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Objectives

The Electronic Papers published by the Portuguese Observatory for Good Labour Practices (OPBPL) main goals are to confer the accessibility and high-speed readability of essential information and good practices in regards to work organisation, collective bargaining, human resources management, labour relations, inclusion and sustainability, corporate social responsibility, and labour market statistics.

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Speeding Up the Growth in Productivity in Portugal

SPEEDING UP THE GROWTH IN PRODUCTIVITY IN PORTUGAL

Author: Álvaro de Sousa Carneiro

Abstract

Portugal needs to identify the main barriers to productivity, on the basis of detailed studies of selected sectors using the methodology employed, developed and applied by MGI in over 15 countries. This combines a set of broad analyses for the whole of the economy and for a detailed analysis of the work productivity in the different sectors of business activity.

Six barriers have been identified as the cause of the non-structural productivity differential, that is: informality, product regulation, land-use management and bureaucracy in the paperwork, the public administration, labour law and the industrial heritage.

1 | Informality

According to the studies carried out, informality is the main barrier. This is defined as the economic agents' non-compliance with their obligations, since it represents 28% of the overall differential in productivity, producing harmful negative effects in almost every business sector.

- Tax evasion, involving, in particular, personal and corporation tax and value added tax (VAT);
- Non-fulfilment of social obligations, e.g. the non-payment of social security;
- Non-compliance with market standards, in particular with the demands of product quality, safety standards, environmental controls and property rights, among others.

These barriers have serious impacts on the economy, such as:

- Work held back in low-productivity activities;
- Inadequate investment in equipment and other capital necessary for greater productivity;
- Divergence from the best local and international practice;
- Difficulty in establishing the conditions and dimension necessary for innovation and the dissemination of best practice.

The automobile sector is an example: the average sales turnover per enterprise is only 23 million euros, in comparison to a figure of 78 million euros for French enterprises.

The recent experience in Spain has demonstrated that it is possible to combat “informality”. With their own high levels, the Spanish have carried out measures with some success – increases of 75% to 100% – in the area of tax payment by SMEs (small and medium-sized enterprises). The integrated programme to combat “informality” is based on a series of initiatives, e.g.:

1. Rationalisation of the tax system by simplification of the Tax Code, which thus facilitates implementation;

2. Reinforcement of the auditing mechanisms – for taxation, social security, labour etc.;
3. Increases in the penalties for tax evasion;
4. Greater awareness-raising among the public and enterprises;
5. The re-designing of the organisation of the Public Administration, with a view to greater specialisation and integration in its control and prevention activities, especially in sectors of greater importance to the informal economy.

2 | Regulation

Market/product regulation has an impact of 13%.

Inappropriate regulation for the promotion of properly functioning markets in a group of sectors such as:

- Food retailing, including the conditions of access to the sector;
- Housing construction and the present renting market, among others.

3 | Land-use and the bureaucracy in the paperwork

The land-use regulations and the bureaucracy with the issue of permits and with other procedures represent 24% of the “non-structural” differential that hinders the normal operation of this sector – one of prime importance.

4 | The Public Administration

The provision of public services represents an impact of 18% and represents 15% of total employment in Portugal; these services cover areas such as education, health, local government, home affairs and justice.

Even so, the rate of employment in the Public Administration is below the European average of 18% and among the lowest in the European Union.

At the moment we are faced with the reform of the Public Administration. It is, at the least, unclear and lacks the participation of the workers in the various business sectors. It is leading to a certain amount of resistance, mainly for the loss of acquired social conditions.

5 | Labour Law

Labour law has a weight of 13% in the differential. Some consider it to be rigid and to reflect itself in the form of significant barriers to productivity.

New labour legislation has been passed (2009) and other labour legislation is currently under discussion in the Social Dialogue, which, when approved, will be in force for the next two years (2012/2013). The results are awaited, as it is said that there have been advances in some of the main elements of comparison at the international level, in particular fixed-term contracts, job security and the renegotiation opportunities for collective agreements. (The CGTP abandoned the meeting immediately after reading the new document.)

We consider labour law to be a crucial factor to the pace of convergence towards the productivity potential of the economy. The tripartite agreement is highly positive, with regard to the markets and the development of the country.

6 | Industrial Heritage

Our industrial heritage has also been an obstacle to improved productivity.

For various reasons over the years, we now find it a barrier to an increase in productivity, with the two most fundamental reasons being:

- Fragmented and small-scale industrial structures, e.g. in textiles and glass;
- A trend towards activities with low added value or ones that lack recognition by the end customer.

In brief, the “industrial heritage” acts as a brake on new productive investment, for the lack of innovation and job-creation, among other considerations.

Ireland is a good example of the pulling power of investment in industrial renewal.

From the simple analysis above, we have concluded that it is possible to speed up productivity growth in Portugal and the Portuguese have to demonstrate that recuperation is achievable. For this, it is sufficient to minimise the impact or some of the six barriers referred to here.

Only by means of properly structured and sustained economic development can we generate new jobs and maintain existing levels of employment.

A country asserts itself through the training and skills of its human resources and its ability to show constant concern about keeping them up to date.

It is necessary to raise the levels of technological and scientific knowledge among Portuguese workers and the youth who want to enter the labour market, as a way of implementing technological innovation and production quality in Portugal and strengthening the competitiveness of the Portuguese economy.

With the current rate of unemployment, many of the young people who have finished their education, in most cases higher education, do not manage to enter the labour market and go abroad.

Many of the workers who have lost their jobs find themselves in a critical situation, because they are in an older age group or have poor academic and, in most cases, occupational qualifications. This demands concrete measures, adaptable to these cases, in order to make their integration into the labour market possible.

Subsidiarity and social justice are very important principles in democracy. In such times of crisis as we are experiencing at the moment, the state should strengthen them at every opportunity in order to offer the neediest the minimum conditions necessary for them to live with dignity.

We argue that the economy has to be stimulated through the creation of specific conditions for small and medium-sized enterprises, in particular with support for modernization and the improvement of their human resources' skills, to make the firms competitive and export-oriented.

It is necessary to uphold the rigour and transparency of the process involving the recognition, validation and certification of competences (RVCC) so as to make the system credible in the eyes of employers and the society in general.

We should restructure active employment measures, adapting them to the real needs of the unemployed, strengthening their skills and supporting their integration into the labour market. We should also make the best of Community support projects for enterprises and workers.

7 | Further reading

SITE: <http://opbpl.cies.iscte.pt>



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