

**New challenges to a changing labour market and welfare state.
The Portuguese recent experience.**

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Abstract

This paper emphasises the role of national historical configurations and institutional and political structures (e.g. of social protection systems) on the response to new challenges and pressures affecting welfare states and labour markets, in particular, the ones related to the increase in unemployment and changing forms of employment. The article focuses on the Portuguese recent experience, which is an interesting case within the analysis of the specificities of the southern model of welfare state and the ongoing processes of change. We analyse the structural weaknesses and recent trends of the Portuguese social protection and labour market systems considering that they are constrained by new risks and demands originated, at the same time, by domestic and external ongoing processes. Our hypothesis is that Portugal is being particularly affected by the effects of neo-liberal convergence and is failing to respond to internal and external challenges adequately (e.g. without aggravating citizens living standards and risks of poverty and social exclusion) due, namely, to unresolved structural problems and to the weaknesses of its institutions.

1. Introduction

In this paper, we subscribe the idea that the connexions and interactions between labour markets and social protection systems are extremely important factors to determine the good performance of modern capitalist societies. We emphasize that labour mar-

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kets and social protection systems, namely in the EU member states, are currently facing enormous challenges that come both from external (e.g. economic globalization, economic constraints imposed by the EMU, neoliberal approaches calling for a reduction in social protection mechanisms) and internal changes (e.g. demographic changes and changes in family composition, diversification of forms of employment and high levels of unemployment). The responses to these (new) trends are embedded in different welfare state and labour market configurations. In particular, workers' integration into the labour market depends on national political and institutional settings. Different welfare backgrounds reflect differential designs of pension systems, employment protection legislation (EPL) and other welfare state subsystems, which are responsible for the creation of specific incentives and disincentives for the withdrawal from work¹. As we know, work is the central pillar of the systems of welfare that developed, namely, in capitalist countries after the Second World War. Due to recent changes affecting both the quantity and quality of existing jobs, welfare regimes, despite the differences that exist among them, face the common dilemma of how to reconcile high levels of unemployment with generous social policies. In particular, since the beginning of the nineties, the EU institutions have been trying to establish common programs of action and/or concerted strategies to deal with structural unemployment. Although, countries national historical configurations and politico-institutional features matter within the processes of transposing these programs and procedures into domestic policies, we have to recognize the (growing) influences that emanate, namely, from international organizations such as the EU and the OECD. In this paper we focus on the changes and trends affecting the Portuguese labour market and welfare state and aim to address how the relationship between work and social protection is being redefined. Additionally, we consider the implications of these changes for a welfare state that seems to be in an increasingly vulnerable position to

¹ We highlight that employment policies have their roots in different histories and ideologies and are closely embedded in the society where they emerge. The inter-relationship between the influences of welfare programs and, for instance, the resources available to workers, the availability and character of capital investment, the attractiveness of alternative bargaining strategies for groups of employers and unions is particularly important and deserves further analysis.

cope with ongoing and future pressures. Our hypotheses is that Portugal is being particularly affected by the effects of neo-liberal convergence and is failing to respond to internal and external challenges adequately (e.g. without aggravating citizens living standards and risks of poverty and social exclusion) due, namely, to unresolved structural problems² and the weaknesses of its institutions. These challenges represent severe adjustment difficulties that are aggravated by a greater exposure to the intensification of capital and goods' flows and have major consequences for the employment relationship and structure.

2. New challenges for a welfare state under (re)construction

Following the seminal work of Esping-Andersen published in 1990 *The Three Worlds of Welfare Capitalism*, many studies have identified a variety of welfare regimes in democratic industrial capitalist societies. Some of these studies added to the three welfare regimes originally identified by Esping-Andersen to categorize advanced capitalist societies - social-democratic, liberal, and conservative - a fourth type which they categorised as "South European", "Mediterranean" (Bonoli 1997: 149; Ferrera 1996; Guillen and Matsaganis 2000) or "Latin Rim" (Leibfried 1992) model of welfare state, to refer to South European Countries such as Italy, Spain, Portugal and Greece³. Our paper is inspired in the theoretical proposal developed by Maurizio Ferrera and emphasizes the idea that the Portuguese welfare state shares with some other southern European countries identical institutional and political traits. Let us recall some of its most important specificities.

The Portuguese welfare state is often characterized, along with other southern European welfare states, by its late development, inequalities (e.g. segmented occupa-

² Some of these problems were inherited from the period named *Estado Novo*, the authoritarian regime established by Salazar in 1933, during which Portugal remained essentially a rural, catholic, non-modernized and under-developed country and education was restricted to a minority. A sociological analysis of this period can be found in Barreto (Barreto 1996; Barreto 2000).

³ The debate on the typology of welfare-states developed by Esping-Andersen and the alternative/complementary typologies introduced by other authors is systematized, among others, by Arts and Gelissen (2002) and Taylor-Goody (2002). A good synthesis of the debate on the existence of a southern European welfare state regime, in particular, can be found in Rhodes (1997).

tional categories) and gaps in the provision of welfare. In Portugal, formal welfare programs started still during the Salazar and Caetano dictatorships but developed mainly after the April Revolution of 1974, accompanying the democratization process and under the influence of left wing parties⁴. From the 70's onwards, several social programs were established (e.g. national health service, public system of social protection) and employment protection regulations (e.g. unemployment protection schemes, institution of the minimum wage and workers right to strike) developed as a result of a strong, social and political mobilization (Esping-Andersen 1993; Mozzicafreddo 1997; Silva 2002). However, the full implementation of reform programs as well as the expansion of welfare provision was conditioned or reduced by the onset of economic recession in the mid-1970s and the shift from expansionary to austerity economic measures (Rhodes 1997: 12).

