

## **Recent trends in wages and collective bargaining in Portugal**

**João Dias\***

**Maria da Conceição Cerdeira\*\***

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### **Abstract**

This paper analysis recent developments in collective bargaining and wages in Portugal and in particular the direct and immediate impact of financial crisis on social dialogue and collective bargaining of wages. The main conclusions retained emphasize that, contrary to expectations, the financial crisis didn't have an immediate negative impact on both. In 2008, the number of collective agreements negotiated and the number of workers covered by those conventions even exceeded the average of previous years and, in 2009, these values were close to values of 2006 and 2007, i.e. pre-crisis years. This negative effect is also not apparent in terms of increased wages and, in fact, the low rate of inflation even allowed for significant wage increases that were in contrast to trends in previous years. However, some circumstantial elements largely explain the phenomena reported, since the structural weaknesses affecting the Portuguese economy and society remain untouched.

### **1. Introduction**

As in some other countries in Europe, the Portuguese economy has presently a severe problem of growth. However, this weak economic performance was already apparent some years before. In fact, the Portuguese economy stagnated in 2002 and even declined in 2003. The current context of international crisis has just interrupted

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\* Economics, ISEG/UTL and UECE, [jdias@iseg.utl.pt](mailto:jdias@iseg.utl.pt)

\*\* Sociology, ISCSP/UTL and SOCIUS and CAPP, [mcerdeira@iscsp.utl.pt](mailto:mcerdeira@iscsp.utl.pt)

the fragile growth trend initiated in 2004: real GDP (Gross Domestic Product), which increased by 1.9 per cent in 2007, stagnated in 2008 and declined by 2.9 per cent in last year.

The crisis has abruptly increased the closure of companies and the unemployment jumped from 7.3% in the second half of 2008 to 10.8% in the second quarter of 2010. Also, according to the Ministry of Labour, the number of companies involved in collective dismissals between 2005 and 2009 was multiplied by four. As a result, Portugal appears now among those countries of the European Union with higher unemployment rate and, presently, there is no visible sign of reversal of this recent trend.

Notwithstanding, social dialog was resilient to this situation of economic crisis, as shown by the number of collective agreements negotiated by the social partners, the number of workers covered by collective agreements and the observed increase in real wages.

In this paper we analyse the recent trends in wages and collective bargaining in Portugal. In section 2, some structural weakness in the economy and social institutions are discussed, together with the impact of the crisis on some areas. Sections 3, focuses on public responses to the crisis and the reactions of social actors. Next section examines the issue of wages, social dialogue and collective bargaining in Portugal. Finally, in section 5 we present some concluding remarks.

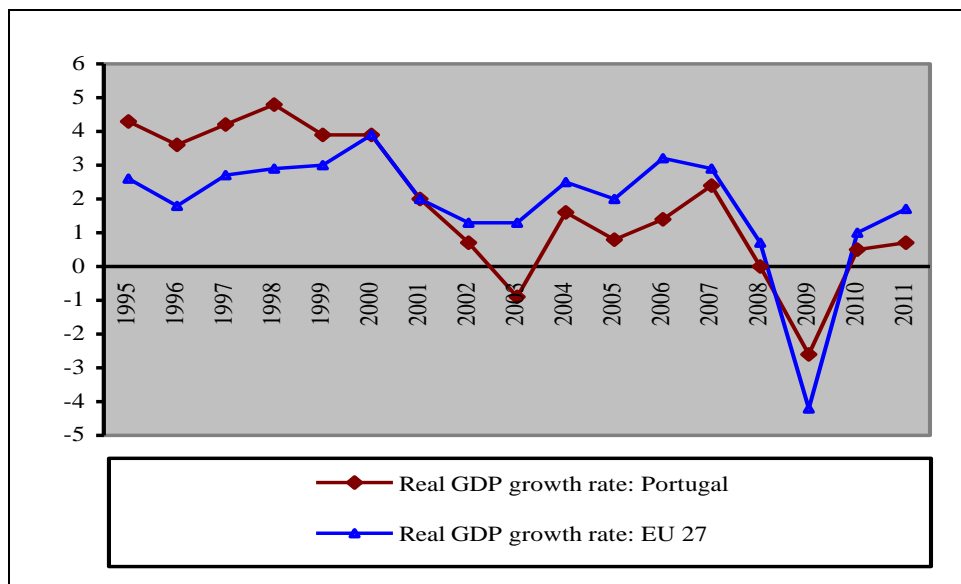
## **2. Structural fragilities and a crisis**

The beginning of the international financial and economic crisis coincided in Portugal with the final phase of a government that was characterized by promoting a series of reforms in public administration, social security and protection policies, education and training system and regulation of the labour market. Since many of these reforms touched some groups usually considered as privileged in the Portuguese employment context, they were strongly opposed by the affected professional groups, under the leadership of trade unions, particularly the most representative trade union confederation (CGTP). The government also promoted public deficit consolidation, considered

as necessary to allow the recovery of sustained economic growth based on increased exports and investment.

The analysis of the evolution of the Portuguese GDP since the '90s, when compared with the EU average, illustrates the difficulties that the country has faced in terms of growth, wealth and competitiveness. Following the entry of Portugal into the EU (in 1986), the Portuguese economy went through a period of reasonable economic expansion above that of the EU. However, since 2000 the economic situation worsened significantly and growth rates of GDP fell into negative territory in 2003, improving only moderately from then until 2007. As shown in Figure 1, with the crisis the growth comes back to a negative value and the forecasted growth rates for 2010 and 2011 continue below the EU levels.

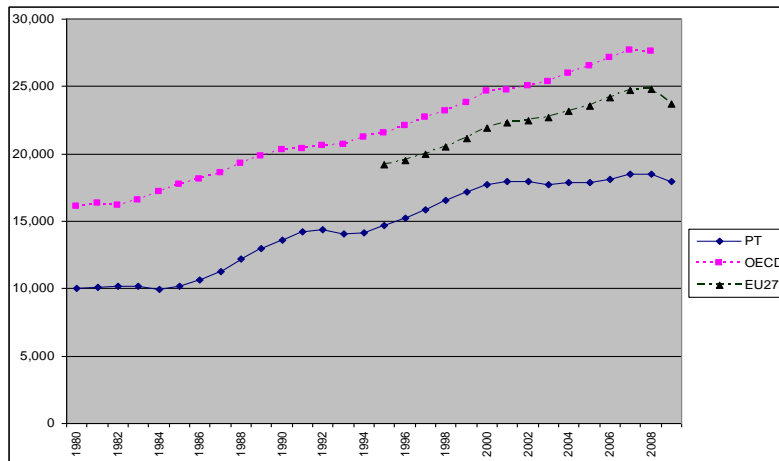
**Figure 1: Evolution of GDP in Portugal and the UE-27, 1995-2011**



Source: Eurostat and European Commission (2010)

The low performance of the Portuguese economy in the last decade had as a consequence the introduction of a new period of strong divergence from both the EU and the OECD levels of GDP *per capita* (Figure 2), after a limited period of convergence initiated in the first half of the eighties.

