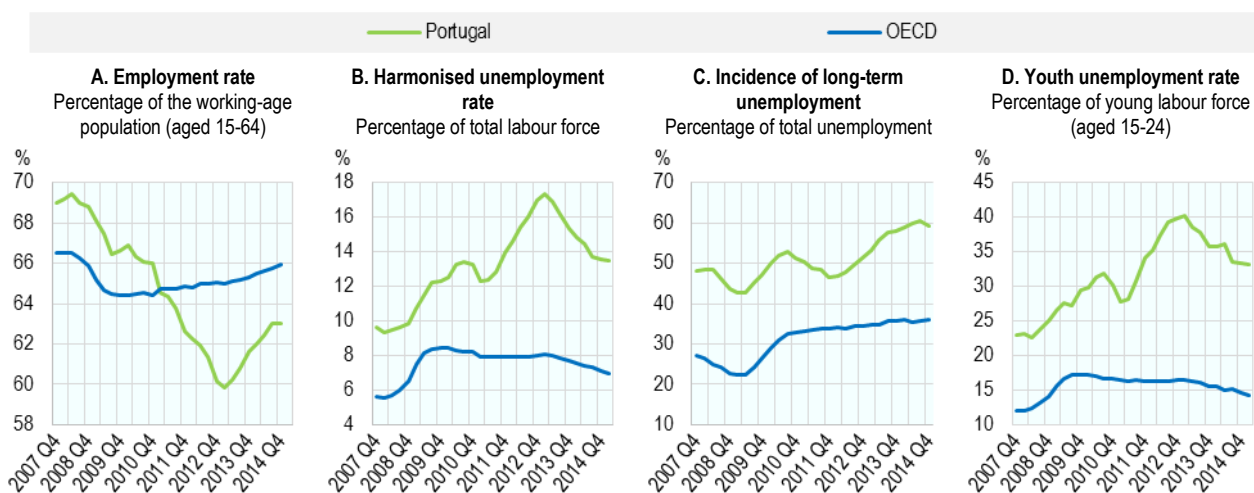


The 2015 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects with a special focus on statutory minimum wages. It also contains chapters on: skills and wage inequality; the role of activation policies to connect people with jobs; earnings mobility, labour market risk and long-term inequality; and job quality in major emerging economies.

[DOI: 10.1787/19991266](https://doi.org/10.1787/19991266)

### Labour market developments in Portugal



Source: OECD Short-Term Labour Market Statistics database, <http://dx.doi.org/10.1787/data-00046-en>.

### RECENT LABOUR MARKET TRENDS AND PROSPECTS

Labour market conditions are improving in many OECD countries but the recovery from the recent economic crisis remains very uneven. Employment is still growing too slowly in the OECD area to close the jobs gap induced by the crisis, even by the end of 2016. Consequently, unemployment for the OECD as a whole is projected to continue its slow decline, reaching 6.6% by the end of 2016.

- Portugal was hit hard by the economic and financial crisis and unemployment hit record levels. However, a rapid decline in unemployment rates (and increase in employment rates) has been recorded since early 2013. Unemployment (employment) rates fell (rose) for seven consecutive quarters.

- However, the latest data suggest the possibility of a slow-down in this recovery. While it is too early to tell, this may only be a temporary blip given that the economic recovery is expected to strengthen later in 2015 and 2016.
- Despite the progress achieved, a significant jobs gap<sup>1</sup> remains (6 percentage points) and the rise in long-term unemployment was halted only very recently. With nearly 60% of the unemployed having been out of work for more than a year, reducing unemployment further will be harder as workers become increasingly disengaged from the labour market.

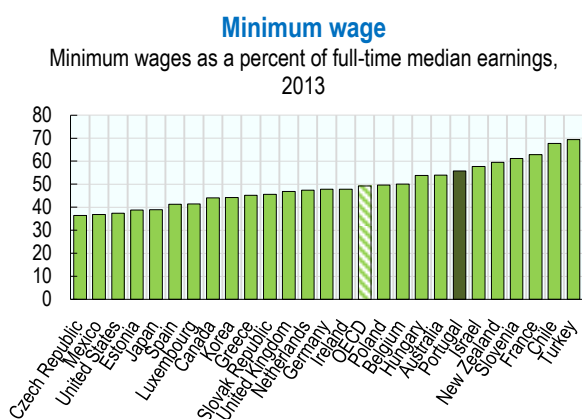
<sup>1</sup> The difference between the share of the population aged 15 years and over that is currently employed and the pre-crisis share.

- Another key challenge for Portugal will be to reduce the very high level of youth unemployment (33.4%), one of the highest in the OECD area.

### MINIMUM WAGES

A growing majority of countries use minimum wages as a tool to raise wages at the bottom of the wage distribution and to prevent workers' families from falling into poverty. The effectiveness of these policies depends upon the level of the minimum wage, which could lead to job losses if set too high, and how much minimum-wage workers receive after taxes and benefits.

- In 2013, Portugal's minimum wage was already relatively high (relative to median wages) in comparison with the OECD average, and in September 2014, the minimum wage was increased further to EUR 505 per month.



Note: For Germany, the data refer to 2015 (projections for median earnings).

Source: *OECD Employment Outlook 2015*, Chapter 1.

- In 2013, employer payroll taxes and contributions on minimum wage workers in Portugal were relatively high by OECD standards. But in October 2014, the increase in the minimum wage was accompanied by a reduction of 0.75 percentage points in employers' social security contributions for workers already on the minimum wage (not new hires).

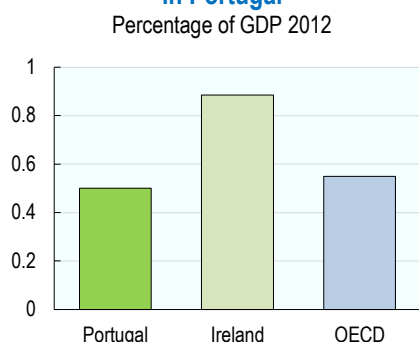
- However more needs to be done to support low-wage workers in Portugal, who need to work very long hours at the minimum wage in order to escape poverty. Further increases in the minimum wage might not be the best way to achieve this, however, and in-work tax credits may be a more effective way to support low-income families.
- An earned-income tax credit limited to low-income households would reduce the earnings dispersion without reducing labour demand. By strengthening work incentives, its employment impact is likely to be positive.

### ACTIVATION POLICIES FOR MORE INCLUSIVE LABOUR MARKETS

Effective activation policies help connect unemployed and inactive people with jobs. To do this, they need to strengthen the motivation and employability of jobseekers while improving their job opportunities. These elements need to be managed by strong labour market institutions and policies, which are the keystone of any successful activation strategy.

- Given the high level of unemployment in Portugal, expenditure on active labour market programmes (as a percentage of GDP) is relatively low. Similarly, expenditure on the public employment service, as well as on placement and related services tends to be low. In Portugal, there are potentially large gains to be made from additional investments in job-search assistance and targeted measures to improve the employability of job-seekers.

### Expenditure on active labour market programmes in Portugal



Source: *OECD Employment Outlook 2015*, Chapter 3.