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FOSTERING EQUALITY AND CROSS-COUNTRY CONVERGENCE?

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Social Convergence, Development Failures and Industrial Relations: The Case of Portugal

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Portugal joined the EU with very low per capita income in comparative terms and the political discourse that helped to transform EU integration into a national consensus was dominated by two main arguments:

- the EU as an essential protection for a young democracy such as Portugal;
- growth and development as the main prospective outcome of integration.

Free unions and collective bargaining were introduced only after democratic change in 1974 in a context of strong power imbalances in the labour market, highly favourable to workers. The labour law that emerged from this period was strongly protective of employment and collective agreements. Labour relations in this period were very conflictual and distrust between employers and unions was generalised.
Context

- The need to increase labour market flexibility after the normalisation of Portuguese democracy gave birth to the introduction of (very flexible) temporary contracts. The coexistence of very rigid regulation of fixed-term contracts and very flexible regulation of temporary contracts generated a labour force segmentation that still characterises the Portuguese labour market.
- In the mid-1980s, the Standing Committee for Social Concertation was set up, aimed at creating a new channel for centralised social dialogue (aside the sectoral level negotiation).
- Centralised social dialogue has been particularly dynamic since the mid-2000s increase in the number of social pacts agreed, including medium-term pacts; the scope of the topics under discussion and of agreements has been widened; the number of actors involved has increased.
- This process has helped build up trust among the social partners but has been disrupted by the crisis and the consequent bailout.
Context

Union density in Portugal, 1978–2012

Union (a) and employer organisation (b) density in the EU, 2014

Source: Visser, ictwss_v5.1.
No recent signs of economic convergence. The crisis as a big negative shock.

Source: Eurostat
Social convergence: some indicators

Labour market

Unemployment rate

The convergence towards EU unemployment level. The crisis as a big negative shock.

Source: Eurostat
Social convergence: some indicators
Labour market

Share of temporary employees in total employment (%)

High and persistent divergence.

- Temporary contracts as a main source of flexibility
- The increasing dualization of the labour market
- Precariousness as a source of divergence (within the country and by EU standards)

Source: Eurostat
Social convergence: some indicators

Labour market

High and persistent proximity. +
Low incidence of part-time in divergence with the EU

Figure 12: Activity rate - females

Source: Eurostat
Social convergence: some indicators

Labour market

Low wages and not converging. The crisis as a big negative shock.

Median hourly earnings in PPS (2014)

Source: Eurostat
Social convergence: some indicators

Income distribution

Median equivalised net income in the EU, 2015

Gini coefficient of equivalised disposable income in the EU, 2015

Low income and very unequally distributed. Convergence path interrupted by the crisis.

Source: Eurostat, SILC
Social convergence: some indicators

The relevance of the education deficit despite the convergence of the last decades

Source: Eurostat, Labour Force Survey
Conclusion

• Convergence towards the average EU is, in Portugal, strongly associated with the recent history of the country. Most of the specificities, that apply also to industrial relations, rely on a social process marked both by the legacy of the autocratic regime and of a revolutionary transition.

• Portugal joined the EU in 1986 having high gaps as regards the EU average either in terms of economic indicators (per capita GDP) and social indicators (namely education, poverty, income inequality and wages).

• Those gaps remained high till the present times but recent trends show rather important dynamics.
  • The recent crisis (felt in Portugal mainly after 2009) interrupted a trend towards convergence that clearly marked the previous decade as regards a relevant group of social indicators (even if without a clear convergence path of economic convergence).
Conclusion

- The process of social convergence witnessed in the early 2000s has been accompanied by a process of accumulation of trust among the social partners and of higher visibility and recognition of the role of social dialogue to fight the structural deficits of the Portuguese labour market, namely:
  - the need to fight low wages;
  - the need to overcome skill shortages existing in the country and the need to further invest in education and training;
  - the need to ensure a healthy social security system and its sustainability;
  - the increased concern on sustainability needs brought into the public debate much more accurately, the issues of ageing and fertility contributing to an increasing perception of the need to integrate gender equality and reconciliation of work and family life into the social agenda;
  - The need to overcome the segmentation of the labour market by means of the trade-off between more secure temporary contracts and more flexible regular ones.
  - The need to seriously discuss representativeness of industrial relations actors (at the EU level).
Thank you!