These measures strengthened programmes that were already being implemented. In addition, new initiatives were also launched (e.g. subsidised employment, new placement initiatives and the programme to support self-employment).

Bibliography

- Centeno, L., Centeno, M., and Novo, A., 'Evaluating Job search programs for old and young individuals: Heterogeneous Impact on unemployment duration', *Labour Economics*, 16 (1), pp. 12-25, 2008.
- Portugal, P., 'Volatility in Employment, Employment Protection and Unemployment' [*Volatilidade do Emprego, Protecção ao Emprego e Desemprego*], Banco de Portugal, Economic Bulletin, December, 1999.
- Varejão, J. and Portugal, P., 'Matching Workers to Jobs in the Fast Lane: the Operation of Fixed-term Contracts', Banco de Portugal, Working Paper 10-04, 2004.
- Portuguese Government, National Reform Programme 2005-2008 and National Reform Programme 2008-2010.
- Institute for Employment and Vocational Training (IEFP), *Annual Plan of Activities*, 2009. Ministry of Labour and Social Solidarity (MTSS), *Youth and the labour market*, Cogitum Collection, 18, 2006.
- Ministry of Labour and Social Solidarity (MTSS), *Pathways of young graduates in the labour market*, Cogitum Collection, 22, 2006.

Annex:

Table 1: YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS (Q1 data)									
Data	Age group 15-19			Age group 20-24			Age group 25-29		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Employment rate (%)	12.6	10.2	8.3	54.7	52.7	48.8	78.8	78.6	76.7
Unemployment rate (%)	25.2	30.2	35.0	14.3	18.0	20.3	10.4	11.5	13.5
Long-term unemployment as a % of unemployed	-	-	-	25.2	28.1	34.3	34.4	36.2	35.2
Youth unemployment to population ratio	4.2	4.4	4.5	9.2	11.6	12.4	9.1	10.2	12.0

Source: Eurostat, Labour Force Survey

- : Data not available

Data in brackets not reliable due to small sample size.

Table 2: YOUTH UNEMPLOYMENT TRENDS (Q1 data, %)						
Data	Age group 15-24		Age group 20-24		Age group 25-29	
	2009	2010	2009	2010	2009	2010
Unemployment for the low-skilled (ISCED 0-2)	21.0	23.2	20.0	19.9	13.8	16.1
Unemployment for the medium-skilled (ISCED 3-4)	16.9	21.0	16.3	19.4	11.1	12.2
Unemployment for the high skilled (ISCED 5-6)	24.0	25.3	24.0	25.3	7.9	10.3

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

Table 3: YOUTH TEMPORARY CONTRACTS (% OF EMPLOYEES) (Annual data)			
Data	Age group 15-19	Age group 20-24	Age group 25-29
	2009	2009	2009
Temporary work as a % of employment	62.3	48.6	34.7

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

Table 4: NEITHER IN EMPLOYMENT NOR IN ANY EDUCATION OR TRAINING (NEET) (Annual data)		
Data	Age group 15-19	Age group 20-24
	2008	2008
NEET rate (% of the age group) (annual averages)	7.1	13.1

**Source: Eurostat, EU Labour Force Survey, Annual averages
Provisional data**

Table 5: EARLY SCHOOL LEAVERS* (Annual data)		
Data	Age group 18-24	
	2008	2009
Early school leavers (% of the age group)	36.1	31.9

Source: Eurostat, Labour Force Survey

*** Percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.**

Table 6: DIFFERENCE IN YOUTH UNEMPLOYMENT RATE BETWEEN Q4-2009 AND Q4-2007		
Data	Age group 15-19	Age group 15-24
Difference in youth unemployment rate between Q4-2009 and Q4-2007	7.4	5.4

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted