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## More than words: the reality of Portuguese labor market

### Abstract

This research presents, more than words, the Portuguese labor market reality in numbers and predicates that the market must engage in socially responsible behavior with regard to different organizational contexts. Firms, public entities and other organizations do not operate without workers. Additionally, the labor market is associated with greater demands from individuals seeking more efficiency and adequate measures to improve resource mobilization and to target problematic challenges, such as education, training and qualification, fiscal, industry and wage policies, as well as the social protection of the population. Indeed, the Portuguese government has adopted a proactive approach regarding its labor policy, specifically many new laws and changes related to the labor market have been approved, as a result of the European Union impositions. But, as Portugal's experience shows, these constant changes should be prevented, because each of them generates a new challenge with positive effects aiming to improve the economic, social and political contexts. Furthermore, since work is often a result of voluntary initiatives undertaken by individuals, the interventions undertaken by policymakers that promote social welfare and poverty eradication for a large majority of the population, can result in a disincentive for socially responsible behavior that demands certain values, ethics and behaviors from individuals, firms in particular, and the society, in general.

**Keywords:** social responsibility, labor management, Portugal.

**JEL Classification:** M14, M54.

### Introduction

Historically, labor market development in Portugal experienced three phases. The first phase began with the cessation of the dictatorial regime of Salazar (in 1974) and the introduction of active participation of workers in the firm's management and the negotiations of employment conditions at work. The outcome of this phase was the adoption of policies that could be comparable with other European countries. These policies were as follows: the establishment of a national minimum salary, the statutory enforcement of the number of weekly working hours, and the approval of a labor code.

The second phase began with the entry into the European Economic Community (in 1986) and the transformation from a manufacturing and agriculture-based economy into a service-based one, followed by the privatization of key state-owned firms (Paulino, 2000). The outcome of this phase was a wide range of publicly funded schemes adopted in order to stimulate and to support the expansion of employment and economic activity.

The third phase began with the economic recession (in 2000), which has been introducing remarkable changes in Portuguese firms and in society, such as: early retirement, further education, retraining, new weekly working hours and wages reduction. The outcome of this phase remains unclear, because this phase will only end when the next phase begins. Then, it will be possible to identify employment indicators and policies that would render the labor market successful.

In a broad range, the Portuguese labor market is characterized by a high degree of collective

bargaining power as a result of unionization. In particular, all the Portuguese union structures are based on the criterion of solidarity being the conceptual basis of the freedom to unionize meets with the rules and guides of the International Labor Organization (ILO). During the last years, the bargaining power of trade unions has declined at both the national and international levels. Nevertheless, trade unions still play an important role in wage determination in the public sector and in large privatized companies in Portugal. In the private sector, trade unions have almost disappeared. Despite this, trade unions have retained their influence in the creation of new labor legislation through negotiations and coordination with employer associations and the government.

The remainder of this study is organized as follows. The next section justifies the methodology used to capture the labor market context and some limitations that could reduce the explanatory nature of the research. Section 2 reviews the literature on the socially responsible behavior in the Portuguese context. The third section analyzes the contribution of firms' behavior to sustainable economic development and to the labor market progress in Portugal. The last section provides an overview of challenges the Portuguese labor market currently faces in the socially responsible behavior framework.

### 1. Methodology

This section justifies the deduction and induction methodologies used to capture the labor market context. The reality argument is to show the urgent need for proactive attitude that will stimulate persons to work and develop their skills. As Riley et al. (2000) explain, this methodology begins with

theory and proceeds through data collection to deduce explanations of the socially responsible behavior (SRB) on the Portuguese labor market.

In respect to the research design, the authors applied the same used by Llewellyn and Northcott (2005). First, the data presented came from many sources and types of documents. The important role of descriptive and exploratory data allows the authors to make a critical review and to show evidence on the Portuguese Labor Market (Spicer, 1992). The authors used descriptive statistics and summarized them in tables (Gravetter and Wallnau, 2000). However, this could present some limitations, because it could reduce the explanatory nature of the research (Marschan-Piekkari and Welch, 2004). The diversity of sources includes the Portuguese Ministry of Labor and Social Solidarity, European Union (EU) and Organization for Economic Co-operation and Development (OECD). Consequently, the authors face restrictions related to the data, such as: reference periods, definitions and terms, ongoing series, number and frequency of time periods and unavailability in digital support.

Second, Governments and European Union documents, papers and official statements were analyzed. The level of information of this source is very high. To manage several difficulties, the authors explore and assess the effectiveness of the relationship between labor standards compliance and policies. Thus, the boundaries must be completely clear and it could be the start to investigate the contemporary labor market within its real-life context (Spicer, 1992) and, as Fleischman et al. (1995) have observed, “a pressing task for historians is to establish when, where, how and why “labor standards” were first articulated on the grounds that such forms of human accounting, by constructing norms of managerial performance, form the basis for management control”.

