The evolution of wage structures in Portugal 1982-1992
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Chapter 2

A characterisation of the labour market and the educational system

2.1 Economic orientation: from intervention to liberalisation

The Portuguese economic structure has been subjected to profound transformations over the past fifty years. After the Second World War it developed from a rural economy to a service economy. Although the industrial era began late, the changes were rapid. Here, we will only consider the post-war period strictly for historical purposes, although references to earlier dates or events might be mentioned briefly to clarify the scenario. As an upper boundary we have decided on the early 1990s, especially 1992, because this is the latest year for which we use data on the structure of wages.

It is generally accepted that the Portuguese economic take-off occurred during the post-war period. The late forties and early fifties marked the beginning of the industrialisation of Portugal. The country was then ruled by the Estado Novo legacy which had been created after the 1926 revolution. This led to a very long right-wing dictatorship whose main legal principles had been put forward during the 1930s. The political regime distrusted competitive markets, so it adopted protectionist policies and asserted stringent control over the economic agents. Economic activities were protected through a deliberate licensing policy called industrial conditioning. This promoted the emergence of a few but big economic industrial groups engaged in several types of production. An economic upsurge occurred during the 1960s and coincided with a stronger international integration of the Portuguese economy.

But circumstances were not without critics at that time. Lack of freedom, high illiteracy, meagre living conditions, and international isolation due to the colonial war were conditions of the period. The revolution occurred within this context in 1974 and led to the implementation of a democratic regime and, consequently, to many institutional changes. A collectivist agrarian reform and a large-scale nationalisation of the industry and services occurred after the revolution. This led to the elimination of the big private economic groups. The nationalisation program practically included the entire financial system (commercial banks and biggest insurance companies) as well as some transportation companies and many large industries such as chemicals, petrochemicals, cement, steel, shipbuilding, and others. The government also implemented price controls, restrictive public procurement policies and a large number of other regulations which obstructed the entry of new firms in specific sectors. This substantially enlarged Portugal’s sheltered sector.

The country requested membership into the EU in 1977 and joined at the beginning of 1986. Along with the process of integration in the EU, there were clear efforts to diminish the state presence in the economy and expose a greater portion of the economy to market forces. Since the mid-1980s, privatisation and public utility deregulation have gone hand in hand with the adoption of measures to expose the private sector to competitive pressure. Highlights of this
process have been the end of the crawling peg devaluation of the national currency, decontrol of prices for goods and services (with a few exceptions), eased entry in some markets, and the beginning of a vast process of privatisation began in the late-1980s. This led to a process of restructuring in many public and private firms. A law passed in 1988 allowed for the transformation of public enterprises into corporations in which the state would retain the majority of total equity. A 1990 law permitted full privatisation of public companies. The impact of this liberalisation of the economy is visible in some sectors. For instance, financial market deregulation began in 1984 and gathered pace after accession to the EU. In the process, credit ceilings were abolished, deposit rates freed and restrictions on opening banks and bank branches were eased. As a consequence, the number of banks operating in Portugal more than doubled between 1983 and 1992, and the number of bank branches more than tripled. The entry of foreign banks contributed markedly to this growth (OECD, 1994a). Other sectors subjected to deregulation were, for instance, retail trade, telecommunications, electricity, and transport. In summary, the mid-1980s marked the beginning of a new period during which Portugal joined the EU and embarked on a liberalisation path of its economic activity. The liberalisation and privatisation process represented a turnaround in policy orientation compared with the earlier decades of heavy government intervention. However, it is worth mentioning that within the scope of this study the process had only just begun and was far from complete in 1992. Indeed, the privatisation process was delayed and by 1992, the impact on the economy was below that which had been initially proposed.

2.2 Labour market indicators and structural aspects

2.2.1 Population, employment and economic structure

The 1960s are characterised by an enormous rate of legal and clandestine emigration from Portugal to other European countries. The economic situation as well the desire to avoid the armed forces have usually been mentioned as determinants for that emigration. Barosa and Pereira (1992) show that the Portuguese emigration rate is positively related with the income in destination countries and negatively related with the wages in Portugal. More than one hundred thousand people emigrated each year between 1965 and 1973 to EU countries (Barosa and Pereira, 1992). The majority of them were non-qualified manual workers, followed by the group of qualified manual workers. Most came from agriculture, others from industry and services.

The revolution in 1974 marked the beginning of a new period. It had as an immediate consequence the independence of the colonies and the return of the settlers. This increased the population dramatically. Moreover, a deep decline in emigration occurred due to restrictive immigration policies adopted by the destination countries after the 1973 oil crisis. Consequently, the labour force increased significantly, but one must also consider the
increasing participation of females in the labour market whose participation rate was 48.9%, 52.9% and 58.9% in 1975, 1984 and 1992, respectively (see OECD, 1995, p. 127).

Table 2.1: Structure of civilian employment by industry (%)

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<tbody>
<tr>
<td>Primary (agric., hunting, forestry and fishing)</td>
<td>42.8</td>
<td>37.1</td>
<td>34.9</td>
<td>25.2</td>
<td>11.3</td>
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<tr>
<td>Secondary mining and quarrying</td>
<td>29.5</td>
<td>33.4</td>
<td>33.8</td>
<td>37.5</td>
<td>33.1</td>
</tr>
<tr>
<td>Secondary manufacturing</td>
<td>0.8</td>
<td>0.7</td>
<td>0.5</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Secondary electricity, gas and water</td>
<td>21.4</td>
<td>24.2</td>
<td>24.9</td>
<td>25.9</td>
<td>23.9</td>
</tr>
<tr>
<td>Secondary construction</td>
<td>6.8</td>
<td>8.0</td>
<td>7.9</td>
<td>10.5</td>
<td>8.0</td>
</tr>
<tr>
<td>Tertiary wholesale, retail, restaurants and hotels</td>
<td>27.7</td>
<td>29.5</td>
<td>31.3</td>
<td>37.3</td>
<td>55.6</td>
</tr>
<tr>
<td>Tertiary transport, storage and communication</td>
<td>7.5</td>
<td>7.4</td>
<td>11.1</td>
<td>12.0</td>
<td>19.8</td>
</tr>
<tr>
<td>Tertiary financing, insurance and business services</td>
<td>3.7</td>
<td>4.0</td>
<td>4.1</td>
<td>4.1</td>
<td>4.8</td>
</tr>
<tr>
<td>Tertiary community, social and personal services</td>
<td>0.7</td>
<td>0.9</td>
<td>1.7</td>
<td>2.5</td>
<td>6.5</td>
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A dramatic change occurred in the industrial composition of the employment; the country passed rapidly from an agricultural to a service economy. A particular feature of this process is that it apparently does not fit neatly with the typical march through industry.