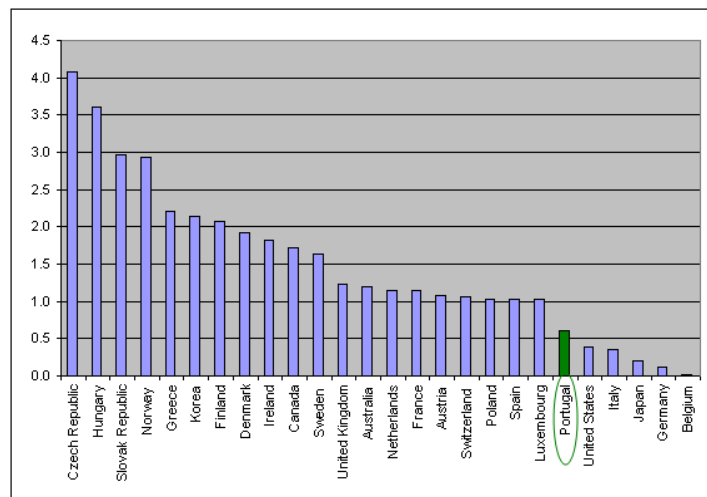
Figure 2: GDP per capita (US\$, PPP, 2000 prices)



Source: data from OECD, Online Database (September, 2010)

Given this evolution of the Portuguese economy, wages followed a similar pattern. In fact, real wages in Portugal increased annually only 0.6% on average over the period of 2000-2009, contrasting with an annual growth rate of 1.5% on average for the OECD countries over the same period (Figure 3).

Figure 3: Average annual growth rate of real wages, 2000-2009.



Source: own calculations\* with data from OECD, Online Database (September 2010)

\* Computed as the arithmetic mean of annual growth rates. That is, for each country,  $r_i = \frac{1}{10} \sum_{t=2000}^{2009} r_{i,t}$ , and

$$r_i = \left( \frac{\text{real wage}_i}{\text{real wage}_{i-1}} - 1 \right) \times 100$$

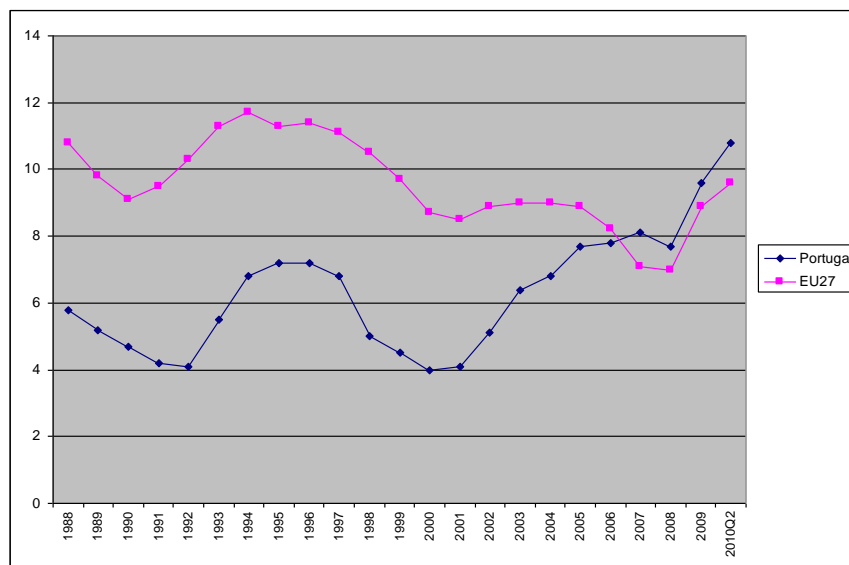
The Portuguese economy's behaviour, here demonstrated, and the recent financial and economic crisis strongly deteriorated the situation in the Portuguese labour market (Table 1), inducing losses on both the active population (-0.85) and employment (-2.8%). The unemployment rate has been lower than the EU average in last decades, but it rose after 2006 to values above the EU, from about 4% in 2000 to around 11% in mid-2010 (Figure 4).

**Table 1: Active population and employment growth rates; unemployment rate  
(Seasonally adjusted data; %)**

	2007	2008	2009	2008				2009				2010	
				I	II	III	IV	I	II	III	IV	I	II
Active population	0.6	0.1	-0.8	0.2	0.8	-0.3	-0.2	-0.4	-1	-1.1	-0.5	0.1	-
Employment	0.2	0.5	-2.8	1.1	1.4	-0.1	-0.2	-1.8	-2.9	-3.4	-3	-1.8	-
Unemployment	8.5	8.1	10	7.5	7.7	7.9	7.9	8.7	9.5	10.2	10.2	10.5	10.8

Source: Eurostat, Online Database (September 2010).

**Figure 4: Harmonized unemployment rates, 1988-2010Q2**



Source: data from OECD, Online Database (September, 2010)

In general, the countries that suffered the most in terms of decline of GDP were also those more touched in terms of reduction in employment (Appendix 1). Comparing the last quarter of 2009 with the second quarter of 2008, results show that Portugal ranked very high in terms of elasticity of employment to real GDP, with twice the

value of the EU and only surpassed by Spain among the EU members. In contrast, Germany reported zero elasticity, meaning that notwithstanding a reduction of 5% in GDP this had no negative impact on employment. In contrast, this elasticity increased each quarter in 2009 in the case of Portugal, attaining a high value of 2.8 in the last quarter of 2009, nearly three times the value of EU27 and also higher than the values observed in other Southern Europe.

