



International  
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# DECENT WORK **IN** **PORTUGAL** 2008-18

From crisis to recovery

# Decent work in Portugal 2008–18

From crisis to recovery

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Filigree, an ancient art technique of processing metal, is a symbol of Portugal's cultural heritage. The filigree jewelry displayed on the cover is called *Coração de Viana* (Viana's Heart), which symbolizes the flaming heart of Jesus. It is particularly popular in the north, where most filigree production is based.

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# Preface

In 2013 and 2014, the ILO published a number of studies analysing the challenges faced by those countries in Europe most severely affected by the international financial and economic crisis that began in 2007 and the subsequent Eurozone crisis that started in 2009. At the time, there was widespread concern with dramatic downturns in the number and quality of jobs, and the ILO vigorously argued for the importance of broad economic policy targets aimed at promoting a productive recovery centred on investment, employment and social protection – in combination with supportive macroeconomic policy – to generate job-rich and equitable growth.

It is with these previous findings in mind that we now return – five years later – to look at the evidence of what has and has not worked in response to the crisis in Portugal. While other crisis-affected countries have barely been able to benefit from the uptick in economic growth in Europe in recent years, Portugal stands as a solid example of successful and swift economic and labour market recovery, without compromising on workers' rights. The evidence highlighted in this report is notable in its own regard, with nearly half a million new jobs created since the beginning of the recovery and average economic growth of over two per cent and rising in the past three years.

But it is how these results were achieved that makes the story of Portugal stand out and may serve as an insight for how to better respond to future economic crises in other countries. Factual evidence from other national experiences shows that fiscal consolidation alone cannot rescue a declining economy. Instead, as the example of Portugal shows, it is when countries go beyond a restrictive application of fiscal consolidation policies that vibrant and inclusive growth based on the universal principles of decent work can take place.

Portugal's recovery is built on solid export performance, based on business reforms and structural changes that took place over the past two decades, but also on increased domestic demand that was aided by support to incomes and increases in minimum wages in recent years. Putting money into workers' pockets is not just good for these workers by decreasing their risk of living in poverty, but it has a cumulative positive effect for the economy as a whole.

In addition, the analysis of this report suggests that striving for labour market flexibility by means of weakening collective bargaining and reducing employment protection legislations – which was a condition of the financial assistance programme – did little to contribute to the recovery of the Portuguese economy. In fact, the report identifies positive effects of a return of collective bargaining and a stronger focus on the creation of permanent and well-protected employment in the country since 2015. Portugal has demonstrated that taking steps to foster employment-oriented policies and safeguard social cohesion helped to speed up its recovery.

This is not to say that Portugal should rest on its laurels. There are still a significantly higher number of precarious workers than prior to the crisis, and the young and the long-term unemployed continue to face particular challenges in their integration into the labour market. The country's external debt remains high. Yet, this report shows that it is possible to maintain responsible, but active fiscal policy and move toward a gradual reduction of debt, while improving labour market performance with targeted spending and ensuring adequate employment and income protection.

As the ILO approaches its centenary in 2019, it is an opportune time to reflect on the lessons learnt from the most severe economic crisis of our generation and take the positive messages of Portugal as an example that decent work and economic benefit go hand in hand, and that one cannot exist without the other in the long run. This example can and should serve as a reminder that there is always a way out of crisis, but only if people are put first. It is in this spirit that we trust this report will serve as the basis for reflection for policy-makers in other countries and will continue the debate within relevant institutions in the multilateral system.



Guy Ryder, ILO Director-General

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The lead chapter authors are Aurelio Parisotto of the ILO Employment Policy Department (Chapter 1); Zafiris Tzannatos, lead consultant (Chapter 2); Mariya Aleksynska, external consultant (Chapter 3A); Najati Ghosheh of the ILO Conditions of Work and Equality Department (Chapter 3B); Joaquim Pintado Nunes of the ILO Governance and Tripartism Department (Chapter 3C); Verónica Escudero, Santo Milasi and Clemente Pignatti of the ILO Research Department (Chapter 4); Patrick Belsler of the ILO Conditions of Work and Equality Department (Chapter 5); and John Ritchotte of the ILO Conditions of Work and Equality Department (Chapter 6). Substantial research and writing assistance on various chapters were provided by Anshuman Bhargava (EMPLOYMENT), Florence Bonnet (WORKQUALITY) Mauricio Dierckxsens (EMPLOYMENT) and David Mosler (EUROPE), as well as Giorgio Presidente, Maria do Rosário Palma-Ramalho, Isabel Tavora and Eva Van Belle (all external consultants). We are also grateful for the insights and support provided by Colin Fenwick of the ILO Governance and Tripartism Department and for comments provided by André Gama from the Research Department.

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The report was edited by Elizabeth Coleman. The Portuguese version of the report was revised by Filipe Carvalho and Ana Santos.

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