At the beginning of the 1960s Portugal was a rural country with at least 43% of the civilian labour force working in the primary sector. At that time the services were responsible for 28% of the employment. Although the primary sector still employed a significant share of the civilian labour force in 1974, it shrank during the sixties and early seventies. The structure of employment shows noteworthy changes since 1974, which are characterised by the continuous increase of tertiary activities and a decline of the primary sector. The latter decreased from 34.9% of the total civilian labour force in 1974 to 11.3% in 1992; services increased by 24.3 percentage points. Within the secondary sector most workers are employed in manufacturing. Here, one must highlight the importance of traditional industries such as wood and cork, paper, footwear, clothing, and textiles. The last three industries are composed mainly of small firms and are responsible for a significant share of the country’s employment and exports. The textile and clothing industry accounted for nearly 16% of the manufacturing output and 31% of the manufacturing employment in 1989 (OECD, 1994a). These have been labour intensive sectors with a large number of workers possessing a low level of education. The services sector is dominated by trade, restaurants and hotels (tourism) on one side and by community and social services on the other side. These activities have expanded its share in total employment over time.
The existence of regional differences is worth mentioning, however. For instance, 5.1% of the employment in Lisbon and the Tagus Valley (hereafter LTV) in 1991 was in agriculture and fishing, 30.2% was in manufacturing and 64.7% was in services. For the remainder of the country, the distribution was 13.8% in agriculture and fishing, 41.9% in manufacturing and 44.3% in services. Indeed, as the post-war industrialisation progressed, the dualism of the productive structure became apparent: many small firms which were intensive in unskilled labour and had an export-orientated strategy, coexisted with a few large firms belonging to domestic economic conglomerates embodying several activities and operating in modern sectors (e.g. chemical products, banking and insurance). The region of LTV captured most of the high-tech manufacturing and modern tertiary activities and became a centre of rapid transformation. Labour has flown from the countryside to the capital: in 1991, 33.4% of the population lived in LVT compared to 28.7% in 1970 and 22.6% in 1940.¹

The population is characterised by low educational attainment. In 1991, about 18.1% of the population between 15-64 years of age were illiterate or had no educational qualification. However, three decades earlier, the figure was 65.4%. Furthermore, more than 50.0% of the working age population had completed a maximum of four years of schooling in 1991, of which nearly 27.0% were in the 15-24 age group (see OECD, 1995).

The relative delay of Portugal in terms of educational attainment if compared to other EU countries seems obvious after examining Figure 2.1. The education gap between Portugal and the other countries was wide in 1991. This is revealed in a far lower percentage of upper secondary and tertiary education graduates.

¹ Computations based upon the population census.
Figure 2.1: International comparisons of educational attainment in 1991

A - Population 25-64 years of age by levels of education

B - Population with at least upper secondary education by age groups

Source: OECD (1993), *Education at a Glance*. The figures in panel A are for the highest level of education completed. Tertiary education includes non-university and university education. The average corresponds to the unweighted mean of all the countries included in the picture.
2.2.2 Economic performance: growth and unemployment

Industrial development was a policy on the forefront of Portuguese society during the 1950s and 1960s. This was conducted under restricted licensing so that national industry and new products were protected. The fomentation plans (six-year plans) were the main instrument of government intervention and orientation.

Figure 2.2: Economic growth and the unemployment rate in Portugal

The economy grew swiftly during the 1960s and, as in many other countries, the unemployment rate was very low: about 2.5% from 1964 until 1974. Emigration and armed forces enrolment can be indicated as buffers working on the supply side of the labour market. However, the demand for labour also likely shifted outwards in a period of rapid economic growth. Krugman and Macedo (1979) describe the macroeconomic situation in Portugal in 1973 as one of excess demand in the labour market.

However, unemployment became a problem after 1975 (when it rose to 4.0%) and reached a peak of 8.8% in 1985. The GDP growth rate also slowed since 1974, and was negative in 1975, 1983 and 1984. The first oil price shock had a negative impact on the economy. Furthermore, the arrival of settlers from former colonies and the reduction of emigration shifted the labour supply rightwards. To protect employment, labour dismissals were tightened and layoffs prohibited. Many firms teetered upon bankruptcy and, although some were already bankrupt, closures were prevented either by workers taking over the management, the government extending credit, or by both solutions. Some firms also ceased or deferred wage payments, but the employees continued working to protect their jobs. A turbulent environment

Table 2.2: Standardised unemployment rates in selected OECD countries (%)