Third, academic papers were used to conceptually frame the genesis of labor market policies that were pragmatic, for example, an unplanned response to the clearly perceived social problem of high unemployment rates (Jackman et al., 1990). In such environment, the authors face new requirements as to the research that will generate a high-quality, reliable, and accessible study, based on Portuguese information (Riley et al., 2000) and, all of this, often inextricably linked the literature review to the empirical analysis.

## 2. Literature review: Socially Responsible Behavior

Over time, the incorporation of fundamental rights of workers has enabled labor law reforms. The debate concerning institutional reforms has stimulated the distribution of information and the

notion of SRB to the extent that it has become commonplace. This debate is also associated with the need to understand the concept that influences this commitment. But, the authors cannot present one definition of the concept of corporate social responsibility (CSR), since there are many factors that interfere with it. For example, the Green Paper of the Commission of the European Communities, entitled *Promoting a European framework for Corporate Social Responsibility*, explained that it is “a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment” (EC, 2001). Another Communication from the Commission of the European Communities, about Corporate Social Responsibility: A business contribution to Sustainable Development (EC, 2002), defines it as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. It is our view that CSR is a voluntary commitment that goes beyond legal obligations. In this sense, firms contribute to sustainable economic development through their support of ethical and moral principles. Also, the United Nations reiterated, in 2002, the principles of achieving sustainable development and published them in the Report of the World Summit on Sustainable Development.

These issues gain relevance when the focus is on the labor market, because it generates intense political debate given the openness and flexibility of the labor market. In addition to a simultaneous emphasis on multiple forms of SRB, a large number of firms appear to be increasingly engaged in a serious effort to define and integrate SRB into all aspects of their economic activity, despite increasing uncertainties in the labor market. These uncertainties rise as a consequence of new laws and constant changes within the labor market. These changes promote, in the European Union context, positive effects as they have benefited economic, social and political development of Portugal. This is especially true with regard to creation of employment opportunities, social protection, social security, unemployment insurance, and other labor benefits. However, based on the Portugal’s experience, constant changes should be prevented and they must be managed as well as possible, with the view to counter their negative effects.

In Portugal, governments have developed and implemented intensive education, technology and labor policies to promote equal opportunities, economic growth and social integration in a sustainable development framework. Thus, these policies have been introduced with the main objective to produce economic changes and

technological improvements. Despite the weak resilience to economic activity, the decline in employment in 2001 and 2002 was relatively limited when compared with that observed in the past for similar activity growth profiles (BP, 2002). However, these actions faced social traditions that conditioned and limited their application.

SRB has attracted a great deal of attention over the past decade and more convincing evidence that SRB may affect labor relations comes from the United Nations High Commissioner of Human Rights, Mary Robinson who states that “business decision can profoundly affect the dignity and rights of individuals and communities... it is not a question of asking business to fulfil the role of Government, but asking business to promote human rights in its own competence” (OECD, 2001). As an example, the OECD, as defended article 1 of the Convention signed in Paris in 1960, promotes policies “to achieve the highest sustainable economic growth and employment and rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy” (OECD, 2001).

These arguments become particularly persuasive in a situation where several institutions, all over the world, promote SRB in the labor market. A good example was the United Nation Global Compact (UN, 2008), proposed by the Secretary General of the United Nation. It is a purely voluntary initiative providing a framework for businesses that are committed to align their operations and strategies with ten universally accepted principles in the areas of human rights (two principles), environment (three principles), anti-corruption (one principle), and labor standards (four principles).

Related to the labor market, the third principle, namely to “uphold freedom of association and the effective recognition of the right to collective bargaining” of the United Nation Global Compact (UN, 2008), needs to be reflected in employment policy and legislation in general. For example, in Portugal, as observed in Table 1 below, the number of agreements published by the Labor Ministry demonstrates a dramatic fall in collective bargaining as a result of considerable pressure to make labor market more flexible.

Table 1. Collective agreements, 2000-2004

	Unit	2000	2001	2002	2003	2004
Collective agreements	Number	371	361	338	342	162
Workers covered	Thousands	1,453	1,396	1,386	1,512	600
Average duration	Months	16.9	16.5	17.4	14.1	17.1

Source: Lima and Naumann (2005).

Table 1 shows that, in 2004, the lower level of the number of workers covered by these collective agreements fell to less than half the level recorded for 2003. This negative trend was particularly pronounced at plant level. Fernandes (2002) considers that “the individual trade unions and employers’ associations are too numerous to mention (more than 300 of each) and they thus have relatively small memberships, limited financial resources and a limited ability to take assertive action”.