As in other Bismarckian and corporatist' countries, the Portuguese social insurance system is financed mainly by the contributions by employers and employees in work-based insurance schemes and characterized by social transfers in cash, related to a percentage of total earnings⁵. The significant departure of southern welfare states from continental or Bismarckian welfare states lies on the fact that "the schemes of these countries provide generous protection (at least in principle: e.g. pensions) to the core sectors of the labour force located within the regular or 'institutional' labour market" and "they only provide weak subsidization to those located in the so-called irregular or non-institutional market (a fairly large occupational sector)" (Ferrera 1996: 19). Although we could analyse the gaps in social protection as a sign of underdevelopment, this argument does not fully explain the peaks of generosity offered to some workers and citizens in particular (e.g. white collar workers, private wage earners of medium and large enterprises, working on a full contract, and public employees). Whereas these workers have access to generous replacement benefits for short-term risks (e.g. sickness, maternity, temporary or partial unemployment) and very high earnings related pensions when they retire (Ferrera 1996: 20), a large percentage of workers and citizens are incipiently

⁴ A more deep analysis of the development of the Portuguese welfare state can be found in Santos (1999).

⁵ These correspond, respectively, to 23.75% and 11%.

protected. The latter do not fulfil the requirements (e.g. people that do not have matured contributory entitlements) or simply are not entitled to the benefits at all (e.g. first job seekers, single parent with no contributory record, workers of the informal economy). Therefore instead of considering the welfare state as “rudimentary”, we should stress its imbalances and associated inequities and inefficiencies (Kleinman 2002: 51).

The gaps in the welfare provision are compensated by traditional welfare guarantees stemming from households and informal networks and increasingly by voluntary non-profit organizations. In Portugal, as in other European southern countries, the family (and women in particular) plays a very important role in fulfilling their members’ social needs. Nevertheless, some authors stress that there are imbalances in the provision of support according, namely, to families’ position in social structure, levels of education and occupational categories, which tend to reproduce social inequalities rather than compensating for them (Wall et al. 2001: 230). Furthermore, we have to take into account that, specially for women and the young⁶, the social and personal costs can be very high, as well as the fact that “there are those without families who fall through the safety net of social security” (Rhodes 1997: 11). If we assume that these disparities do occur and that they have considerable costs, then the risks of putting the onus on families to support those who have needs in order to compensate the failures and/or weaknesses of the social protection provided by the state and/or the market are even deeper. Moreover, important changes are occurring in family patterns (e.g. increase incidence of lone parenthood and single-person households, as well as divorce, separation and re-marriages) which represent additional risks for a model of social protection insisting on family responsibilities for caring (Esping-Andersen 1999; Esping-Andersen 2002).

Another peculiar trait of southern European models of social protection is, according to Ferrera, the predominance of a universalistic approach in their health systems. In the case of Portugal, this means, at least in theory, that all citizens have universal access to the national health care system. Nevertheless, there remain occupational differentia-

⁶ As Duncan Gallie emphasizes, in Southern countries the family plays a very important role, namely, in the support given to young adults when they are unemployed. Beyond the beneficial aspects related to these social mechanisms, we should also consider the psychological costs related to prolonged dependency effects (e.g. prolonged residence of young adults with their parents, inability to organize their lives independently) (Gallie 2004).

tions regarding access and treatment as well as large territorial disparities. Moreover, the fact that private and public medicine are not separated spheres of health care provision represents additional costs (e.g. enormous wastes of money and human resources) as well as often generates forms of corruption and/or manipulation (Ferrera 1996: 23). Particularistic appropriation and manipulation of welfare resources is in fact a broader phenomenon in southern European societies, which is frequently associated with forms of clientelism. These reflect the state weaknesses, namely in terms of the provision of welfare. In Portugal, as in other Southern European Countries, the State lacks the legitimacy to impose a more universal and redistributive system of protection, allowing the stronger lobbies to follow a corporatist policy and keeping the weaker in an unprivileged position (Andreotti et al. 2001). This weakness is accompanied in an apparently paradoxical complexity by the central role played by the State in most spheres of social life. Another interesting trait related to the idea of a “weak state” is, according to Boaventura de Sousa Santos, the strength of the Portuguese civil society, the “welfare society” as Santos designates it⁷.

As within most European welfare states, the Portuguese welfare system⁸ is undergoing major challenges that derive both from external and internal pressures (Ferrera et al. 2000; Kleinman 2002). The former come from globalization and worldwide competition, technological transformation, pressures towards the privatization and the downsizing of social protection mechanisms, fiscal and monetary constraints in order to meet European Monetary Union criteria (Rhodes 1997). The later relate namely to ageing, declining fertility rates, changes in family patterns and labour market shifts (e.g. higher levels of unemployment, changes in the nature of employment, raising female participation in the labour market) and “will have major implications for pensions and health systems, public budgets and the funds available for investment, and hence for economic growth and social policies” (Sarfati 2002). Due to its degree of development and structural and institutional characteristics, the Portuguese welfare state is in a particularly vulnerable

⁷ Some of the theoretical ideas regarding the role of the Portuguese “welfare society” can be found in Santos (1999).

⁸ The distinction between a “welfare regime” and a “welfare system” is developed by Theo Papadopoulos (2005).

situation to cope with these challenges. We should stress that these transformations put additional pressure on the welfare provision and also affect labour market structures. In Portugal, besides the shift towards cost-containment in domains such as social care, health and pensions⁹, labour market reforms currently undertaken involve a shift from recommodification towards the creation of equal opportunities for commodification (Streeck 2001: 26). The following section provides us with a characterization of the ongoing reconfiguration of the Portuguese labour market.