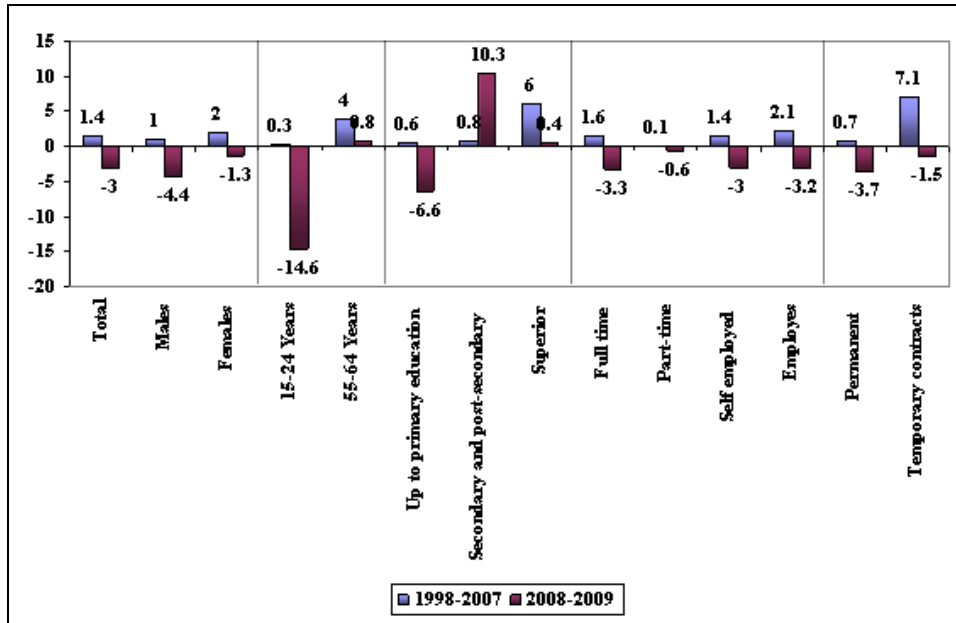
**Table 2: Elasticity of employment to real GDP, (quarter on quarter of previous year)**

	2009Q4	2009Q3	2009Q2	2009Q1
UE27	1.0	0.5	0.4	0.2
<b>Portugal</b>	<b>2.8</b>	<b>1.4</b>	<b>0.9</b>	<b>0.4</b>
Germany	0.1	0.0	0.0	-0.1
Greece	0.8	0.5	0.4	0.6
Spain	2.0	1.9	1.6	1.7
France	2.6	0.6	0.4	0.2
Italy	0.7	0.4	0.2	0.2

Source: data from Eurostat, Online Database (September, 2010)

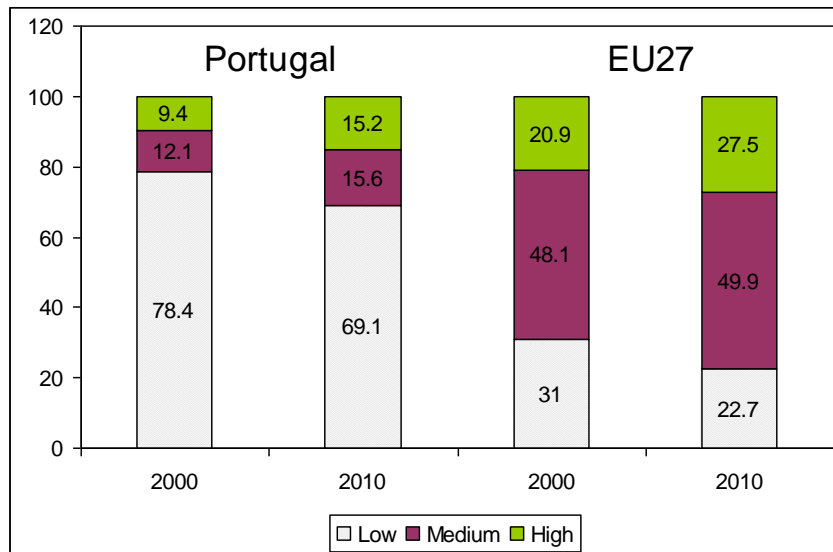
However, the crisis did not affect all workers in the same way. As shown below (Figure 5) those more touched by the crisis were workers in a more fragile situation, including young people and workers with a low educational level. Besides, Portugal has a strong deficit in terms of qualification of the active population. In 2000, only 9% of the active population was classified as being high qualified and 78% had low qualifications. This strongly contrasts with the European Union figures of 21% and 31%, respectively. There has been some positive evolution in this area, but around two thirds still remain at the lower level (Figure 6). This poses additional problems for the Portuguese economy and society, given globalization and the current strong competition by countries like China and India,

Figure 5: Evolution of employment of some socio-professional groups



Source: data from INE, *Estatísticas do Emprego*, 1998-2010.

Figure 6: Level of qualification of active population in Portugal and the European Union: structure in 2000 and estimates for 2010.



Source: data from Dornelas et al (2010).

The negative evolution of macroeconomic conditions, coupled with increased spending on social policies to combat the economic crisis, generated a new damage on public finances and induced a budget deficit of 9.3% of GDP in 2009. The competitiveness of the Portuguese economy has been one of the main weaknesses of the country for years, but it further deteriorated recently and the crises just exposed these fragilities.

For example in the ranking of the global competitiveness index of the World Economic Forum, in 2009-2010 Portugal has the 34<sup>th</sup> position in a list of 133 countries. But the competitiveness of the country is particularly negative in terms of labour market efficiency (Table 3). Hiring and firing practices are particularly relevant in this context and the country occupies almost the last position (rank 129), confirming strong rigidities in the labour market pointed out by several international institutions. Firing costs, flexibility of wage determination, rigidity of employment and cooperation in labour-employer relations constitute other items with a strong negative position in Portugal.

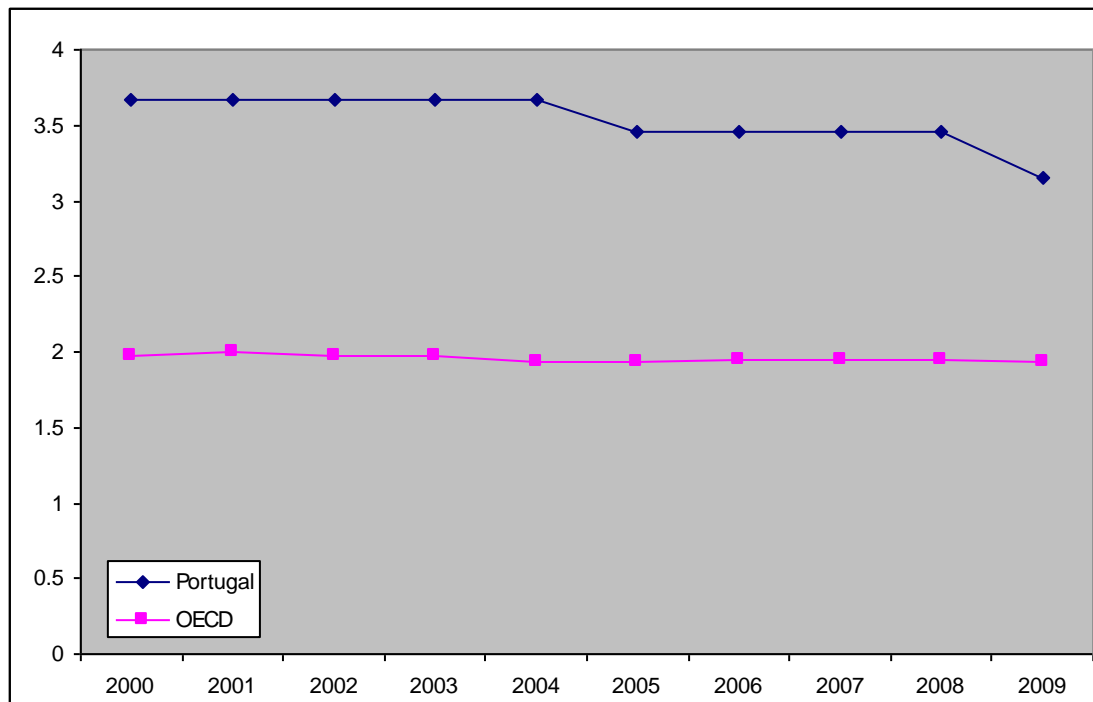
**Table 3: Portugal, Global Competitiveness Index, 2009-2010**  
**Labour market efficiency**