In addition and related to labor relations and employment practices, the four fundamental principles and rights at work, published by the ILO (2008), are:

- ◆ freedom of association and the effective recognition of the right to collective bargaining;
- ◆ elimination of all forms of forced or compulsory labor;
- ◆ effective abolition of child labor; and
- ◆ elimination of discrimination in respect of employment and occupation.

The adoption of the ILO Declaration on Fundamental Principles and Rights at Work marks the tenth anniversary and the follow-up was

published in the year 2008. In particular, one way to observe the implementation of this ILO Declaration is based on the Portuguese progress report and it is interesting to study this evolution.

Portugal has undergone important changes in the political arena and in order to explore the nature of the labor market and social responsibility behavior, the Ministry of Labor and Social Solidarity was created in 1916. It is now known as the Ministry of Labor and Social Welfare. Several years have passed since its creation and therefore it is now possible to observe that the Ministry was and still is engaging in socially responsible actions, such as the provision of social welfare and the encouragement of solidarity. The general policy objective is to improve the living and working conditions of every citizen. The means to achieve these objectives are national legislation, and, to a large extent, agreements concluded by the social partners at all levels.

To materialize these objectives, the Portuguese government, represented by the Labor Ministry, is involved in the labor market and the industrial relations system on four main fronts: as lawmaker, manager, judicial authority and employer. The duty

of the Ministry as a lawmaker includes extended obligations, such as overseeing the orientation and practice of the labor and employment policies promulgated by the Ministry, the provision of professional training in labor law and social security, the provision of social security as well as the rehabilitation of disabled people. To promote the achievement of these objectives, the Minister is assisted by the Secretary of State of Social Security, the Secretary of State of Employment and Professional Training, and the Secretary of State Adjunct and for Rehabilitation. Also, the Ministry has integrated several services under the direct administration of the State. These services are undertaken by organizations under the superintendence and tutelage of the State and consulting organizations. Examples include the Authority for Working Conditions and the Institute for Financial Management of Social Security. All these institutions and policies have the main objective to obtain a favorable (although it is sometimes critical) public image.

Indeed, the economic survey of Portugal 2008 confirms that Portugal requires an improved business environment and a more flexible labor market in order to promote job creation and labor mobility. Therefore, reforms aimed at enhancing the adaptability of the labor force are needed (OECD, 2008).

In addition, the Portuguese labor market policy encourages employment creation, qualification measures, social development and gender equality (Moniz and Woll, 2007), based on the promotion of social welfare that requires certain values and ethics be reflected in the behavior of individuals, firms, in particular, and in society, in general. The Council of the European Union (CEU, 2009) emphasized, as priority areas, “attracting and retaining more people in employment, increasing labor supply and modernizing social protection systems, improving adaptability of workers and enterprises, and increasing investment in human capital through better education and skills”.

The rights of the workers are based on a body of legislation that defines the rights and obligations of workers and employers in the workplace. In other words, the government guarantees certain rights and obligations and working conditions in the employment relationship. However, it seems that industrial relations and higher education play an even more pivotal social responsibility role in society.

Furthermore, it is not possible to focus on the labor market without making reference to the ILO which was founded in 1919. In 1946, it became the first specialized agency of the UN. A central and contentious discourse in the literature concerns the

pursuit of a vision based on the premise that universal, lasting peace can only be established if it is based upon decent treatment of working people. In order for the work of the ILO to gain relevance, its objectives must be promoted by governments, firms and citizens. Key to this is the implementation of the stakeholder theory approach and, in addition to that, the enforcement of SRB through laws, regulations, standards and codes of conduct.

In 1944, the International Labor Conference adopted the Declaration of Philadelphia, which redefined the aims and purpose of the ILO, based on the following principles: “Labor is not a commodity; Freedom of expression and of association are essential to sustained progress; Poverty anywhere constitutes a danger to prosperity everywhere; All human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity” (ILO, 2003).

In contrast, conventional economic logic suggests that, *ceteris paribus*, in countries where regulation does not exist and is enforced, workers could face discrimination and all forms of forced or compulsory labor. The conflicting nature of the above arguments suggests that the most important of the above-mentioned principles is that labor is not a commodity. Its importance consists in the fact that it can serve as a basis for society to be fair and then to promote measures, laws, codes and regulations which must be implemented so as to promote SRB.

Furthermore, the absence of rights to unemployment benefits and the unequal distribution of employment between men and women are some of the ethical problems that many societies face as a consequence of profound political, social and economic transformation.