3. Characterization of a changing labour market

In Portugal, as within other European societies, major labour market changes (e.g. high levels of unemployment, the diversification of forms of employment) are putting under pressure the existent welfare state. At the same time, as we stressed previously in the paper, one of the characteristics of the Portuguese welfare state, related namely to the outsider-insider divisions on the provision of welfare, has impacts on the labour market itself and on the quality of jobs undertaken, most of all, by young people, long-term unemployed (LTU) and women. By saying this, we emphasize that the general trend towards the flexibilization and diversification of forms of employment, with a substantial increase in fixed-term contracts and part-time employment has particularly negative effects on the Portuguese labour market and on these social groups in a more deep and persistent way.

3.1. A characterization of the Portuguese labour market

Before we address some of the changes occurring in the Portuguese labour market, we highlight some of the main structural problems requiring policy action and in-depth reforms:

⁹ As in other EU countries there is an ongoing reform of pension provision in Portugal where some of the general trends can be identified, namely: increasing minimum contribution periods necessary to pension entitlement; cutting back on early retirement schemes; adjusting the formula that determines final pension payments.

- a) A low level of educational attainment of the workforce, which remains a serious problem, namely, for the adaptability of the labour market and the transition to the knowledge-based society.
- b) The existence of groups with particular special insertion problems (e.g. young people, elder workers, women, ethnic minorities and disabled people).
- c) A vulnerable sector structure, mainly based on traditional labour intensive activities, with low productivity and wage levels.
- d) A business structure mostly based on small and micro companies. These firms are often characterized by a low degree of adaptability and innovation, lie on low skill jobs and offer few training opportunities.
- e) A weak level of average productivity, as compared to the other EU countries.
- f) The persistence of important regional asymmetries, mostly based on the different characteristics of the production activities and on the qualification level of manpower, creates considerable disparities in the labour market.
- g) High levels of informal work.

These are persistent, structural problems that affect the Portuguese labour market, even in periods of economic and employment growth¹⁰, and are aggravated and/or represent additional risks within the existing context of liberalization and intensification of markets competition and deregulation on a world scale. Let us concentrate on some of the aspects identified above.

One of the well-known characteristics of the Portuguese labour market is related to the low salaries and low educational and qualification skills. In this regard, we have to look back to the eighties to understand the economic and political orientation undertaken by the Portuguese government in order to re-launch competitiveness. After having lost its former African colonies and with the failure of redistributive policies developed after the revolution of 1974 (e.g. institutionalization of the minimum wage, nationalization of important sectors of the economy such as banking, insurance, transport and electricity), the Portuguese economy entered a period of recession that culminated in

¹⁰ This was the case, namely, during the first years of implementation of the European Employment Strategy (EES) – that is from 1998 until 2001 – that coincided with a period of economic prosperity.

the obligation to submit to the conditions of IMF and the neoliberal economic orientation of its structural adjustment programs¹¹. The strategy undertaken consisted on lowering wages and rendering the workforce more flexible, introducing more insecure forms of work contracts (e.g. short term contracts, temporary work, subcontracting, domiciliary work). This approach was reinforced with the entry of Portugal in the European Community in 1986 (Hespanha 1999: 65). Until recently Portugal was able to retain its comparative advantage on the basis of low cost and low productivity activities. However, the increasing competition from developing and/or the newly industrialized countries, where labour costs are lower and technological innovation is strong, creates severe difficulties to Portuguese labour intensive industries. Moreover, the on-going des-industrialization process creates a labour surplus that cannot be integrally absorbed by other productive activities in the service sector, and is aggravated by the low level of skills and qualifications of Portuguese workers¹². In order to overcome this situation, Portugal would need to specialize in high-skill, capital-intensive products that require highly-skilled employees (McIntosh 2004: 149). This requires considerable improvements at the level of the technological innovation process in its different stages (e.g. conception, production and commercialization) as well as the creation of new, competitive products and services in specific business clusters (e.g. tourism, car industry, information technology). These strategies, however, do not resolve the particular problems of a residual working age population whom, for different reasons (e.g. low training opportunities, low skills), see their chances of becoming “unemployable” rise. As this is a widespread phenomenon in EU countries (besides the different intensities and profiles) one of the dominant perceptions is that this cohort of low-skilled, “unemployable” people created by technological progress and changes, can only be recycled in low-paid jobs, which should be created within the service economy (Daguerre 2002; Goul Andersen and Jensen 2002). These require adequate training, which,

¹¹ As Guillen et al. have stressed «the years of the “bloco central” government (1982-1985) were years of financial austerity, with a second IMF loan, and with the launching of a ‘stabilizing program’, that brought unemployment to an uncommon maximum, by Portuguese standards, of 12% in the years of 1984-1985» (Guillen et al. 2002: 18).

¹² For a more complex and empirical analysis regarding the falling-demand for low skill workers, their relative disadvantage and risks of unemployment in the context of an inter-country comparison see McIntosh (2004).

in the case of Portugal, still needs to be improved¹³. At the same time, and in order to provide these workers with life-chance guarantees and to prevent their risks of becoming “working poor”, welfare state programs in particular should be reinforced and re-oriented.