	rank
Hiring and firing practices	129
Firing costs	114
Flexibility of wage determination	106
Rigidity of employment	102
Cooperation in labour-employer relations	79
Pay and productivity	72
Reliance on professional management	67
Brain drain	55
Female participation in labour force	35

Source: World Economic Forum (2009).

High levels in terms of strictness in the labour market conditions are also apparent from some available data from the OECD. In fact, Portugal has a high level of overall strictness and appears with the highest level of strictness, in the case of regular employment, but not in the case of temporary employment or collective dismissals. (Appendix 3). Anyway, the situation has also changed somewhat from 2000 to 2009, with the introduction of some recent reforms in the labour market, thus reducing some of the difference between Portugal and the average of the OECD members (Figure 7).



**Figure 7: Strictness of employment protection (overall): recent evolution in Portugal and OECD**

Source: data from OECD, Online Database (September, 2010)

### 3. Public responses to the crisis and the reactions of social actors

Like in other countries, the Portuguese government has taken a number of initiatives to address the economic crisis. While there have been some innovative policies, in many cases established tools have been adapted to the needs of the current situation. First, the government responded to the crisis by taking specific measures to strengthen the financial system, regulate the financing of economic activity and protect savings. Later, under the Plan of Economic Recovery approved by the European Council in early December 2008, the so-called "Initiative for Investment and Employment" was created which, according to an official assessment, represented an additional stimulus to the economy of 2180 million Euros.

The "Investment and Employment Initiative" was organized around five structural axes: a) strengthening public investment in areas critical to the modernization of the country (reconstruction and modernization of schools), 2) promotion of renewable energy, 3) modernization of technological infrastructure, 4) special support to economic activity (particularly the export sector and SMEs) and 5) support for employment –

“Employment Initiative 2009” - embodied in a set of measures to support the maintenance and creation of employment, training, and extending social protection. According to a government evaluation, the “Investment and Employment Initiative” in 2009 allowed to maintain employment to over 200,000 people. Also in 2009, about 200,000 workers were covered by active employment measures to support the integration in the labour market, of which approximately 100,000 were due to exceptional measures included in the “Investment and Employment Initiative” in 2009 and the remaining 100,000 were linked to pre-existing measures. About a third of the costs of these measures involved the support to 40,000 young people.

The persistence of the crisis and, especially, the high unemployment rates led the government to promote the "Employment Initiative 2010, comprising 17 measures, now structured around three axes: i) maintenance of employment, ii) integration of young people into the labour market and iii) creating employment and fighting unemployment<sup>1</sup>.

In general, the social partners welcomed the first set of measures against the crisis presented by the government in late 2008. However, given the worsening problems of unemployment, in March 2009 the trade union confederation UGT claimed immediate application, during the crisis, of 18 additional measures to improve social protection of the unemployed and their employability, job protection, and reinforcement of control in the application of labour laws<sup>2</sup>. A similar behaviour was assumed by CGTP. This trade union confederation presented to the political parties some “demands of the workers to achieve compromises” on legislative and municipal elections of 2009. These claims were structured in 10 strategic areas and they envisaged, among other objectives, the creation of stable employment, rising real wages and pensions, to strengthen solidarity and social cohesion, strengthening of social policies and state regulation of financial markets<sup>3</sup>.

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<sup>1</sup> Council of Ministers Resolution n. 5/2010, January 20.

<sup>2</sup> UGT, “Moção de Urgência – Medidas de Emergência de Combate à Crise”, March 20, 2009.

<sup>3</sup> CGTP-IN, “10 Eixos Estratégicos para Mudar as Políticas – Exigências do Trabalhadores aos Partidos”, July 2, 2009.

The “Employment Initiative 2010” will, therefore, be perceived, unlike the previous one, with some caution by trade union confederations, in particular by CGTP. This confederation presents several criticisms which, as emphasized by the Secretary-General, should be considered as a warning to the negotiation of the "Social Pact for Employment" that the government wants to negotiate within the Permanent Council for Social Dialogue. In essence these criticisms relate to the fact that the government renewed and strengthened some measures to support and encourage employment without having previously carried out an evaluation of the measures implemented in 2009, particularly as their costs and real effectiveness in achieving the objectives pursued namely the maintenance and creation of jobs. It is also stated that the "Employment Initiative 2010", like its predecessor in 2009, does not include any concern regarding the need to stem the growing insecurity and instability of work and employment and has no measure to promote the quality of employment and decent work. The CGTP argues that, on the contrary, the new program calls for new measures that go on encouraging precarious employment, of low quality and poorly paid, especially by focusing on intermittent contracts within the renewal of the Qualification-Employment Program<sup>4</sup>. Unlike CGTP and UGT, the employers' confederations highlighted the need for greater support to enterprises and entrepreneurs and a flexible adjustment of employment. The crisis and the need to coordinate efforts led, after several previous attempts, to the merger of the three industry confederations (AIP/CE-Oporto Industrial Association/Business Confederation, CIP-Confederation of Portuguese Industry and AIP-Portuguese Industrial Association) in the new CIP-Portuguese Business Confederation.

#### **4. Social dialogue, collective bargaining and wages**

As shown already before, in Figure 3, real wages in Portugal have increased, on average, at a much lower rate than wages in most of the other OECD countries in the last decade. Table 4 compares this increase for each year since 2001 and the figures show that there was even a decline in the case of Portugal in 2004 and 2006. The last three

<sup>4</sup> “CGTP-IN, Iniciativa para o Emprego 2010”, in <http://cgtp.pt/>, accessed June 12, 2010.

years registered an improvement and, curiously, only in 2009 this increase in real wages was more substantial and above the average value for the OECD countries.