### 3. Empirical analysis: Portuguese labor market

Despite the existence of an enormous body of laws, regulations and codes that have emerged and been enforced the reforms are necessary. As Rodríguez-Piñero (2005) argues, “Portuguese labor law has its origins in the interminable authoritarian period the country underwent, when regulation of the main labor market institutions was developed and consolidated. This experience shaped employment legislation in its entirety so that a far-reaching reform process was needed with the advent of a democratic regime”.

The Constitution of the Portuguese Republic (AR, 2005), which was enforced in 1976, contains declarations of principles and more effective rules to regulate the labor market. This framework is largely

utilized in case-law. Examples include the enforcement of fair pay, maximum weekly hours of work, weekly and annual paid vacation, the protection of women and minors at the workplace, the provision of social insurance for old age, illness, invalidity, industrial diseases and accidents, the enforcement of freedom of association and right to strike.

These important changes did not stop with the Constitution of the Portuguese Republic. In the course of the last 32 years there has been extensive pressure to make labor legislation more flexible. This has led to consistent reforms especially since the accession to the European Economic Community in 1986. All these changes aim at ensuring reasonable protection for workers and, at the same time, encouraging the government, various institutions, firms and society in general to be more adaptable to technical and organizational change, and to focus on SRB.

Without doubt, the third chapter of the Constitution of the Portuguese Republic which deals with rights and freedoms of workers is the most important. It has several articles. For example, article 54 deals with workers' committees, article 55 deals with trade union rights, article 56 deals with collective agreements, and article 57 deals with the right to strike and prohibition of lock-outs. In addition, article 53 (AR, 2005) which is dedicated to employment security provides "the right of workers to security of employment is guaranteed. Dismissals without just cause or for political or ideological reasons are prohibited".

Workers are currently ranked as a strategic variable, permitting the development of competitive factors based on innovation, management and technology. Consequently, it is a reality that firms are dependent on workers for their existence. These workers represent several groups of interests or stakeholders, with different particularities and relationships. So, the collective process of change behavior should be based

on the sustainability, transparency, accountability and social contract principles of CSR proposed by Crowther and Rayman-Bacchus (2004), because they are: "concerned with the effect which action taken in the present has upon the options available in the future. If resources are utilized in the present then they are no longer available for use in the future, and this is of particular concern if the resources are finite in quantity".

In order to address economic concerns Portugal has introduced major labor legislative packages, i.e., unemployment insurance benefits in 1985, the regulation of individual dismissals, collective dismissals and fixed-term contracts in 1989 (Bover et al., 2000). According to Paulino (2000), "from their inception in 1975 until 1984 unemployment benefits in Portugal were unrelated to past earnings and were fixed in terms of the minimum wage (introduced in May 1974). From 1985, however, benefits have been partly earnings related".

Since 1989, the unemployment insurance system in Portugal is more favorable for those who have only a short period of service (between eighteen months and three years). The age of the unemployed worker has increased (Bover et al., 2000). Table 2 presents the eligibility conditions, the maximum duration and replacement ratios of the unemployment insurance and assistance benefits, in Portugal, in the years of 1985 and 1989. Beneficiaries must have been contributing for at least eighteen months in the past two years in order to benefit. The maximum duration of the insurance benefits depends on the age of the unemployed worker. However, Nickell (1997) considers that the unemployment could be increased as a result of generous unlimited benefits, absence of obligations and lack of sufficient assurance of finding new employment.

Table 2. Unemployment insurance and assistance benefits, 1985-1989

	1985	1989
Eligibility of individual to insurance benefit	Employed for all last 3 years.	Employed for 18 months of last 2 years.
Eligibility to assistance benefits	All unemployed whose households have per capita income below 70% of minimum wage and do not qualify for unemployment benefits because they exhausted their regular benefits or were not employed enough in a previous year.	All unemployed whose households have per capita income below 80% of minimum wage and do not qualify for unemployment benefits because those already exhausted or employed for insufficient time in previous 2 years.
Maximum length of insurance benefit	12 months plus one additional month for each year of tenure.	In terms of age: age < 25 = 10 months, rising to 55 < age = 30 months.
Maximum benefit of assistance benefits	- 15 months for those aged under 50 years; - 18 months for those aged 50 to 55 years; - 24 months for those over 55 years.	As for unemployment benefits, unless these have already been exhausted; then half of that entitlement. For those over 55, assistance benefits are paid until age 60.
Replacement ratio of assistance benefits	70% minimum wage if no dependents, rising to 100% minimum wage in case of 6 or more dependents.	70% minimum wage with no dependents, rising to 100% in case of at least 4 dependents.

Source: Bover et al. (2000).