Other characteristics of the Portuguese labour market listed above help to explain additional difficulties in coping with technological changes and the intensification of international competitiveness. Among these we stress the high percentage of small and medium-sized enterprises. In 2007, the percentage of enterprises with less than 10 workers corresponded to 95,4% of total enterprises. Not only their employees are particularly vulnerable in the event of business failures (e.g. regarding pensions, disability and unemployment entitlements) as well as, in most cases, their use of Information and Communication Technology and their awareness of the advantages of competition is considerably low. Thus, their ability to be innovative and adaptable is smaller (Pedroso et al. 2005: 83). Moreover, there is also a lack of competences and low educational levels among employers/entrepreneurs themselves. This helps to explain some of the difficulties in the adaptation to the new highly competitive international market, as well as some of the resistances towards experiences of joint working. In fact, it reinforces an “individualist entrepreneurial culture” that creates important obstacles to the development of relationships based on mutual trust (Valadas 2003; Valadas 2006).

In spite of the traits outlined above, employment rates are slightly higher than the EU average¹⁴, especially for groups typically under-represented in the labour force (e.g.

¹³ Despite some recent improvements in the education and training systems these are still insufficient. There are problems related, for instance, with the inefficiency of activation programs, the persisting low quality of education services, the inexistence of a vocational training system relevant to the labour market. A further analysis of some of these aspects can be consulted in a recent publication by OECD (OECD 2010).

¹⁴ In 2008, the Portuguese employment rate corresponded to 68.2% of the working-age population, while the employment rate of the EU27 was 65.9% and the EU15 amounted for 67.3%. The Portuguese employment rate has fallen by 0.2 percentage points since 2000, when the Lisbon target to raise the employment rate to as close to 70% as possible by 2010 was set, leaving a gap of 1.8. percentage points yet to be filled. The youth employment rate, in particular, fell significantly between 2000 and 2008, from 42.2% to 34.7%. Both female employment rate (62.5%) and older worker employment rate (50.8%) were (slightly) higher than the Lisbon and Stockholm targets for 2010 (more than 60% for women and 50% for older men and women) (European Commission 2009).

women, older workers), although the lowest employment growth occurred in Portugal in 2007 (0,3%) (European Commission 2008: 28). This has been achieved through flexible real wage adjustment and the expansion of more flexible work contracts which remind us of another important trait of the Portuguese labour market which lies in the rigidity of labour regulations, particularly the employment protection legislation (EPL). In this regard, we emphasize that, considering the discrepancy between law and practice¹⁵, the Portuguese labour market should instead be envisaged, simultaneously, as rigid and flexible. The Portuguese legislation regarding, for example, individual dismissals of (permanent, full-time) workers and layoffs (restricted to the most extreme cases) is considered to be very rigid. Nevertheless, there are several examples of practices of circumventing or violating labour laws and/or labour rights recognized, namely, by the Portuguese Constitution (e.g. abusive dismissals, non-renewal of fixed term contracts) (Dornelas et al. 2006; Hespanha 1999; Silva Lopes 2003). In addition, if we look back to the years following the 1975 revolution, we recognize that Portuguese employers managed to respond to changes in economic activity and to the openness of the Portuguese economy and its increasing integration into the EU resorting extensively to renewable fixed, short-term contracts¹⁶. From then onwards, it has been a recurrent strategy to increase flexibility through the development of insecure forms of employment. Therefore, we emphasize that the reduced flexibility of the Portuguese labour market can not be generalized, since there is a discrepancy between strict labour regulations and their implementation, and also because it has different impacts according to the type of employment contract (e.g. temporary employment, “regular” – full-time, permanent - employment) and the size of enterprises. In this case we are referring to the dual structure that, according to several academics (Kovács 2002; Kovács 2004a; Pedroso et al. 2005; Silva Lopes 2003), characterizes the Portuguese labour market: while some workers are entitled to high levels of employment protection, others receive little protection from labour market regulations. This duality helps

¹⁵ According to Santos, one of the dominant mechanisms of social regulation, which was instituted in Portugal after the Revolution of 1974, consists on the discrepancy and/or inconsistency between legal and institutional regulations, on one hand, and social practices, on the other (Santos 1991).

¹⁶ During this period, flexible forms of employment were institutionalized (e.g. short term and temporary contracts, sub-contracting, domiciliary work), along with prioritizing low wages, in order to boost economic competitiveness (Lind and Moller 1999).

to explain why “average market flexibility in Portugal appears to be higher than in Spain and other European countries, despite the high rigidity of the regulations” (Silva Lopes 2003: 277)¹⁷. Then again, there is also a generalized phenomenon of geographical limits to labour mobility, due to historical reasons, reinforcing the existence of severe regional discrepancies in terms, namely, of the employment situation¹⁸.

To conclude this section, we would like to emphasise the high incidence of undeclared work and the significant weight of the informal economy. Studies recently published by the Bank of Portugal “estimate that, based on a calculation of the difference between official and effective income per capita, the informal sector in Portugal has a share of about 22.1% in the economy” (Naumann and Simões 2007: 3)¹⁹. From a social exclusion perspective, at the same time that informal work “provides some income to offset the virtual absence of state welfare support”, it is often associated with unregulated work situations characterized by poor (and potentially dangerous) working conditions, low wages and no social benefits, where the opportunities for skills upgrading are almost non-existent and contribute to the workers' entrapment in a precarious sector of the labour market (Gallie 2004: 5). Nonetheless, informal work is becoming the only employment alternative for many people whom the ongoing financial and economic crisis is throwing out of work²⁰.

These are very important and persistent obstacles, that have been consensually identified both by academics²¹ and politicians, but have not until now been overcome²².

¹⁷ Another interesting aspect of the Portuguese case until very recently lied on the coexistence of rigid labour regulations with low unemployment levels. Some of the answers for this intriguing puzzle are developed in the Silva Lopes' quoted paper.