**Table 4: Changes in average annual wages, Portugal and OECD countries (%)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Portugal: nominal	4.0	3.5	3.1	2.4	3.1	1.9	4.0	3.3	2.5
Portugal: real	0.6	0.4	0.2	-0.1	0.4	-1.2	1.3	0.7	3.4
OECD: real	1.3	1.9	1.8	1.5	1.7	1.3	1.7	0.9	1.4

Source: data from OECD, Online Database (September, 2010)

This evolution demonstrates some vulnerable groups of workers, given the still high inequality in income distribution and large range in salaries in Portugal. Taking, for instance, the income by education level, the median value for Portugal attained 84% of the value observed in the EU27 for the higher level of education, but decreased to 63% for the lower level.

The tripartite social dialogue, only institutionalized in Portugal after the establishment of the Permanent Council for Social Dialogue, in 1984, gained a significant momentum in the period before the crisis, ie the first socialist government of the current Primer Minister (2005-2009). This dynamic was reflected in seven agreements on very diverse subjects: public administration reform, labour law and collective bargaining, employment and training, health and safety at work, productivity, competitiveness and innovation, social security and fiscal policy and tax fraud combat. Of particular relevance, given its large impact on wages and collective bargaining development at sectoral and enterprise levels, is the Agreement on the Value and Evolution of the Guaranteed Minimum Monthly Compensation (2006) and also the Tripartite Agreement for a new Regulation System of Labour Relations, Employment Policies and Social Protection (2008).

Like the majority of EU countries (Belgium, Bulgaria, Estonia, Greece, France, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Romania, Slovakia, Slovenia, Czech Republic, United Kingdom) Portugal has established, since 1974, a guaranteed monthly minimum wage (RMMG), commonly known as the national minimum wage (NMW). In 2002-2006, the minimum wage was affected by a relative stagnation in real

terms. The Agreement on RMMG, granted by all social partners (trade union confederations, employers confederation and the government), recognized that the minimum wage in Portugal was too low and that it was desirable to increase it gradually, taking into account the economic reality of the country. As a result, the agreement fixes phased salary increases, assuming a medium-term target value of 500 euros in 2011.

Thus, the Agreement of 2006 reverses the trend of a stagnant RMMG. It rose in 2007 from EUR 385.90 to EUR 403, in 2008 to 426 Euros, in 2009 to 450 Euros and in 2010 to 475 Euros, that is a real growth of 2% in 2007, 3% in 2008 and 6.6% in 2009, the largest real increase in the minimum wage occurred in Portugal since it was created in 1974<sup>5</sup>.

**Table 5: Minimum wage in Portugal (Continent), 2000-2010**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Value (euros)	318.23	334.19	348.01	356.6	365.6	374.7	385.9	403	420	450	475
Nominal change (%)	4.1	5.0	4.1	2.5	2.5	2.5	3.0	4.4	5.7	5.6	5.6
Real change (%)	1.2	0.6	0.5	-0.8	0.1	0.2	-0.1	2.0	3.0	6.6	-

Source: Dornelas et al. (2010: 158) e DGERT

According to Dornelas et al. (2010), with these changes in RMMG the percentage of employees covered by minimum wage almost doubled, rising from 4.5% in 2006 to 6% in 2007, 7.4% in 2008 and 8.7% in 2009. In terms of sectoral differentiation, and referring to the figures of October 2009, the proportion of workers earning the RMMG tends to be higher in sectors more feminized, in particular Textiles, apparel and leather (18.8 %), Other service activities (18.7%) and Hotels and restaurants (15.8%). Concerning gender differentiation, the proportion of women, full time, earning the RMMG is twice the proportion of men, respectively 12.3% and 5.9% in 2009 (Dornelas et al., 2010).

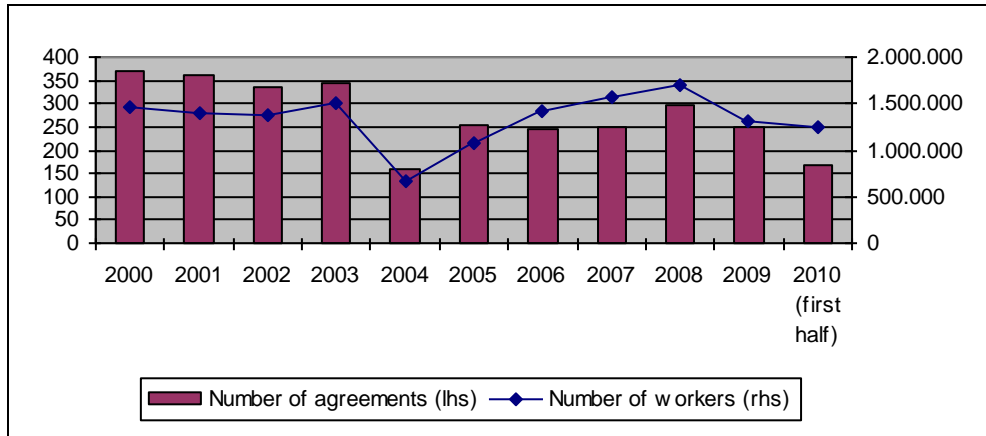
Besides the positive impact directly translated into increased wages of a significant proportion of workers, the Agreement on the RMMG has a leverage effect on collective

<sup>5</sup> DGERT in <http://www.dgert.mtss.gov.pt/> (accessed June 12, 2010).

bargaining. On the one hand, it requires that wages covered by collective agreements below the established minimum wage are updated. Although the Agreement excluded some sectors from this automatic mechanism, even in these cases raising the minimum wage pushes the growth of other wages, due to the relative position of professional groups in the hierarchy of classification of professions and remuneration granted by collective agreements.

Unlike the previous one, the Agreement on the Regulation of Labour Relations, Employment Policies and Social Protection, which served as the basis for the 2009 Labour Code, was not signed by the CGTP. On the contrary, it strongly opposed the Agreement and even promoted a general strike. Nevertheless, it is generally considered that the Agreement had a dynamic effect on collective bargaining, given the quality of the raised debate, for over two years. In fact, with the purpose of focusing the discussion of social actors and the society around the problems of the labour market and regulation, the Government promoted the analysis and publication of a diagnosis on the weaknesses of labour market and industrial relations in Portugal - the Green Paper on Labour Relations. Followed the set up of a working group of experts who, starting from this diagnosis, made recommendations whilst proposed solutions to the problems. The results of this working group have also been published before the government proposal was discussed - White Paper on Labour Relations.