Perhaps the most striking element of the new law is the attempt to promote adaptability and flexibility in employment relationships. Consequently, the labor law reforms concerning the new employment benefit oblige workers to fulfil several requirements in order for them to be qualified as beneficiaries. One of the formal requirements is to actively search for work. The aim is socio-professional insertion in to the job market by their own initiative and proof thereof at the Employment Centre. This may eventually provide new possibilities of jobs for unemployed individuals. This seems preferable to a situation where the unemployed stay at home expecting some firm to call. It engenders a sense of individual responsibility of the unemployed and ensures that the money spent during the unemployment period is well administered.

The other formal requirement for eligibility as a beneficiary is the obligation to present oneself every two weeks, spontaneously or in response to a call from the Employment Centre, Social Security Institution or other entity competent by protocol. All

these changes were brought about by means of successive legislative measures which increased the number of special rules, making it difficult for the unemployed to abuse the system by, for example, working while still receiving the unemployment financial support.

All these requirements aim to contribute to the personal betterment of unemployed individuals, their families and society in general by attempting to ensure that they are employed. Legislation describes social behavior as being voluntary. Nevertheless, it provides for certain compulsory action in order for individuals to qualify for unemployment benefits. These requirements are therefore satisfied as a result of an obligation imposed by the law rather than as a response to managers' needs.

From an empirical perspective, changes in aggregate unemployment rates until the early 1990s largely reflect changes in relative employment rates in industry (Rogerson, 2004).

Table 3. Employment and unemployment by economic sectors, 2002-2007

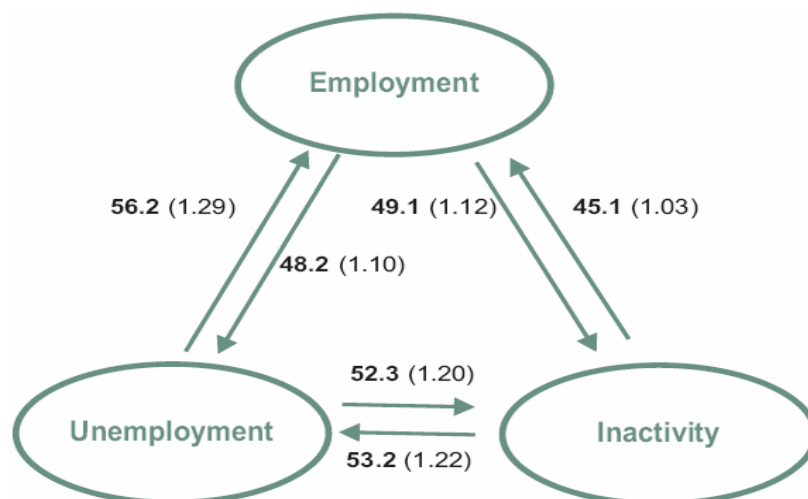
		Years					
		2002	2003	2004	2005	2006	2007
Employment (%)	Agriculture	12.5	12.7	12.0	11.8	11.5	11.5
	Industry	34.0	31.9	31.1	30.5	30.8	30.5
	Services	53.5	55.4	56.9	57.7	57.7	58.0
	Total	100.0	100.0	100.0	100.0	100.0	100.0
Unemployment (%)	Agriculture	7.2	6.6	5.6	6.0	5.6	5.3
	Industry	34.5	34.4	33.2	33.6	32.7	28.4
	Services	58.3	59.0	61.2	60.4	61.7	66.3
	Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: MTSS (2003b, 2004b, 2005b, 2006b, 2007a, 2008).

Effectively, Table 3 reflects the employment and unemployment by economic sector, in Portugal, in the period of 2002-2007, and the transformation from an agriculture-based economy into a service-based one. The agriculture-based economy decreased from 12.5% in 2002 to 11.5% in 2007, while the service-based economy increased from 53.5% in 2002 to 58.0% in 2007.

The sustainability of the labor system is a complex issue depending on many factors, but especially on financial sustainability and a continuous and sustainable flow of workers. The first factor is

mainly regarding funding and it has two different origins: one is insufficient financing, the other is the design of the funding structure. This design as well as the second factor are justified on Figure 1 that presents the average flows in the labor market for the four quarters of 2008. Figure 1 has the common sample component of quarter  $t$  and quarter  $t-1$  and uses the population weights of quarter  $t$ . It is important to present the concept of inactivity which includes individuals that are willing to work but not actively seeking for employment (BP, 2009).



Source: BP (2009).

Fig. 1. Average flows in the labor market, 2008

Figure 1 is similar to year of 2007 and subsequent the others of the last 10 years. In this sense, the total flows represent 7.0% of the working population in 2008. Also, the dynamics of flows starts with an average of 48.2 (1.10% of labor force) and 49.1 (1.12% of labor force) thousands of individuals moved from employment to unemployment and inactivity, respectively. Moving in the opposite direction, Figure 1 demonstrates an average of 56.2 (1.29% of labor force) and 45.1 (1.03% of labor force) thousands of individuals moved from unemployment and inactivity to employment, respectively. However, the proportion of movements from unemployment to inactivity has gradually increased over the last 10 years (BP, 2009).