¹⁸ An analysis of several statistical indicators of the employment situation in the five regions of Continental Portugal can be found in Pedroso et al. (2005).

¹⁹ According to Naumann and Simões, the analysis of data of the last Census (2001) allows us to conclude that “about one quarter of the active salaried workers are practicing undeclared work”, a figure of about 25% that is in consistence with the 22.1% estimate for the informal economic sector (Naumann and Simões 2007).

²⁰ Informal work is not included, for instance, in the statistics from the “Quadros de Pessoal” made available by the Gabinete de Estratégia e Planeamento of the Ministry of Labour and Solidarity (GEP_MTSS), since the information gathered refers only to enterprises legal, permanent workers.

²¹ See among others Cadeiras (2003), Cousins (2000), Pedroso *et al.* (2005).

²² For instance, due to the importance attributed more and more to educational attainment as a precursor to employment, Portugal is trying for several years to attain a best performance, but the success of many initiatives undertaken by several governments overtime has not yet been accomplished.

3.2. Recent changes and new social needs

The structural weaknesses identified above coexist with new social and economic trends that are putting additional pressure on the Portuguese labour market. Even though, they are not necessarily distinct from the ones that affect other European labour markets, they imply to a welfare state characterized by its imbalances and weaknesses further problems and challenges to address. Next, we refer to the following labour market developments (1) increasing incidence of other types of employment (e.g. self-employment, fixed terms contracts, on call and zero hour contracts) often “precarious” and (2) rising unemployment levels. Our aim is to summarize the more important aspects of these developments and to explain how they interrelate with the social protection system.

3.2.1. The diversification and flexibilization of employment

As regards the forms of employment, the “standard employment relationship”²³ is still predominant. Nonetheless, other forms of employment have been institutionalized. We use the expression “diversification and flexibilization of forms of employment”²⁴ to refer to the development of other/flexible forms of employment, and not other common expressions such as “atypical” or “new forms of employment”, since, in Portugal, some of them already existed and, eventually, constituted the majority of employment (especially for women), being now reconfigured and generalized (Kovács 2004b: 49). Although not all of them, some of these jobs are precarious and insecure. They are used to overcome low salaries and low social protection levels and, sometimes, they represent the only possibility (namely for young people, old workers and women) to (re)enter the labour market (Hespanha and Valadas 2002: 199).

²³ The “standard form of employment” incorporates a degree of regularity and durability. In general terms, it can be defined as paid-employment for a non-fixed period, full-time, within a legally enforceable contract.

²⁴ If we want to undertake a quantitative analysis of the development and impact among specific social groups of flexible forms of employment in Portugal we have to face considerable obstacles related, for instance, with the existence of different sources and methodological procedures. These have been pointed out, among others, by Kovács (2004b).

In Portugal, the more common forms of “flexible” employment are self-employment, and fixed-term contracts, namely temporary work (Moniz et al. 2001: 125). The percentage of self-employed is high, not only in certain areas of traditional (family) activities/businesses (e.g. small-scale family farming, traditional crafts) but also in areas of innovative activity (e.g. information technology, consultancy) (Hespanha 1999: 73)²⁵. The employees’ condition towards employment is often insecure (e.g. not having right to holidays, not having right to unemployment benefits, not having stability of employment). While, in some cases, self-employment can be seen as an alternative strategy to long-term unemployment and/or to low wages employment, it is also characterised by rather few but highly paid jobs, performed by highly qualified independent workers (Figueiredo 2003: 173). This attests for the different forms of self-employment within the Portuguese labour market²⁶.

Temporary employment²⁷ is also particularly high in Portugal. Again as it happens with self-employment, it is characterized by very contrasting situations. While some workers are highly qualified and very well paid, others are offered low salaries and precarious jobs.

The proportion of part-time work, on the other hand, is relatively low when compared to the EU average and to the Nordic countries, where the incidence of women working part-time is particularly high²⁸. However, we should note that there is, in Portugal,

²⁵ Quantifying the percentage of self-employment in total employment is particularly difficult, since we have to take into account the false independent work but also the fact that this kind of contract is, often, used by entrepreneurs as a substitute to dependent, regular work. Nevertheless, according to Eurostat for the year 2008 the percentage was of 18.5% (European Commission 2009: 177).

²⁶ During the first phase of implementation of the EES (1997-2002), the Portuguese Government adopted measures specifically directed to this form of employment. According to the mid-term national evaluation study: «those measures, however, did not aim employment promotion but rather its decrease, as it is the case of the fight against false self-employment and of the Public Administration effective integration of workers paid through “green receipts”. Although we are not dealing with a matter of policies inconsistency, since the real issue is the fight against false independent work and the promotion of “legitimate” self-employment, the fact is that the simultaneous adoption of these two kinds of measures does disrupt evaluating the effects of the measures which are intended to be evaluated» (DEPP/MTS 2002: 14).

²⁷ Temporary employment is similar to a fixed-term contract, one of the differences lying on the existence of a triangle relationship between the temporary employment agency as the employer, the enterprise requiring and using the service and the employee (Kovács 2004b).