So, despite the unfavourable climate, collective bargaining has seen a significant momentum in 2008. Figure 8 shows the evolution of the number of published collective agreements and the number of workers covered by those conventions from 2000 to 2009. In fact, in 2008 the social actors increased the number of collective agreements (296), covering significantly more workers (over one million and 700 thousand employees) than before, after the large drop recorded in 2004, i.e. the year following the publication of the Labour Code (2003). In 2009, collective bargaining has returned to average values of the years preceding the crisis, i.e. 2006 and 2007.

**Figure 8: Collective agreements and workers covered by them (2000-2010 first half)**


Source: DGERT, MTSS. Online Database (September, 2010).

In addition to the direct negotiation among the actors involved, in Portugal, as in other EU countries, there is an established practice that the government extends to other areas the sectoral collective agreements. This public intervention helps to increase the coverage of collective bargaining, which in Portugal has traditionally registered high values, with the exception of 2004 (Table 6). In 2008 and 2009, 137 and 74 conventions, respectively, were published by the government, which increased to around one million and 895 thousand the number of workers covered by collective bargaining in 2008 and about one million and 487 thousand in 2009. The observed increase in the main domain of collective bargaining (manufacturing), also favoured an extended coverage of workers by collective bargaining.

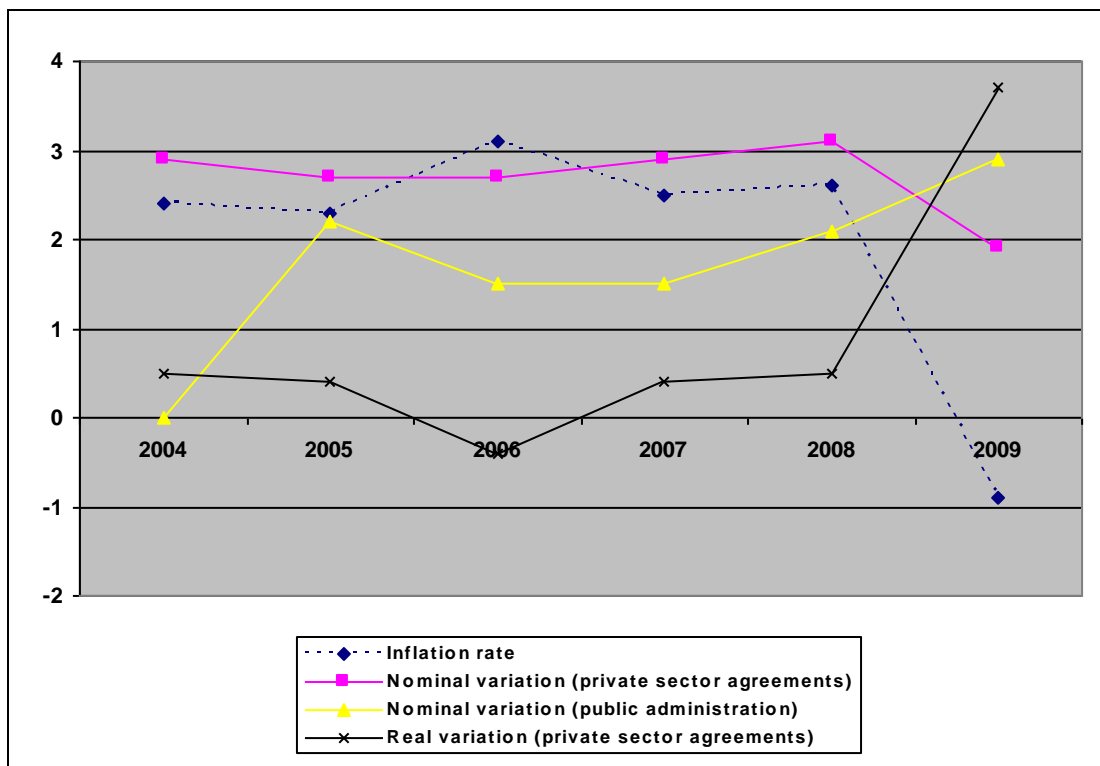
**Table 6: Type of instrument of collective agreement and number of worker covered (2000-2010 first half)**

Instrument	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 (first half)
Sectoral agreement (CCT)	245	238	230	232	100	151	153	160	172	124	110
Company agreement (ACT+AE)	125	122	107	110	61	101	91	91	124	109	57
Extension of collective agreements by the government (PE)	144	181	147	151		56	137	74	137	102	58
Number of workers covered (thousands)	1424	1363	1350	1266	600	1167	1512	1582	1895	1487	1321

Source: DGERT, MTSS, Online Database (September, 2010).

Figure 9 shows that 2008 was also favourable to wage bargaining, since there were increases in wages, both in nominal (3.1%) and real (0.5%) terms. Similar evolution occurred in 2009, this time with a smaller increase in nominal wages (1.9%) and a higher change in real wages (3.7%), due to negative values of the inflation rate in this year.

Figure 9: Evolution of the inflation rate and nominal and real wages in the private sector



Source: UGT – IRCT Published in 21<sup>st</sup> of May, 2010.

The analysis of data by sector of activity reveals that conventional wages increased in all sector in the years 2008 and 2009. On average for these years, these increases ranged from the minimum of 1.8% in information and communication to a maximum of 4.2% in agriculture, forestry and fishing. While wage increases in manufacturing approaches this maximum (3.4%), wage increases in construction and services are somewhat lower. Table 7 shows these increases for the last two years and also for the first half of 2010.



**Table 7: Evolution of conventional nominal wages and workers involved**

ACTIVITIES	2008		2009		2010 (first half)	
	Workers	Change (%)	Workers	Change (%)	Workers	Change (%)
<b>Total</b>	<b>1704107</b>	<b>3.1</b>	<b>1303457</b>	<b>2.9</b>	<b>1174833</b>	<b>2.5</b>
Agriculture, forestry and fishing	26011	3.7	20133	4.7	28729	4.0
Mining and quarrying	4447	3.1	3370	2.8		
Manufacturing	579866	3.5	385291	3.2	273756	3.5
Electricity, gas, steam and air conditioning supply	1080	2.7	1659	2.6		
Construction	321832	3.0	323235	2.3	331659	1.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	290880	3.0	183779	2.9	263626	2.1
Transportation and storage	17272	2.4	27398	3.1	7526	1.6
Accommodation and food service activities	147623	2.9	90321	2.8	80859	2.4
Information and communication	9914	1.9	11762	1.7	3524	1.8
Financial and insurance activities	58427	2.7	28339	2.0	14782	1.7
Professional, scientific and technical activities	21899	2.8	2275	2.5	70918	
Administrative and support service activities	99367	2.2	37562	2.9	2788	2.4
Education	13536	1.7	43975	2.2	15601	1
Human health and social work activities	103825	2.7	72172	3.2	15601	1.9
Arts, entertainment and recreation	4289	3.0	2153	2.7	2145	
Other service activities	3830	3.1	1730	3.1	2145	2.2

Source: DGERT-MTSS

An accurate assessment of the impact of the crisis on the negotiated non-wage items is difficult to obtain because there is no systematic treatment of the contents of the Conventions. However, a recent study designed to assess the innovations in collective bargaining since 2006, involving 14 subjects directly related to the adaptability - internal or external - of industrial relations or related to trade unions rights, concludes that there has been some innovation regarding the issues under negotiation, but the frequency of this innovation is relatively low (Dornelas et al. 2010). Specifically, collective agreements regulate too little flexibility within enterprises, including the functional versatility and flexibility of working time, its duration and organization.