The unequal distribution of employment between men and women is a key feature of unemployment (Peters, 1995). Before the 1990s the unemployment rate in Portugal demonstrated that the number of unemployed women was much greater than the number of unemployed men. After the 1990s there was very little difference between the rate of unemployment of women and that of men (Bover et al., 2000). The reduction of unemployment disparities on the basis of gender in the 1990s is important because these disparities threaten the attainment of nominal convergence, social cohesion and imply considerable variations in economic welfare (Sapsford and Bradley, 1999). Table 4 represents active population and unemployment by gender in December 2007.

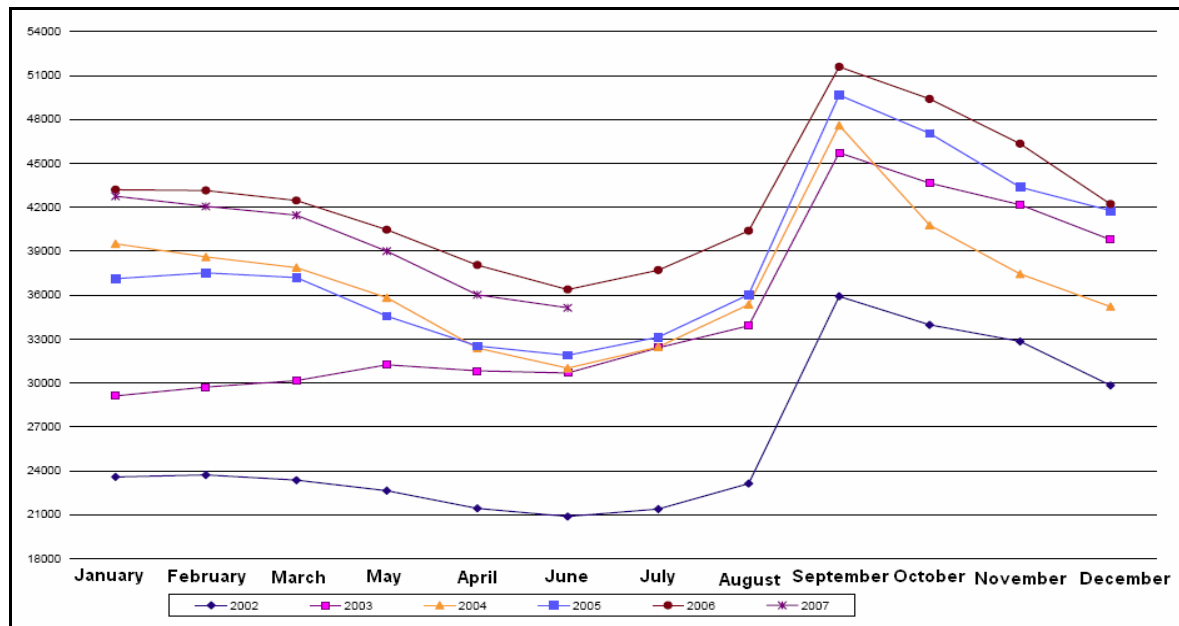
Table 4. Active population and unemployment by gender, December 2007

	Active population		Active population with higher education		Unemployed		Unemployed with higher education	
	Nº (103)	%	Nº (103)	%	Nº (103)	%	Nº (103)	%
Men	2,986	53.1	371,9	40.4	151,2	40.1	11,3	29.1
Women	2,641	46.9	548,0	59.6	226,3	59.9	27,5	70.9
Total	5,627	100.0	919,9	100.0	377,5	100.0	38,8	100.0

Source: GPEARI (2008) and MTSS (2008).

In the last decade, it is possible to verify the increasing number of women in the labor market. This has been accredited to an improvement in the schooling and the experience profile of employed women. This improvement was more pronounced than that of employed men (Cardoso, 1999). However, irrespective of workforce characteristics, the authors put forward the proposition that Portugal must adopt measures to

improve the qualifications and training of the workforce because the unemployment rate in Portugal is mainly a result of either a complete lack of or alternatively, inadequate education and vocational training (Moniz and Woll, 2007). Figure 2 shows unemployment and higher education in Portugal in the period of 2002-2007, and reinforces the last comments.



Source: GPEARI (2007).