²⁸ In 2008, the percentage of part-time employment corresponded to 11.9% against 18.2% in the EU 27 and 21% in the EU15. Nonetheless, the discrepancy is more accentuated for women. While only 17.2% of

a high proportion of “non-voluntary” part-time workers and that, in general terms, part-time employment has remained stable over the last few years (Hespanha 1999; Kovács 2004b)²⁹. An interesting phenomenon emphasized in a recent study relates to the fact that there is a higher incidence of flexible forms of employment among less socially recognized socio-professional categories (e.g. call-centres and third sector employees) and that stable forms of employment are predominant among high-level socio-professional categories (e.g. highly-skilled specialists, enterprise executives) (Kovács 2004b). Again, this is a symptom of the already mentioned dual image of the Portuguese labour market, i.e., where there is a group of individuals with access to stable, lifelong well paid jobs accompanied by training and promotion opportunities and there is another group of workers with an unstable employment relationship, whose jobs are, generally, poorly paid and linked to not very attractive professional expectations. Nowadays, the gaps between the “privileged insiders” and the “precarious outsiders”, to use Esping-Andersen’s terminology, are deepening (Esping-Andersen 2002) and there has been a considerable increase within the last group. Consequently, although labour market flexibility is considered an important factor allowing markets, organizations and individuals to adapt quickly to external and internal conditions and thus inducing higher competitiveness and economic growth, the increase of non-stable jobs generates new social risks: a) in terms of the quality of work itself (e.g. more precarious and insecure forms of employment, with fewer access to training and promotional opportunities) (Auer 2005; Rebelo 2003); b) in terms of individuals’ ability to negotiate and to participate in collective activities (Kovács 2004b: 65); c) strengthening the role of family and other social networks in the provision of welfare support, namely, in compensating the absence of unemployment benefits (Gonzalez cit in Papadopoulos 2006); d) high risk of poverty and social exclusion due, namely, to the lack of social protection (e.g. unemployment insurance) (Costa 2008; Perista and Nogueira 2006). As in other countries, this has been a very critical issue of dispute between workers and employers representatives. While the later “argue for the liberalization of the labour market

the Portuguese women hold part-time jobs in 2008, the EU27 and EU15 average for women in the same year was, respectively, 31.1% and 36.6% (European Commission 2009).

²⁹ In Portugal, part-time employment, as a percentage of total employment, rose from 11.0% in 1997 to 11.9% in 2008.

and demand from the state the necessary reforms to guarantee the viability of private economic activity (including the flexibilization of labour legislation)", unions aim to maintain employment levels "demanding of the state not only the enforcement of compliance with labour laws by firms but also the development of policies designed to counteract the tendency to increase lack of job insecurity" (Hespanha 1999: 69). In Portugal, the labour union CGTP-IN³⁰ is particularly critical in regard to the negative impacts of growing precarious forms of employment (e.g. jeopardizing workers' rights, engendering activities based on low salaries and low quality jobs; increasing the risks of labour accidents; diminishing workers' training and promotion opportunities) (CGTP-IN 1999). The ongoing debates regarding the development of these forms of employment reflect the demand for greater market flexibility and represent new/additional costs to the social protection system, which, in this case, may be transferred to the individual worker or the taxpayer (Sarfati 2002: 36).

3.2.2. Recent transformations in employment and unemployment

The recent history of the Portuguese labour market shows that, after the overall good performance registered in the beginning of the XXI' century, the employment performance deteriorated. The first period coincided with a phase of economic growth, which led to an increase in the employment rate and a decrease in unemployment. In spite of the low levels of unemployment registered during this period, some of the structural characteristics and problems of the labour market underlined above (e.g. low levels of education and training, poor quality and low wage levels) persisted (Cousins 2000: 106). The period initiated in 2002 coincided with the slowdown of economic activity and with a new phase in fiscal policy whose main aim was to comply with the Stability and Growth Pact' (SGP) criteria (e.g. restructuring public administration, freezing public service recruitment, non-renewal of fixed-term contracts and possible greater mobility for civil servants), and in particular with budgetary

³⁰ The *Confederação Geral dos Trabalhadores Portugueses* (CGTP, the General Confederation of Portuguese Workers) is one of the two main Portuguese trade union confederations, close to a communist oriented political project and well known for embracing a "unionism of confrontation" (Costa 2005).

balance (Cadeiras 2003). Since 2006, there has been a substantial increase in the unemployment rate, particularly since 2008, when the economic and financial international situation started to falter significantly. Next, we describe in more detail the Portuguese employment and unemployment situation since 1998.

Table 1 - Labour market indicators Portugal 1998-2009

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Employment rate (% population aged 15-64)	66,8	67,4	68,4	69	68,8	68,1	67,8	67,5	67,9	67,8	68,2	66,3
Employment rate (% population aged 15-24)	42,5	42,6	42,2	42,9	42,2	38,8	37,1	36,1	35,8	34,9	34,7	31,3
Employment rate (% population aged 25-54)	80,1	80,6	81,8	82,3	81,5	81	81,1	80,8	81,3	81	81,6	79,7
Employment rate (% population aged 55-64)	49,6	50,1	50,7	50,2	51,4	51,6	50,3	50,5	50,1	50,9	50,8	49,7
Unemployment rate (% labour force 15+)	5	4,5	4	4,1	5,1	6,4	6,7	7,7	7,8	8,1	7,7	9,6
Youth unemployment rate (% labour force 15-24)	10,4	8,8	8,6	9,4	11,6	14,5	15,3	16,1	16,3	16,6	16,4	20
Long term unemployment rate (% labour force)	2,2	1,8	1,7	1,5	1,8	2,2	3	3,7	3,9	3,8	3,7	4,3

Source: Eurostat

As we can see in the Table 1 above, the employment rate³¹ increased from 66.8% of the working-age population in 1998 to 69.0% in 2001, nearly reaching the Lisbon target by 2010 (70%). From 2001 onwards, the employment rate started to decrease, reaching

³¹ According to INE, the employment rate “defines the ratio between the employed population and the working age population (population aged 15 years old and over)”. Persons in employment are those (aged 15 or over) who during the reference period were in the following categories: a) persons who performed some work for a wage or salary, in cash or in kind; b) persons who, having already worked in their present job, were temporarily not at work and had a formal attachment to their job; c) persons with an enterprise, who were temporarily not at work for any specific reason; d) persons who were offered early retirement, but were working in the reference period.

only 66.3% in 2009. Men's employment rate continuously diminished since 2001, amounting to 71.1% in 2009. Female employment rate, on the contrary, registers constant rates of growth, and, since the year 2000, is above the aim set in Lisbon (60%), reaching 61.6% in 2009.