The absence of negotiation on these issues, for reasons connected with either the inability of management to promote new forms of work organization and working time, or because the unions, being afraid of losing control over these core issues of labour relations oppose them, help to explain, at least in part, the high rigidities in the labour market presented in section 3.

Therefore, it appears that collective bargaining continues to give little attention to the effect of the crises on employment and to important changes in the labour market and within companies (Dornelas et al., 2006; Freire, 2000; Lima, 2000; Cerdeira, 2001, 2004; Ferreira, 2007). Different routes have been adopted in other countries as exemplified by the case of Germany. The "little German miracle" concerning the resilience of employment especially in the export sector, and union revitalization in time of crisis, is attributed to the strategic ability of trade unions and employers (supported by the State) to use the flexible mechanisms of working time inscribed in collective agreements, the so-called "pacts for employment" (Hege, 2009; Kahmann, 2009; Lehndorff, 2010).

## **5. Final remarks**

The institutionalization of a system of cooperation between unions and employers' organizations is a recent phenomenon in Portugal. In fact, the Permanent Council for Social Dialogue, a body created specifically for the promotion of social dialogue, had a late appearance only in the 80s. Among the initial concerns were the constraints imposed by a fragile economy and the Portuguese integration into the EEC (Natali and Pochet, 2009). Nevertheless, social dialogue has been reasonably dynamic, both by the quantity and also the quality of topics discussed and agreements negotiated, especially in the period preceding the international crisis, ie 2005-2008.

In particular, the Agreement on the minimum wage and the quality of the discussion around the new Labour Code might have had a beneficial effect on the development of collective bargaining at the sectoral and enterprise level, by inducing a significant increase in the number of collective agreements and the number of workers covered by them in 2008.

As a less positive side emerges the inability of strategic actors to mobilize collective bargaining for the "management" of employment during the crises and the transformation of enterprises. This observation reinforces previous interpretations of low

innovation and high formalism of collective bargaining. In particular, the themes around internal flexibility of companies are clearly under-represented.

As a final note we may underline that collective bargaining, of course focused on employed workers, do not usually reveal the social and wage fissures that the economic crisis creates or strengthens.

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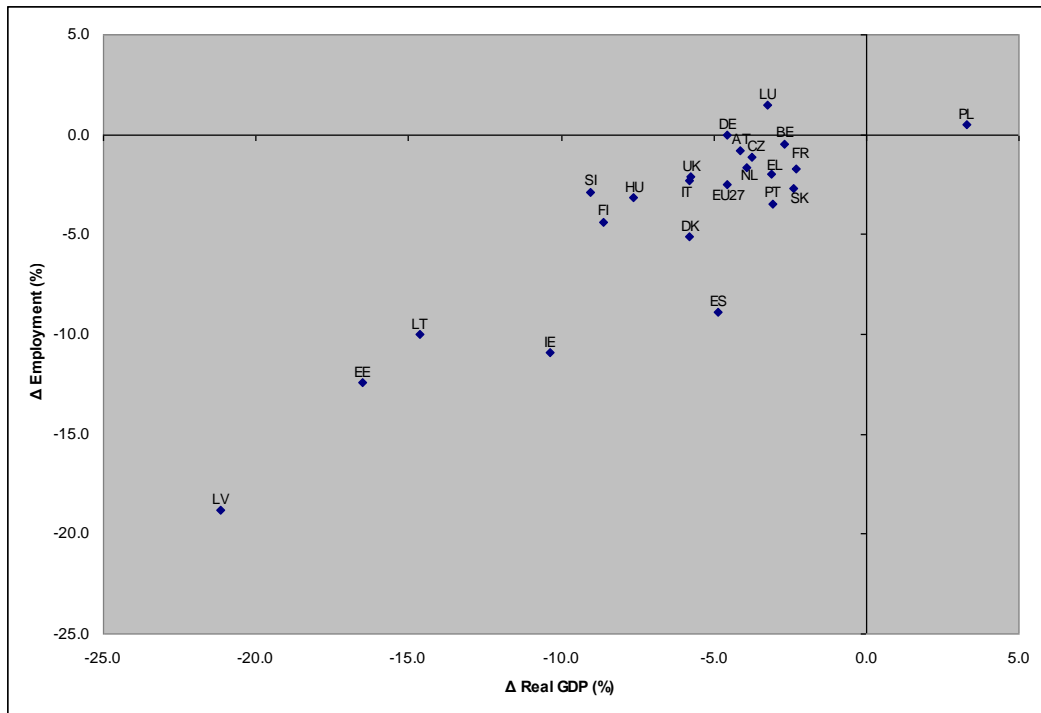
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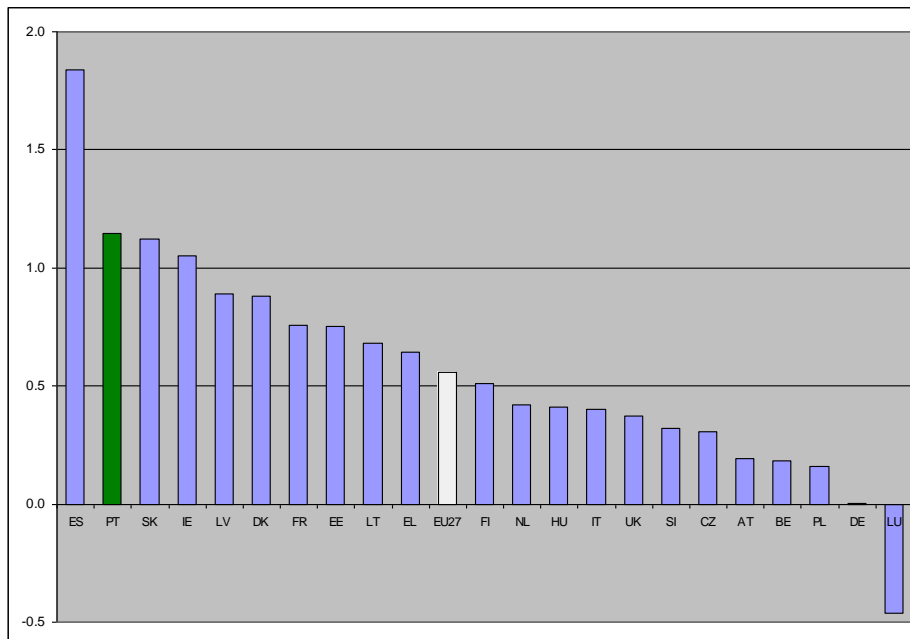
**Appendix 1**

**Variation of real GDP and employment, 2008Q2-2009Q4 (%)**



Source: data from Eurostat, Online Database (September, 2010).