**Fig. 2. Unemployed with higher education, 2002-2007**

Table 5 shows the employment income in specific sectors in Portugal during the period of 2002-2005. In all the years analyzed, it is possible to conclude that the average income in the textile industry was €494.00, in the construction industry it was €606.00, in the health and social service industry it was €630.00, in the food industry it was €656.00, and in the trade industry it was €700.00. These incomes are all lower than the average income in Portugal which is €728.00. However,

there has been an increase in income in these specific sectors, aside from the fields of informatics activities & communication technology and public administration in 2005. Some studies have concluded that the higher level of income has proved to be barrier to success. For a long time and especially between 2002-2005 managers were strongly averse to the constant increase of labor costs that affected the net result of firms and the state budget of public institution.

**Table 5. Employment income, 2002-2005**

Economic sector (Euro)	Years			
	2002	2003	2004	2005
Food industry	620.10	649.61	669.68	684.29
Textile industry	467.94	487.98	503.64	516.37
Construction	560.96	590.81	622.09	648.91
Trade	659.01	691.20	715.84	733.86
Informatics activities & Communication technology	1,448.90	1,512.40	1,515.05	1,478.63
Postal services	1,145.72	1,210.14	1,274.72	1,314.89
Public administration; Services for citizens:				
Public administration	1,055.95	1,137.61	1,152.07	881.45
Education	805.61	884.79	940.14	966.77
Health; Social service	581.21	605.32	640.07	693.03
Other services	810.95	811.30	807.95	848.24
Average income in Portugal	687.48	714.29	741.41	767.35

Source: MTSS (2003a, 2004a, 2005a, 2006a).

The unemployment rate has doubled in the same period, reaching 8% in 2007, with a growing share of long-term unemployment, as a result of the inability of the labor market to get job-seekers back into work as effectively as in the past (OECD, 2008). In comparison with other OECD countries, the employment protection legislation of Portugal is restrictive (Blanchard and Portugal, 2001). Thus, according to OECD (2008), "to facilitate the

adjustment of the economy to the forces of globalization and to reduce the social costs of the adjustment process, policies have to focus on easing labor market regulations that hinder workers' mobility, while reinforcing the support to job losers. Several reforms have been made over the past few years, including changes to the labor code, stronger controls of undeclared work, bringing the social security schemes of the private and public sectors



closer and tighter eligibility conditions for unemployment benefits”.

Another solution was proposed by Cavalcanti (2004), who presents a model in which employment protection increases with job tenure. Also, he argues that the increase in employment protection may subsequently result in more dismissals as firms attempt to compensate for the continuously increasing costs. This model may raise a problem because, in the context of social responsibility, solutions must be economically sustainable and it seems that, in the Portuguese reality, this is not possible.

This approach constitutes an important step in the strengthening of work incentives and facilitation of workers' mobility, as well the improvement and adaptability of the labor market. This is the new framework for active labor market policies that is under discussion. This framework, when approved, can implement the evaluation and rationalization of activation programs, emphasizing the improvement of the performance of public employment services (OECD, 2008). The authors suspect that the most salient aspects involving active labor policies cannot be achieved solely by laws, codes or regulations, because individuals can more easily force firms to make job offers.

In Portugal, the main instrument for labor market policy is the National Action Plan for Employment that was adopted by the Ministers' Council Resolution No. 59/98 of 5 May (PCM, 1998). It expresses the commitment of the Portuguese State, within the scope of the Lisbon Strategy, to implement the guidelines on employment (MTSS, 2007b), in coordination with the four pillars which sustain the European employment strategy, specifically: to improve employability, to foster entrepreneurship, to encourage the adaptability of workers and firms, and to strengthen policies on equal opportunities (Moniz & Woll, 2007; Moniz, 2008).

Moniz & Woll (2007) synthesize as the basic principles of Portuguese labor policy, the following six points: “Modernization of education system; Development of professional vocational training in co-operation with the economy; Reorientation and intensification of vocational training and retraining; Development of exemplary measures for labor market integration/development of active instruments and measures for labor market integration of deprived social groups; Promotion of business start-ups (in particular SME); Employment incentives/employment creation in new fields of employment”.

These principles satisfy the four objectives of the labor market policy, such as: promotion of an

adequate transition of the youngsters to active life; promotion of social and the fight against long-term unemployment; improvement of basic and professional qualifications of the working population in a perspective of lifelong training; preventive management measures and follow-up of sectorial restructuring processes (MTSS, 2007c). These strategies secure decent employment conditions and, at the same time, reduce unemployment, operate in the context of territorial and sectorial differentiation phenomena, as well the profound political, social and economic transformations.

The most significant development in the Portuguese labor code, during the year 2008, was the introduction of major changes. The main goals of the reform are the following: to increase the adaptability of firms, to promote collective contractual regulation, to reform the legal system governing redundancies, to strengthen the effectiveness of labor law, to combat segmentation and precariousness, to promote the quality of employment, and to adapt and articulate labor law, social protection and employment policies.