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</thead>
<tbody>
<tr>
<td>Canada</td>
<td>11.8</td>
<td>11.2</td>
<td>10.4</td>
<td>9.5</td>
<td>8.8</td>
<td>7.7</td>
<td>7.5</td>
<td>8.1</td>
<td>10.2</td>
<td>11.2</td>
</tr>
<tr>
<td>Belgium</td>
<td>12.1</td>
<td>12.1</td>
<td>11.3</td>
<td>11.2</td>
<td>11.0</td>
<td>9.7</td>
<td>8.0</td>
<td>7.2</td>
<td>7.2</td>
<td>8.0</td>
</tr>
<tr>
<td>Finland</td>
<td>5.4</td>
<td>5.2</td>
<td>5.0</td>
<td>5.3</td>
<td>5.0</td>
<td>4.5</td>
<td>3.4</td>
<td>3.4</td>
<td>7.5</td>
<td>13.0</td>
</tr>
<tr>
<td>France</td>
<td>8.3</td>
<td>9.7</td>
<td>10.2</td>
<td>10.4</td>
<td>10.5</td>
<td>10.0</td>
<td>9.4</td>
<td>8.9</td>
<td>9.4</td>
<td>10.4</td>
</tr>
<tr>
<td>Germany</td>
<td>7.7</td>
<td>7.1</td>
<td>7.1</td>
<td>6.4</td>
<td>6.2</td>
<td>6.2</td>
<td>5.6</td>
<td>4.8</td>
<td>4.2</td>
<td>4.6</td>
</tr>
<tr>
<td>Ireland</td>
<td>14.0</td>
<td>15.5</td>
<td>17.0</td>
<td>17.0</td>
<td>16.7</td>
<td>16.2</td>
<td>14.7</td>
<td>13.3</td>
<td>14.7</td>
<td>15.5</td>
</tr>
<tr>
<td>Italy</td>
<td>8.8</td>
<td>9.4</td>
<td>9.6</td>
<td>10.5</td>
<td>10.9</td>
<td>11.0</td>
<td>10.9</td>
<td>10.3</td>
<td>9.9</td>
<td>10.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>12.0</td>
<td>11.8</td>
<td>10.6</td>
<td>9.9</td>
<td>9.5</td>
<td>9.1</td>
<td>8.3</td>
<td>7.5</td>
<td>7.0</td>
<td>6.7</td>
</tr>
<tr>
<td>Portugal</td>
<td>7.8</td>
<td>8.4</td>
<td>8.5</td>
<td>8.4</td>
<td>7.0</td>
<td>5.7</td>
<td>5.0</td>
<td>4.6</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Spain</td>
<td>17.0</td>
<td>19.7</td>
<td>21.3</td>
<td>20.8</td>
<td>20.1</td>
<td>19.1</td>
<td>16.9</td>
<td>15.9</td>
<td>16</td>
<td>18.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>3.5</td>
<td>3.1</td>
<td>2.8</td>
<td>2.7</td>
<td>1.9</td>
<td>1.6</td>
<td>1.4</td>
<td>1.5</td>
<td>2.7</td>
<td>4.8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>12.4</td>
<td>11.7</td>
<td>11.2</td>
<td>11.2</td>
<td>10.5</td>
<td>8.6</td>
<td>7.2</td>
<td>7.0</td>
<td>8.8</td>
<td>9.9</td>
</tr>
<tr>
<td>United States</td>
<td>9.5</td>
<td>7.4</td>
<td>7.1</td>
<td>6.9</td>
<td>6.1</td>
<td>5.4</td>
<td>5.2</td>
<td>5.4</td>
<td>6.6</td>
<td>7.3</td>
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Conversely, an upturn marks the period following 1986 (up until approximately 1990). The financial external constraint was stabilised, the unemployment rate decreased, and the GDP and total employment grew remarkably. The accelerating growth of the international economy as a whole and the act of joining the EU may have contributed to such a performance. For instance, Portugal benefited from significant funding from the EU and free access to EU markets added to a rapid expansion and employment growth in the textile and clothing industry (see OECD, 1996, p. 10 and 83). Between 1986 and 1990, the GDP growth rate was higher and the unemployment rate was clearly lower than the EU average (see Table 2.2). By the early 1990s the economy was near to full-employment.

2.2.3 Restrictive labour legislation but high wage flexibility

Since approximately the late 1960s, the individual employment contract had been regarded as permanent. This view was strengthened by new legal measures implemented after 1974 (Fernandes, 1993). However, legislation on fixed-term contracts was published in 1976. The creation of this type of contract was meant to introduce greater flexibility. Although these contracts were to be considered as exceptions, they became widespread (non-permanent contracts accounted for approximately 20% of the total employment in 1983). As a reaction, new legislation published in the late 1980s imposed additional restrictions on temporary and term contracts regarding maximum duration, number of renewals, and severance payments.
The majority of workers have permanent contracts. The regulations remain strict at this level and the preference for permanent contracts is obvious within the legislation. However, the number of short-term contracts nevertheless increased during the 1980s. Portugal and Spain had the two highest rates of temporary contracts in 1991 within the EU countries, despite being the strictest countries concerning regulatory constraints in hiring with temporary contracts. This apparently counter-intuitive fact is better understood when it is realised that these countries also have more severe constraints on the dismissal of workers with permanent contracts (see Bentolila and Dolado, 1994, p.61).

Although some restrictions were imposed on individual dismissals before 1974, it seems that the employer had a large scope to dismiss anyway. However, this capacity for dismissal changed significantly after 1974. There was a clear shift towards tighter legal protection for the employee. Legislation published in 1975 and 1976 prohibited dismissals without just cause. This possibility was restricted to cases of personal misconduct. A law passed in the late 1980s introduced more flexibility by adding economic grounds. It permitted a single job to be eliminated and the workers dismissed for necessary economic, technical or structural reasons. It also facilitated the resolution of severance pay disagreements. Nevertheless, the dismissal must stem from conditions beyond the control of the employer and must be based on urgent need. It is also necessary to comply with a series of requirements and provide the employee with a severance payment. Collective dismissals are also possible.

Typically, the Portuguese legal framework regarding dismissals is considered to be quite strict. This has been put forth as one explanation for a high rate of short-term labour contracts in an attempt to circumvent the overprotective conditions of permanent contracts. In fact, the employers organisations assessed the importance of obstacles to the termination of employment contracts as being “fundamental”, but they regarded the regulatory constraints on fixed-term employment contracts and temporary work as “minor or insignificant” (IOE, 1985, referred in Emerson, 1988).

Although the legislation on dismissals is considered to be restrictive and likely to create employment rigidity, it is apparently coupled with a high aggregate wage flexibility. Such a high flexibility has been indicated as the reason for an apparently good performance in terms of employment (see OECD, 1989, OECD, 1994a). In particular, recent studies by Luz and Pinheiro (1993 and 1994) point to a high responsiveness of real wages to unemployment. There is also evidence that in Portugal, “real wage growth is more sensitive to changes in

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2 Grubb and Wells (1993) ranked Portugal as the most restrictive country in the EU with regard to individual dismissals. However, in practice the situation is probably more flexible than what the existing law on dismissals allows. Apparently, there is a high duality: those working in specific sectors and firms (e.g. banking, public administration, and others) have secure and good jobs, while a large portion of workers in other sectors are under precarious contracts and can easily be dismissed (see Neves and Rebelo, 1996, p. 122).
unemployment than elsewhere in Europe” (OECD, 1994a, p. 17). A low unemployment benefit has been suggested as a potential cause for a high response of wages to labour market conditions in Portugal despite high employment protection (see Blanchard and Jimeno, 1995). Indeed, the unemployment benefit system is not generous and entitlement is very strict. In 1988, only 22% of the registered unemployed received unemployment benefits (OECD, 1989, p.67).