**Elasticity of employment to real GDP (2008Q2-2009Q4)**



Source: data from Eurostat, Online Database (September, 2010).

**Appendix 2****Portugal: Global Competitiveness Index, 2009-2010**

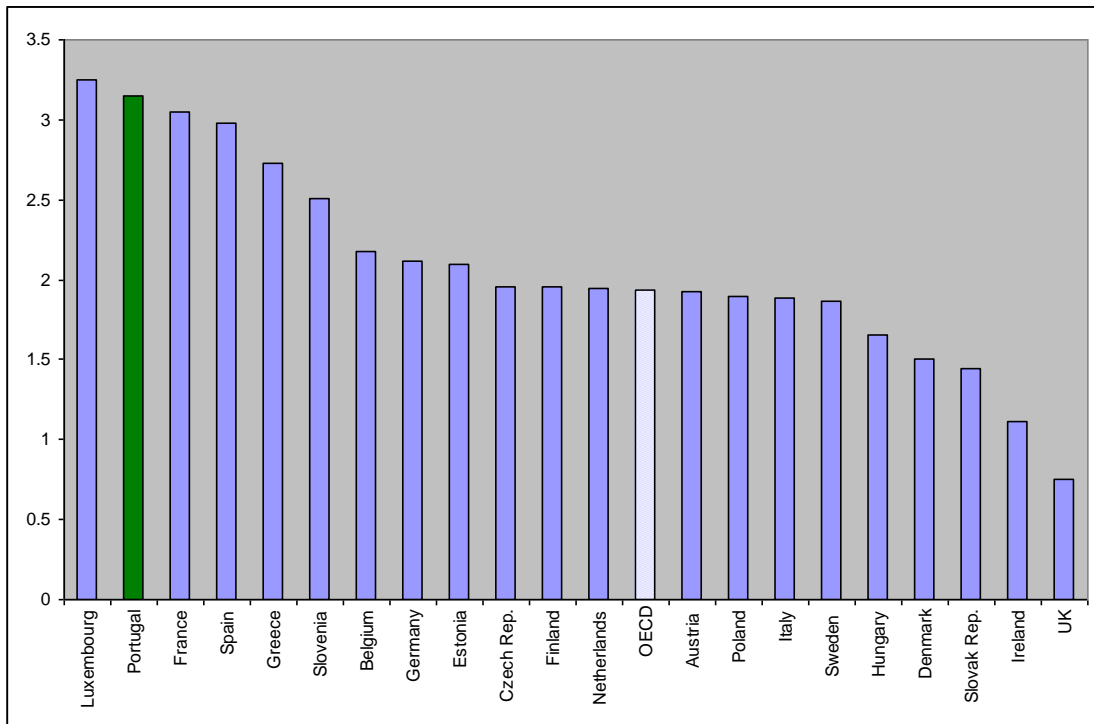
	Rank	Score
<i>Global Competitiveness Index</i>	43	4.4
<i>Basic requirements</i>	39	5.05
Institutions	44	4.49
Infrastructure	23	5.23
Macroeconomic stability	79	4.52
Health and primary education	31	5.95
<i>Efficiency enhancers</i>	43	4.40
Higher education and training	38	4.58
Goods market efficiency	51	4.39
Labour market efficiency	103	4.04
Financial market sophistication	62	4.26
Technological readiness	31	4.73
Market size	43	4.40
<i>Innovation and sophistication factors</i>	41	3.98
Business sophistication	53	4.28
Innovation	33	3.69

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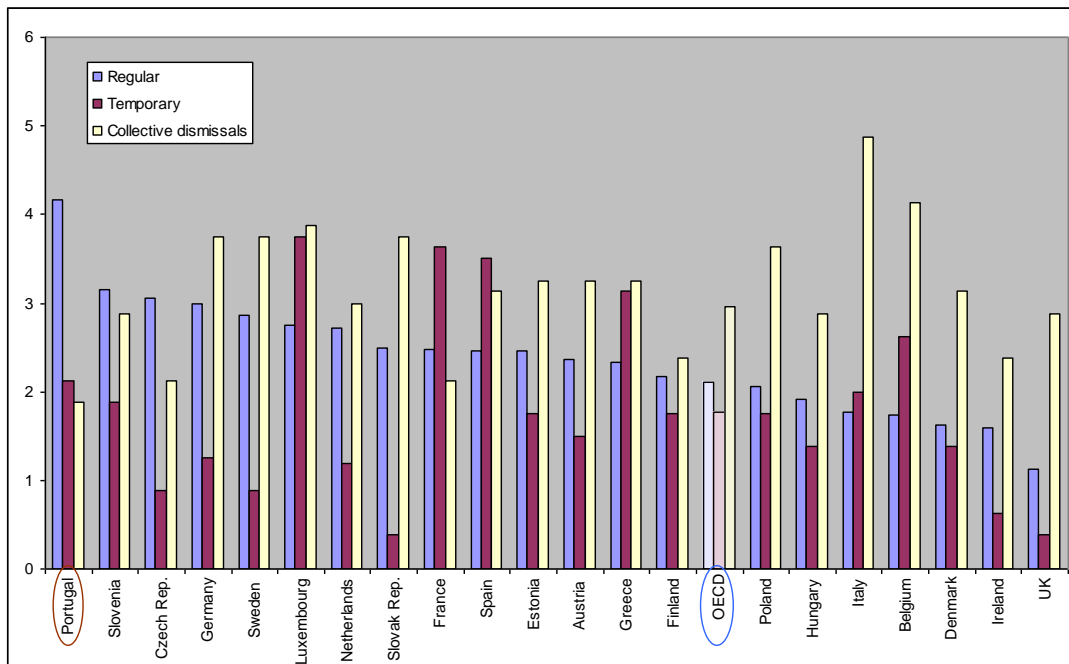
Source: World Economic Forum (2009).

Appendix 3

Overall strictness of employment protection, EU countries



Employment protection, EU countries



Source: data from OECD, Online Database (September, 2010).