Previously, in April 2006, the first phase of the public debate focused on the analysis of labor relations in Portugal. The final results were published in the Green Paper on labor relations. In December 2007, the second phase of the public debate focused on improving the analysis and defining recommendations. The final results were published in the White Paper on labor relations. And, in April 2008, the third, and last, phase of the debate focused on the reform of labor relations in Portugal, prior to the submission of the new Labor Code to the Portuguese Parliament. As Lima (2008) explains, “on June 5, 2008, around 200,000 persons participated in a demonstration organized by the trade union confederation CGTP against the ongoing labor reforms in the private and public sectors and, in particular, against the government proposals on the revision of the labor code. This is the third time that the present socialist government has faced a major demonstration organized by trade unions”.

For those reasons, the promotion of an adequate transition for youngsters to an active working life should be centred in a labor market that fosters equality and improves the quality of skills training, intensifies the participation in programs that guarantee professional performance in order to favor the employability, active citizenship, as well the social inclusion of all. Furthermore, the battle against long-term unemployment must be integrated into an educated and knowledgeable society that possesses not only qualifications but also competencies. In other words, education, especially of a higher level, must carry out a strategic function

(Lima, 2008). Thus, the improvement of basic and professional qualifications of the working population, in a perspective of lifelong training, is a way to prevent unemployment. It requires an improvement of academic and professional qualifications and the level of specialization, as well as a broadening of the qualifications and knowledge base of the Portuguese population in an international context (MCIES, 2006), with the view to assure an economic, social and technological modernization of the Portuguese labor market.

## Conclusions

In order to explore the SRB in the labor market and to fully understand the challenges of this behavior and whether or not their orientation, the authors discuss that the general challenge for the labor market is to present “an empirical and historical analysis of the development of the role of accounting within the capitalist agency relationship, informed by the theoretical framework of contradiction and crisis” (Armstrong, 1991). Indeed, the Portuguese government has adopted a proactive approach regarding its labor policy. So, many new laws and changes related to the labor market, especially as a result of impositions of the European Union. But, based on Portugal’s experience, these constant changes should be prevented, because each change generates a new challenge with both positive and negative effects that aim to improve the economic, social and political contexts in Portugal.

The first challenge is the qualification of the Portuguese population. The outcome of this challenge was, since March 2007, the agreement for the reform of vocational training promoted by the Portuguese government and its social partners. This agreement introduced new tools and redesigned the institutional framework based on several strategic objectives as well as practical measures of training. The European Union published the white paper on *Growth, Competitiveness and Employment* that detailed the need for a significant increase in investment in human capital and greater and more effective efforts in vocational training (EC, 1993). For example, low wages paid, that creates a widespread social problem, are sizeable, because in the EU they amount 8% and in Portugal 11%, and also a high labor market segmentation as result of the in-work poverty is highest for part-time workers (29%) when compared to full-time workers (9%) (EU, 2009).

The second challenge is the education of the Portuguese population. The outcome of this challenge was the higher education system and its diversification (polytechnic versus university), the dispersion of the system (all over Portugal, Madeira and Açores Autonomous Region), and the change of legal status (private versus public). This outcome increased the basis-qualification of the Portuguese people. Indeed, the 89/48/CEE Directive was the first directive prepared from this challenge referred to the “Bologna Process” of higher education diploma recognition that sanctions professional skills of at least three-year duration. According to it, in some cases recognition is not “automatic”. With the aim of controlling “professional expertise”, professional authorities and “competent authorities” may require, besides the diploma, confirmation of professional experience, an adaptation period or aptitude tests (Peixoto, 2001). For example, the education performance in Portugal has made progress on early school leaving, which decreased by almost 3% from 39.2% in 2006 to 36.3% in 2007, its lowest level in a decade (EU, 2009).

The third challenge is the social protection of the Portuguese population. The outcome of this challenge was the modernization of the social system and the achievement of present and future financial sustainability. For example, the Communication from the Commission about the *Future of Social Protection: A Framework for a European Debate* supports the social protection as a “fundamental component and distinguishing feature of Europe model of the society” (EU, 1995) and all main indicators prove that social inclusion is a critical concern. The at-risk-of-poverty rate after social transfers is among the highest in the EU, because in the EU it amounts to 16% and in Portugal it is 18% (EU, 2009).

According to these challenges, based on Portugal’s experience, the endorsement made by the Government is to promote the relationship between workers, firms, social partners, schools, higher education institutions and policymakers. All must develop an SRB to the society, in general, and to the citizen, in particular, and at both national and international meeting the new demands of the labor market. Vocational training, education and social protection have emerged as the latest means for tackling the employment problem, increasing knowledge, skills, and competence with CSR gains.

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