There is also evidence of flexibility at the firm level in establishing wages. A recent study by Cardoso (1997) concludes that wage policies pursued by the employer are important for wage determination. Wage differentials across employers are sharp (Cardoso, 1997, p. 137). This may very well be linked with available evidence showing that collectively bargained wages regularly drift from those agreed upon at the industry level (Aperta et al, 1994). However, typically collective bargaining at the industry level is not supplemented by further negotiations at the firm level by local unions. Therefore, management largely determines local pay increases. We will return to these institutional aspects in section 2.3.

It is also worth mentioning that the statutory minimum wage was not obligatory for all firms, thus allowing for further flexibility. The minimum wage was created after the revolution in 1974 and distinguishes between agriculture and services and industry. In 1986 it corresponded to 49.9% of the average manufacturing wage. These figures were 73.5% and 72.3% for the Netherlands and France, respectively (Burda and Wyplosz, 1993). However, firms were allowed to pay wages below the minimum fixed for their activity until only recently. This could legally occur if they employed fewer than six workers (this possibility was revoked in 1991). It could also occur under specific authorisation by the government if they employed fewer than fifty workers (this threshold was lowered until it was repealed in 1991).

2.3 Industrial relations

2.3.1 Social partners and collective bargaining

It is generally accepted that the institutional environment concerning the process of collective bargaining in Portugal can be understood within particular periods of Portuguese history. The period before 1974 is clearly a historical benchmark. The Estado Novo, established from a revolutionary process in 1926, introduced deep changes in labour market rules and institutions. Despite minor modifications after 1969, most of those rules were maintained until the revolution in 1974. The publication of the Estatuto do Trabalho Nacional (National Statute of Labour) in 1933 was perhaps the main document regarding the regulation of labour relations for approximately forty years. All succeeding legislation on collective bargaining or individual

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A series of papers presented at the workshop The Portuguese Labour Market in International Perspective (Lisbon, July 1997), sponsored by the Banco de Portugal, the Fundação Luso Americana para o Desenvolvimento, and the Universidade Nova de Lisboa, point to a high real wage flexibility in Portugal.
work relations was based upon it. It embodied the main doctrine of the new regime. Solidarity and cooperation were considered obligatory for the national interest. Lock-outs and strikes were forbidden. The government controlled trade union activity and negotiations were structured to maintain solidarity and the national interest.

With regard to labour market institutions, it was possible to distinguish among three levels. The structure had trade unions at the lowest level for workers and grêmios for employers. Trade unions were required to be organised by geographic region (district) and, within these, by profession. This resulted in a very fragmented structure. Unions could be organised at an intermediary level in uniões and federations, but not in national confederations. At the highest level were the corporations organised at a national level and consisted of a combination of employers and workers organisations belonging to the same industry branch. The main aim of this merged structure was to guarantee cooperation and solidarity among workers and employers organisations. To maintain unity, the existence of more than one trade union and grémio in each region for each category of workers and employers was illegal. The existing organisation not only represented the workers or affiliated employers but also the category as a whole.

The government controlled the organisations described above and collective agreements were administratively controlled and evaluated in terms of merit. Despite measures introduced in 1969 towards a more liberal structure, collective bargaining was tightly controlled by the government until 1974. Union membership was high in the industry and services. Union membership in 1969 was 59.0% (Pinto and Moura, 1973). Although unionisation was not obligatory, the payment of union dues was very often required, regardless of whether the worker was unionised or not.

The 1974 revolution introduced a new period. The corporations and their joint structures were abolished. The right to strike was recognised and regulated in 1974. The Estatuto do Trabalho Nacional was revoked by the end of 1975. The revolutionary period of 1975 and 1976 was rife with legal measures regarding the labour market. The so-called lei sindical (trade union law) was published in 1975 and, among other things, regulated the creation and the rights of the workers organisations. This law required the unicidade sindical (union unity), thus establishing the existence of a single union for each category of workers. These categories would embody workers with the same profession, activity and region. Another 1975 law legalised a workers confederation (the CGTP), which was to be unique and thus strengthen the unity. A law on the formation of employers organisations was also published in 1975. Collective bargaining legislation was also passed that year but it was meant to be transitional. New legislation passed in 1976 attempted to clarify the rules and process of bargaining. Another law on collective negotiations was published in 1979 and is still in force despite some amendments. The union unity was replaced by multi-unionism during the second half of the 1980s. This allowed for more than one workers organisation at every level in terms of geography, sector and profession. As a result, a new workers confederation (the UGT) was founded in 1978.
Nowadays, the law recognises the freedom to form trade unions, uniões, federations, and confederations. Trade unions can be organised at an intermediate level into federations established on a sectoral or professional basis. They can also be organised into uniões, which have a regional basis and normally embody several industries. Trade unions, federations and uniões can be associated at a top level into confederations.

There are two workers confederations (UGT and CGTP) and a significant number of independent trade unions. The two existing confederations are organised along political lines. However, the differences between them go beyond the ideologico-political polarisation. They are also differentiated by the organisation of the affiliated trade unions. This becomes clear when we look at the regional vs. national or industrial vs. professional scope of the affiliated trade unions. The UGT founded its own trade unions primarily at a national level. It has federations but it does not have uniões. Indeed, this confederation is essentially made of trade unions without intermediate organisations. The CGTP is based on many small trade unions organised by districts. These are developed by the industries into national federations. These trade unions are also organised on a regional level into uniões. The trade unions affiliated with the CGTP are mostly assembled at the industry level. Organisation at the level of profession or category is the norm in the UGT, although the number of industrial trade unions is quite high in this confederation. Independent trade unions are fundamentally established by profession or category and at a national level. There are few industrial trade unions within this group. Pinto (1990a) reports that the CGTP encompasses 150 trade unions, the UGT contains 49, and 160 independent trade unions do not belong to any confederation.

There are few constraints to starting a union and there is a fragmented trade union structure. Unions exist within a municipal, regional, or national scope, and others are organised by industry or profession. Many overlapping trade unions compete for identical workers. This competition for similar workers may have been strengthened by the existence of two confederations organised along political lines, but it may also be due to a high number of independent trade unions. Multi-unionism and fragmented collective bargaining arrangements are two marked features of Portuguese industrial relations.

A study by Cerdeira and Padilha (1990) reveals that 50.5% of the trade unions from the mid-1980s had 1.500 or fewer affiliated workers. Only 5.5% of the trade unions had more than 20.000 members. 75.7% of the trade unions was below the average size (four thousand members). Large and all-encompassing trade unions are not predominant in Portuguese industrial relations.