Regarding the employment rate of elderly workers, it grew more or less constantly until 2003, when it reached 51.6% of the working-aged population from 55 to 64 years old, and is decreasing since then, corresponding to 49.7% in 2009. The employment rate for young people broadly stable until 2002, corresponding to 42.2%. Since 2003 it has fallen sharply, and by the year 2009 only 31.3% of those aged 15-24 were in work (see Table 1). This has to do, namely, with the longer periods spent by young persons in education but also to the decrease in employment mainly since the global financial crisis that has severely hit Portuguese businesses, jobs and households.

The unemployment rate, which reached only 4.0% in 2000, increased sharply reaching 9.6% in 2009. The importance of long-term (and very long-term) unemployment in total employment has also increased, between 1.8% in 2002 and 4.3% in 2009. The de-segregation of the long-term unemployment rates shows that there are a high percentage of people with low levels of education, who face particularly high risks of poverty and social exclusion.

The social groups particularly hit by unemployment are (a) young people (b) older workers; c) women; d) immigrants and disabled. These last three social groups in particular suffer from discrimination processes that occur in other fields of social life which have significant repercussions in the sphere of work (Pedroso et al. 2005: 19).

Since 2001, the unemployment rate for young people aged between 15-24 is continuously raising and reached 20% in 2009 (see Table 1). This group faces particular difficulties entering into the labour market, due namely to the mismatch between their education and training competences and the ones valued and required by the labour market. At the same time that there is a rise in young people's unemployment, there are also a high percentage of early school leavers, which reached, in 2010, 28.7 %³².

³² According to the EU-LFS "early school leavers includes all the persons aged 18 to 24 who are not in education or training and with at most lower secondary education" (Jouhette and Romans 2006).

The unemployment rate for people aged 55-64 also rose from 3.2% in 2001 to 7.7% in 2009. This is a reflex, among other reasons, of inadequate job opportunities, slow economic growth, greater difficulties in the restructuring processes, employers' reluctance to keep or recruit older workers and recent disincentives to opt for early exit from work (e.g. early retirement pensions). Long-term unemployment is also rising, namely among older workers and women.

Another significant trend is that the rate of unemployment is growing among qualified individuals although, in this case, the duration in unemployment is smaller than for less qualified workers (Pedroso et al. 2005: 82).

The trends identified above result from data on the "officially unemployed". However, we should bear in mind that statistics' are the result of a political and social construction. Considering the influential work of Phineas Baxandall (2001; 2004), our point is that the meaning and political salience of unemployment changes over time, depending on the prevailing model of employment and on the strategies designated to preserve it. In Portugal, as in other capitalist countries, there is a high number of "employable individuals" which are under-represented in the official statistics of unemployment³³ (e.g. persons on training and education, emigrants³⁴, workers in the informal economy, housewives, even if they are interested in working, people that are not inscribed in the public employment services agencies, either because they do not fulfil the requirements necessary to have access to the unemployment benefit or because they were eradicated from the official files and/or because they no longer fulfil the requirements). Therefore, in order to obtain a more complete analysis of the success of the labour market performance, we should examine other indicators such as labour

³³ Although there remains a difference between survey based unemployment (INE, *Inquérito ao Emprego*) and the unemployment count that derives from registered job seekers who are in receipt of benefits or credits for contributory benefits, we have recently observed, mainly since 2005, a tendency towards the convergence of the two. What is more, since June 2005, IEFP established the practice of exchanging data with the Portuguese Social Security files with the aim of confirming unemployed "effective status". The consequence was that several thousands of people were eliminated from the IEFP files as being unemployed and were re-classified as "employed people wanting to move to another Job". This is an example of how it is not uncommon to modify statistics in order to reduce official numbers of unemployed.

³⁴ There is a frequently neglected social phenomenon related to the continuing increase in Portuguese emigration, namely to other destination countries (e.g. Switzerland, Andorra) more substantially since 1995, as well as the growing number of immigrants unemployed. Regarding the first phenomenon see Marques (2009). For an analysis of the latter see the recent work coordinated by Carneiro (2009).

force participation rates or inactivity rates (Halvorsen 2004: 6)³⁵. In Portugal, there are some statistical instruments calling for our attention, such as the “available inactive”³⁶ and the “discouraged inactive”³⁷. Although these individuals are not registered as unemployed they may, nevertheless want, seek and be available for a job.

Besides, given the traditional binary way of thinking employment problems - employment versus unemployment - we emphasize that employment practices are changing, as we could apprehend in this paper from the analysis of the Portuguese case. In our opinion, this poses new challenges in terms, namely, of: a) the (urgent) reconceptualization of “work”, “employment” and “unemployment” and, the interconnections between them and b) the reinvention of a theoretical framework, to be used in the analysis of these phenomenon. As we demonstrated above, there is nowadays a variety of degrees of attachment to the labour market and the transitions between different labour market statuses are more and more frequent, so that the traditional dichotomy between the employed and the unemployed needs to be re-examined. These changes also have major implications for the welfare state. At the same time that it needs to redirect its financial resources to respond to the new social categories and risks, it is confronted with additional financial constraints. Thus, important political options need to be undertaken. The Portuguese recent experience shows a tendency towards the strengthening of social classes divisions and the emergence of new occupational divisions³⁸ and, thus, suggests the weakening of the state’s role and commitment to guarantee social security to all citizens and to introduce new labour market regulation mechanisms.