There is no good data on union membership in Portugal (trade unions are not required to report their membership). A study by Cerdeira and Padilha (1990) provides a membership rate between 50.2% and 52.6% for 1985. The OECD (1994b) provides values of 60.8% (1978),

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4 This is the result of historical and political reasons. The New State required trade unions to be organised on a regional and professional basis. A significant portion of the trade unions affiliated with the CGTP-IN were founded during that period. Despite a process of "verticalização" (integration of some occupational trade unions into industrial trade unions), after the revolution the regional basis remained unchanged.
60.7% (1984) and 31.8% (1990). Table 2.3 reveals that the rate of unionisation probably dropped after the 1974 revolution and averaged 52.4% between 1974 and 1978. This period is marked by single-unionism. It seems that the establishment of the multi-unionism during 1978 (and consequently, the emergence of new trade unions and a new workers confederation) might have positively impacted the unionisation rate, which averaged 58.8% between 1979 and 1984. However, following a trend experienced in other countries, the rate of unionisation dropped after the mid-eighties. The average is between 50.5% and 52.6% in 1985/86 (Cerdeira and Padilha, 1990).

The figures in OECD (1994b) of 60.7% in 1984 and 31.8% in 1990 listed above indicate a sharp drop in the rate of unionisation during the eighties. Comparisons with other European countries lead us to conclude that until the mid-1980s, unionisation rates were lower than those in Denmark and Sweden and higher than in France, Italy and West-Germany. However, the data in OECD (1994b) ranks Portugal as having a low level of unionisation in 1990 if compared to other countries.

Table 2.3: Union membership in Portugal and other European countries (%)

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<tbody>
<tr>
<td>Austria</td>
<td>63.4</td>
<td>62.1</td>
<td>58.4</td>
<td>57.9</td>
<td>46.2</td>
</tr>
<tr>
<td>Denmark</td>
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<td>64.4</td>
<td>79.8</td>
<td>82.2</td>
<td>71.4</td>
</tr>
<tr>
<td>France</td>
<td>19.3</td>
<td>21.3</td>
<td>17.3</td>
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<td>9.8</td>
</tr>
<tr>
<td>West-Germany</td>
<td>34.7</td>
<td>32.8</td>
<td>36.0</td>
<td>34.3</td>
<td>32.9</td>
</tr>
<tr>
<td>Italy</td>
<td>25.0</td>
<td>32.2</td>
<td>43.7</td>
<td>35.5</td>
<td>38.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>59.0 (a)</td>
<td>52.4 (b)</td>
<td>58.8 (c)</td>
<td>50.5-52.6 (d)</td>
<td>31.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>69.4</td>
<td>66.4</td>
<td>78.2</td>
<td>80.3</td>
<td>82.5</td>
</tr>
<tr>
<td>U.K.</td>
<td>44.2</td>
<td>48.5</td>
<td>52.9</td>
<td>45.8</td>
<td>39.1</td>
</tr>
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</table>

Source: Cerdeira and Padilha (1990) for the values of 1960, 1970, 1980 and 1985. For the other European countries, the authors used the data of Visser (1987); (a) Portuguese data for 1969 was based on Pinto and Moura (1973); (b) Estimated average value for the period 1974-78; (c) Estimated average value for the period 1979-84. (d) Estimated average value for the period 1985-86. The values for 1990 are from OECD (1994b).

The rate of unionisation depends upon economic activity. According to the data in Cerdeira and Padilha (1990), the lowest rates are found in sectors such as agriculture, construction, mining and quarrying. The highest union memberships exist in banking and insurance (around 99%). It is also very high in other concentrated sectors of manufacturing and services such as transport and communications, electricity, chemical products, food, beverages, and tobacco: above 70%. Textiles, clothing and footwear industries also have union membership above 70%.
At the bottom level employers organisations are composed of sectoral associations; at the intermediate level they are comprised of uniöes and federations which are arranged at the top level into confederations. There are three employer confederations divided on the basis of broad economic activity: trade (CCP), industry (CIP), and agriculture (CAP). The CAP at one time represented 76 regional farmers associations, 16 specialised associations and 12 cooperatives. The CIP represented 76 regional or sectoral associations. The CCP had 137 associations (Pinto, 1990a). It is noteworthy that the organisation of the employers associations plays a crucial role in defining the bargaining unit in Portugal. These are normally organised at the sectoral-regional level. Furthermore, they are very fragmented within industries and across regions.

The right to bargain and sign collective agreements is recognised and permitted at all levels of the employers and workers organisations described above, as well as to the firm. However, the main workers organisations involved in negotiations have been trade unions and federations. On the employer side, the agents involved in negotiations have been the sectoral associations or the enterprise. The trade unions or their federations normally initiate the bargaining process by submitting a proposal.

Although the employers and workers confederations as well as uniöes can negotiate and sign collective contracts, they have not done so. They may, however, have a role during the negotiations, particularly as advisors to the participating organisations. More recently, the confederations can discuss issues at the level of the Economic and Social Council. However, the power within the workers and employers organisations is quite decentralised and as a consequence, base unions and the associations are extremely influential in the negotiations.

With the possible exception of public enterprise, the law does not hinder negotiations at any level. The initiator can freely choose an interlocutor in its interest (e.g. a firm, a set of firms, or an employer association). Negotiated contracts may have a regional or national scope; that is, industry-level negotiations may be different from one region to another or may be nation-wide. They can also include all workers of the sector or firm (vertical contracts), or only specific occupational groups (horizontal contracts). The number of horizontal contracts is significant (see MESS-DE, 1991, MESS-DE, 1994a). This is mostly due to a large number of profession-based trade unions. Indeed, the fragmentation of collective bargaining in industrial vs. professional contracts is strong. If we also consider the division of negotiations into districts as well as the confederate tendency of the trade unions (or their federations), the fragmentation would increase significantly.

Public enterprises may be impeded from negotiating jointly with private companies because of the so-called autonomizaçào of the negotiations. This means that if public and private enterprises co-exist in a branch of activity, the government may impose independent negotiations on the public enterprises. The autonomizaçào has been used in a limited number of cases, but is nowadays considered as an unusual device. Furthermore, public enterprises cannot be affiliated with the ordinary employers organisations (see Fernandes, 1994, p. 120).
A worker is covered by a specific collective agreement if and only if he or she is affiliated with the respective workers organisation and the firm where she works or its association has signed the contract, but despite this constraint, most Portuguese workers are covered by some type of bargaining regime. Only 1.9% and 1.3% of the workers were considered as uncovered by any regime in 1987 and 1991, respectively. This is because the government widely extends negotiated contracts to otherwise uncovered workers and/or firms within the bargaining unit through a mandatory extension.

The institutional setting yields three relevant bargaining regimes in the private sector and public companies. First, a company can negotiate its own collective agreement with one or several unions (single-firm contracts). Second, several companies can form a coalition and negotiate together with the trade unions (multi-firm contracts). Third, employers associations, normally organised at the industry level may negotiate with the trade unions (sectoral contracts). The government can use compulsory regimes to regulate working conditions and wage setting if negotiations fail or in the absence of workers organisations. These regimes are imposed by the government and do not result from direct negotiations between workers and employers organisations.

Typically, collective negotiations occur at the industry or firm level. However, within these bargaining units, a contract can have a regional or national - and a vertical or horizontal - scope. Most of the workers are covered by (vertical or horizontal, national or regional) industry contracts. Indeed, only a few of the largest firms negotiate at the firm level. These are - or were - mostly state-owned companies. Trade unions have sought to negotiate contracts with large private employers, but the employers' policy has been to avoid developing negotiations at this level (see Pinto, 1990b, p. 255, or Barreto, 1992, p. 472).

Collective bargaining normally determines minimum wages for each category or group of workers. Negotiated contracts are not ordinarily supplemented by local collective negotiations, but employers can, at their discretion, mostly pay above the agreed floors. For instance, Aperta et al (1994) reported that wage drift was widespread and it significantly increased during the late 1980s (see Figure 2.3).

It is also noteworthy that the data in Figure 2.3 exhibiting a strong increase in wage drift correspond to the years immediately after joining the EU when there was strong economic expansion and the labour market functioned at nearly full-employment. Another feature concerning wage drift from 1987 to 1991 is that it was more pronounced in skilled and highly skilled workers than with semi-skilled and unskilled workers (Aperta et al, 1994). A shortage of high-skilled workers may be the cause. This casts doubt on the efficacy of the trade unions' equality-strategy, due to the employers' leverage power to apply upward adjustments.6

6 In the Scandinavian countries or Italy, local unions bargain at the firm level over local wage increases. This normally results in wage drift. Contrary to what happens in these countries, agreements negotiated at the industry level are not supplemented by collective negotiations at the firm level in Portugal. Instead, a local pay increase is set by local management (see Layard et al, 1991, p. 517-9).
Figure 2.3: Wage drift by economic activity


Notes: (1) Wage drift corresponds to the percentage difference between actual monthly earnings, including subsidies and overtime pay, and those laid down by the collective agreement.
(2) The numbering of some activities in the horizontal axis is due to the fact that some economic activities in the data source were split into more detailed industries or geographical areas. For these cases the divisions are: textiles 1 (cotton), textiles 2 (wool), wood 1 (serration and carpentry), wood 2 (furniture), wood 3 (import and export), wood 4 (panels of wood), ceramic 1 (white clay), ceramic 2 (red clay), retail 1 (Aveiro), retail 2 (Braga) and retail 3 (Setúbal).

2.3.2 The emergence of social concertation

The Portuguese experience with social concertation is fairly recent. A unilateral intervention of the government towards constraining collective negotiations was very active until the first half of the 1980s. Before 1974, this was pursued within the legacy of the Estado Novo. After the revolution in 1974, stringent income policies (e.g. wage freezing and wage ceilings set by the government) confined negotiations. The measures were designed mainly to reduce inflation and improve external competitiveness. A turnaround at this level occurred in 1983. Firstly, firms were free to set wage increases. Secondly, the first steps were taken towards implementing social concertation mechanisms.

The years 1983-84 marked the implementation of the current Portuguese neo-corporatist structures. The degeneration of the external balance forced Portugal to agree to a second stabilisation package (for 1983/1984) with the International Monetary Fund. The
unemployment rate also reached 8.1% in 1983. Because the challenges and short-run costs of such a policy were evident, the collaboration of the social partners with the government was deemed to be very important (see details in Lopes, 1993). The virtues of neo-corporatism were divulged and its implementation was mostly supported. The Permanent Council of Social Concertation (henceforth PCSC) was created in 1984. The CGTP initially refused to sit on the council, but it accepted a seat after 1987. The Economic and Social Council (henceforth ESC) replaced the former PCSC after 1991.

2.3.3 The level of centralisation in the collective bargaining scheme

Corporatism is generally understood to be an institutional structure with joint decision-making and collaboration of employers organisations, workers organisations (or other organised interest groups), and includes the government in the formation of economic and social policies. Although no clear distinction is always made, corporatist decision-making is a much wider concept than the level of centralisation in bargaining. Calmfors and Drifill (1988) define the latter as the extent of inter-union and inter-employer cooperation in wage bargaining with the other side.

Table 2.4: Some rankings of corporatism/centralisation

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Notes: 1=most corporatist/centralised. C&D=Calmfors and Drifill, B&S=Bruno and Sachs. The rankings by C&D (1988) and B&S (1985) also include Switzerland; the ranking by Blyth (1979) did not include Switzerland but do include New Zealand. Because of this, the numbers in the table differ in some cases from those in the original source but the ranking is fully preserved. The rankings in OECD (1997) also include New Zealand and Switzerland.
Several authors have developed rankings of national labour markets with respect to the
degree of corporatism or centralisation (Blyth, 1979, Lehmbruch, 1984, Bruno and Sachs,
1985, Tarantelli, 1986, and Calmfors and Driffill, 1988). The authors emphasize different
factors comprising the process of collective bargaining, such as the level at which bargaining
occurs, the extent of coordination within national trade union confederations and national
employer organisations, the extent of unionisation, the degree of political and ideological
consensus, and the existence of tripartite negotiations between the government and workers
and employers organisations. According to those rankings, the wage bargaining systems of the
OECD countries reveal great differences. Three of these rankings are summarised in Table 2.4.
One extreme is represented by the U.S. and Canada with decentralised wage setting enacted at
the level of individual firms. The Nordic countries and Austria have traditionally represented
the other extreme by having highly centralised bargaining structures. Germany, Belgium, the
Netherlands, Italy and France are between those polar cases and set wages mainly at the
industry level. A trend towards more decentralised bargaining in most European countries in
the last decade has reduced the differences somewhat, but they nevertheless seem to persist
(see Calmfors, 1993).

The bulk of collective bargaining in Portugal takes place at a sectoral level and the contracts
are widely extended within the bargaining unit by the government (through mandatory
extensions). From this perspective, the Portuguese setting would appear to be similar to other
European countries such as the Netherlands and Germany, but upon further investigation we
see that Portugal was not included in corporatism/centralisation rankings referred to by
Calmfors and Driffill (1988), Bruno and Sachs (1985), or Blyth (1979). The OECD has made
recent attempts, but it did not reduce the final conclusion to a single number.

The OECD (1994c) classifies countries according to the level of bargaining (central, sectoral,
or firm/plant) and coordination between bargaining units (lacking, limited or high) in the
1980s. Portugal, the Netherlands, France, Denmark, Spain, Sweden, and Switzerland fall into
the group of countries combining sectoral wage bargaining as the predominant form with
limited coordination between bargaining units.7 Despite broad similarities among these
countries, they may also show relative differences (a comparison of the institutional settings
among these countries can be found in Hartog and Theeuwes eds., 1993). For instance,
sectoral agreements are also predominant in the Netherlands. "In contrast, occupational
bargaining and occupational agreements are very rare occurrences in the Netherlands and are
of marginal importance only. This reflects, of course, the marginal existence in the Netherlands
of occupationally delimited trade unions" (Korver, 1993, p. 395).

Although sectoral agreements are predominant in Portugal, many of them only have an
occupational scope within the industry. This indicates that a large number of the Portuguese

7 Other groups of countries are (1) sectoral level and lacking coordination: New Zealand; (2) firm/plant level
and lacking coordination: United States, Canada and United Kingdom; (3) central and limited coordination:
Finland and Belgium; (4) central and high coordination Australia and Norway; (5) sectoral and high
coordination: Austria and Germany; (6) enterprise/plant and high coordination: Japan.
Trade unions are organised by occupation (around 39% of the trade unions in 1984); they negotiate separately with sectoral associations. And although the bulk of collective bargaining is performed at a sectoral level, there is often more than one contract within a sector differing by occupation, region, trade union affiliation or by combinations of these alternatives. Such a model has features differing from the more all-encompassing Swedish structure.

Such differences may be translated into different positions in the corporatism (centralisation) ranking. For instance, France normally appears as rather non-corporatist and decentralised country when compared with the Netherlands, Denmark and Sweden. Denmark and Sweden are normally ranked as corporatist/centralised countries. The Netherlands is usually placed at the intermediate level or above the ranking average, although there is disagreement about its exact position.

Further rankings were made in a document of OECD (1997). Here, the countries are ranked according to their levels of centralisation and coordination of collective bargaining. In the OECD definition, centralisation describes the locus of the formal structure of wage bargaining, thus using the notion of Calmfors and Driffill (1988). They identify three scenarios: the national or central bargaining between peak organisations which may cover the entire economy (centralised bargaining); negotiations between trade unions and employers organisations for particular industries or occupations (intermediate bargaining); and firm level bargaining between trade unions and management (decentralised bargaining).

On the other hand, coordination is the degree of consensus among the collective bargaining partners. This relies on the notion of Soskice (1990), who uses the argument that bargaining may be well-coordinated even when it is decentralised. These rankings are also reported in Table 2.4. Although there are exceptions, the rankings for centralisation and coordination largely agree with those proposed by Calmfors and Driffill (1988), Bruno and Sachs (1985), and Blyth (1979). The most noteworthy difference is Japan, where high coordination is coupled with low centralisation. With respect to Portugal, a remarkable change occurred. According to the index of centralisation, the country shifted from low to high centralisation during the 1980s, but the shift in the coordination ranking is more modest: from low to middle.

Although industrial relations became more centralised and coordinated in Portugal throughout the 1980s, this phenomenon requires further examination. There is further opportunity for coordination and centralisation. Our goal here is not to reduce all available information for Portugal to a single number in the corporatism/centralisation rankings. Rather than give the exact position on the scale, our aim is to add to the discussion the degree to which corporatism/centralisation best describes Portugal’s labour market.

Tripartite negotiations is the essence of the Portuguese corporatist centralisation. A neo-corporatist setting was implemented in 1983-1984, but its role may still be limited in terms of income and wage policies. For instance, social pacts involving wage guidelines were signed in

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8 This argument is used by Soskice (1990) to change the position of some countries in Calmfors and Driffill’s index.
1986, 1988, 1990, and 1992, but one workers confederation (CGTP) refused to sign any of them. The industry’s confederation did not sign the pact in 1988. The workers confederation UGT initially signed the pact, but later reneged on it.

Insofar as wages were concerned, social agreements merely set guidelines for the national average (proportional) wage increase. However, it is not apparent how this is distributed at the lower levels of negotiations. Furthermore, employers confederations have sometimes participated in social concertation but have shown little interest in concerted income policies. The employers’ principal objective in tripartite negotiations has been to reform labour market legislation rather than to centralise pay (Barreto, 1992, p. 479). Given the very decentralised nature of employers and workers organisations, the confederate bodies lack the authority to enforce strict income policies on their affiliates. There are also many independent trade unions which do not belong to any confederation. We must also consider the fragmented and overlapping trade union structure, the fragmented employer associations, the management’s freedom to pursue wage drift at the firm level, and the multiplicity of bargaining units lacking strong coordination. The institutional system allows for a high level of decentralisation and considerable flexibility to respond to differences in market conditions across narrowly defined industries, occupations and geographical areas. In practice, collective bargaining in Portugal is not as decentralised/uncoordinated as in the U.S., but it is also different from the centralised/coordinated Scandinavian countries. Although changes occurred at the collective bargaining level throughout the 1980s, the system may still be rather decentralised/uncoordinated. There is latitude for more concerted industrial relations.

2.4 The educational and training systems

Investment in education is often thought to be a key factor in the increase of productive capacity. If so, Portugal still faces cumbersome challenges at this level due to low educational achievement. Nevertheless, the purpose of this section is not to analyse the causes for a low educational attainment. Instead, it only summarises the evolution of some institutional aspects of the educational system.

From the late 40s until the late 60s. Efforts towards industrialisation after the Second World War also affected the educational system. A reform in the late forties emphasized the technical stream in lower secondary education. Although technical education was a deliberate measure to produce qualified workers for industry, its role must not be exaggerated. The number of students enrolled in lower secondary education was always meagre compared to primary education.

It was thought that the high illiteracy rate was unfavourable to industrialisation. Indeed, the expansion of technical education is contemporary with the expansion of primary education and a national campaign for adult education. Completion of the first three years of education
corresponded to the compulsory level up until 1956 when it was changed to four years, but only for boys. Four years of compulsory schooling for girls was introduced in 1960. In 1964 six years of compulsory education became law (see chapter 4).

The first half of the 70s. The early seventies are marked by a period of reform towards making education more efficient. The increase of compulsory education, the adaptation of the secondary education, and the expansion and diversification of higher education were necessary changes. In 1973 a set of technical courses were first implemented at the upper secondary education level. The reform was also designed to extend compulsory education to eight years and expand higher education. The new compulsory level was to be divided into two four-year stages. A set of polytechnics and the “new-universities” were proposed at the higher academic level.

The second half of the 70s. This is the period immediately following the 1974 revolution. Economic crises, increasing worries about short-term economic adversity, political instability, and short-term governments dominated this period. The earlier attempts at reform had a weak effect (for example, compulsory education stayed at six years). Lower secondary technical education was abolished in 1975-76. A similar change occurred at the upper secondary level after 1978. Despite the expansion of higher education through the creation of new (regional) universities and polytechnic institutes, access to higher education was very competitive. The state almost completely monopolised higher education and available places were very limited. After 1978, fixed admission limits (numerus clausus) were introduced to handle the excess demand. These were usually determined by availability within existing facilities and students were screened in national entrance examinations. The result was tight rationing which left out many candidates.  

The 1980s. During this period there was heated criticism of the educational system. The tight rationing in higher education and the absence of any professional certification for secondary education graduates called for rapid changes. The fact of high youth unemployment reinforced the need for change. By the early eighties various political parties proposed to design and restructure the educational system (see Teodoro, 1982). The re-establishment of technical education was necessary, not only in the national opinion, but also according to

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9 Higher education facilities were limited and access to this type of education became congested. Measures for reducing the demand for this type of education were implemented (for a detailed and interesting argument on the issue, see Grácio, 1986). The creation of the civic service in 1975 required candidates to university to provide one year of service to society immediately after finishing the upper secondary (11 years of schooling). This was revoked in 1978 and a new year of education called Propedeutico was introduced and taught via television; fixed admission limits to higher education were introduced. In 1981 the “12th year” replaced the Propedeutico and fixed admission limits were maintained.
international organisations. The main concern of educational policy since the early eighties was to ease entry into the labour market, and to cool the demand for higher education (Grácio, 1986). First steps in the early 1980s introduced vocational courses in upper secondary education, but the initiative was unsuccessful in attracting students compared to the general stream.

A law passed in 1986 framed the new structure of the entire educational system. It defined the main general principles of the reforms including the lengthening of compulsory schooling to nine years, curricula reforms, the adaptation of the educational management in order to extend participation to agents other than the state, recognition of the existence of technical and academic courses, and the role of private schools.

The move to extend compulsory schooling to nine years (called basic education) resulted in three successive cycles of four, two and three years. The same law prescribed a secondary education of three years organised according to differentiated systems and including general and technical streams.

The diversification of educational alternatives at the secondary level was further extended through the creation of vocational training schools after 1989. These are established by private and public bodies and abide by government protocols. They are primarily directed towards persons who have completed compulsory education of nine years. Vocational training schools normally offer a three-year course and provide skills to satisfy specific local, regional and sectoral needs.

Higher education was also affected by the reform undertaken in the 1980s. The law allowed for private universities. After the second half of the eighties, the number of private universities expanded remarkably. This was one way to loosen the knot which limited availability of places in state-owned universities.

Secondary and higher education have recently recorded the highest growth rates of enrolments. Between the academic years 1985-86 and 1990-91, the number of students in higher education increased by 72.0% and the creation of private universities contributed decisively to the expansion. Private higher education was responsible for 31.8% and 41.0% of new entrants in this type of education in the academic years 1987-88 and 1990-91, respectively.

Vocational training and further education. Labour force training and re-training have become increasingly important since they help to upgrade labour force skills. This role is probably reinforced in the Portuguese case where the working population has received little schooling. Vocational training and further education could compensate for such a lack of initial education. Portugal's vocational training and further education has been marked by strong state involvement. Moreover, European integration in 1986 contributed decisively to the expansion of training programmes (highly financed by EU funds sent to Portugal), but little is known about the real impact of training received by the workers.
2.5 Summary

In this chapter we have analysed the transformations which have taken place in the Portuguese economy since the World War II. Particular attention was given to the labour market and the educational system. In this summary we highlight the following topics:

1. The revolution in 1974, EU membership in 1986 and the resultant economic, political and social repercussions. Industrial relations were subjected to changes after the revolution. A large-scale nationalisation of the industry and services occurred with government interference also occurring in the form of price controls and of other regulations, thus substantially enlarging the sheltered sector. There were clear efforts to weaken the state presence in the economy along with the process of integration in the EU. Examples of this process are the end of the crawling peg devaluation of the national currency, decontrol of prices for goods and services, eased entry in some markets, and the beginning of a vast process of privatisation.

2. A dramatic change in the industrial composition of the employment. The country transformed from a rural to a service economy. A particular feature of this process is that the transition to a service economy is made at the expense of agricultural employment, thus shortening the usual march through industry. However, there were regional differences with Lisbon and the Tagus Valley taking the lead in modern secondary and tertiary activities.

3. A growth in educational attainment from an incredibly low level by European standards towards higher academic achievement. Indeed, the country has recently been the terrain of intense efforts to increase the education level of the population. Typical examples are the extension of the compulsory level of schooling, curricula diversification, and expansion of the network of education and training institutions. In particular, university education grew significantly after the mid-1980s largely due to the emergence of private universities.

4. The expansion of vocational training after the mid-1980s. This was heavily financed by EU funds sent to Portugal.

5. At the institutional level, collective bargaining is fragmented and complex. Collective negotiations usually take place at the industry level. However, the lowest level (firm level) is very important for pay determination, since management unilaterally sets wages above the collectively agreed minimum at the industry level. There is a high wage drift at the firm level with a strong increase whenever labour demand increases rapidly. Mechanisms of social concertation did develop over the 1980s, but industrial relations in Portugal may still be rather decentralised/uncoordinated.