³⁵ As an additional example of how statistics can be manipulated, Knut Halvorsen mentions the situation of people registered as unemployed actually working in the underground economy (Halvorsen 2004).

³⁶ According to INE the “available active” are “all persons aged 15 or over who during the reference period do not have a paid or unpaid job, who intend to work, are ready to work (in return of payment or not), but have not taken the necessary steps to find a job during the reference period” (INE 2007).

³⁷ The “discouraged inactive” group includes “all persons aged 15 or over who during the reference period do not have a paid or unpaid job and, while willing and able to engage in a paid or unpaid job, are not seeking work or have ceased to seek work during the reference period, due to the following motives: they do not think that their age or education are appropriate, they do not know how to seek work, they think that it is not worth searching, or they believe there are no suitable available jobs” (INE 2007).

³⁸ As a result of recent political initiatives aimed at reducing social expenses, internal occupational divisions emerge within previously overprotected social categories (e.g civil servants).

4. Conclusions

At present, European welfare states and labour markets have to deal with major pressures, which derive both from economic and social transformations. Among these we emphasize the changes on the employment relationship and the high and persistent levels of unemployment. Recent developments suggest that promoting the integration of all in the labour market is becoming more and more difficult and incorporates new risks (even for individuals with stable, full-time, permanent jobs) thus creating additional difficulties to the social protection systems. Different welfare regimes adjust to the changes in the economic, social and demographic environment quite distinctively (Ferrera et al. 2000; Hemerijck 2005; Kleinman 2002: 13)³⁹. While some countries seem to address the new challenges without betraying its core commitments others are more likely to suffer from and/or aggravate the negative consequences associated with generous/expansionary welfare states (e.g. economic rigidities, political immobilism, social exclusion) (Ferrera et al. 2000; Kleinman 2002). As we explained in the paper, recent developments affecting both the Portuguese labour market and welfare state indicate that, at the same time the risks and costs of belonging to a rapidly changing, highly competitive international environment rise, the existing social protection structures continue to be insufficiently prepared to respond, for instance, to less secure jobs and growing unemployment. We are convinced that the political failure in overcoming internal structural problems⁴⁰, the implementation of labour market reforms characterized by imbalances between flexibility and security, together with a deteriorating employment situation and a negative macroeconomic

³⁹ A schematic and very useful synthesis of some of the leading authors' interpretation on the impacts of internal and external changes on specific welfare-state arrangements can be found in (Hemerijck 2005).

⁴⁰ To give an example we stress that, although in recent years some "moralizing" measures were introduced, namely, to combat corruption, clientelism, tax evasion and the underground economy, the success of these measures seems to be deceiving. To give an example, recent results of the implementation, since January 2007, of the new Unemployment Protection regulations (Decreto-Lei 220_2006, de 3 de Novembro) show that the situation of the unemployed before and after its implementation is not particularly distinct, besides the intensification of bureaucratic forms of control regarding subsidized unemployment (e.g. obligation of showing proofs of active search of employment). Moreover, apart from strategies of circumventing the system already in practice, some of the innovative initiatives launched within the new law (e.g. subscription of a Personalized Employment Plan, personalized technical counseling from Public Employment Services) are far from being successfully implemented.

scenario consolidate the disparities and weaknesses of the Portuguese welfare state. By saying this, we emphasise that historical and institutional legacies do influence the way (different) Welfare States deal with (new) external and internal pressures. In the case of Portugal, these legacies represent additional constraints⁴¹, particularly when, as it is happening now, structural changes are occurring in the labour market and an economic and financial crisis is occurring at the international level. Thus, although we agree with the idea that no radical change is affecting, in this case, the Portuguese welfare state, there are signs of “a broad, albeit slow moving, process of policy change” (Hemerijck 2005: 14). This process is the result of changes in environmental conditions and the use of resources that enable policy actors to respond to unexpected changes that, from the Portuguese recent experience, allow us to envisage the consolidation of the “southern syndrome” as Martin Rhodes puts it (Rhodes 1997: 15). Thus we contend that, in spite of the reforms introduced in the 1990s (e.g. the introduction of a basic safety net, the launch of new active labour market policies, significant reform in pensions and social security matters) and the above-average employment performance reached by the end of the twentieth century, the Portuguese welfare state is nowadays failing to address the problems that derive from international competitiveness and post-industrial changes as well as endogenous challenges. This idea contradicts the analysis of the Portuguese experience presented by Ferrera, Hemerijck and Rhodes in the beginning of this century that considered Portugal as one of the successful examples of the Southern welfare regime (Ferrera et al. 2000: 53)⁴². In our opinion, the downturn in the Portuguese performance lies, namely, on the absence and/or incomplete structural reforms undertaken and, perhaps in some cases, to the inadequacy of the chosen strategies to resolve the problems of economic performance.

Being a small country, with an economy particularly open to external trends and regulations, Portugal is nowadays in a particularly vulnerable situation to respond to the impacts of the globalization processes, related, namely, with the integration of fi-

⁴¹ Among the more important institutional obstacles we emphasize the following: strong vested interests and clientelist collusion, ineffective administrative structures, absence of political consensus (Rhodes 1997: 15).

⁴² An (measured) optimistic perspective was shared by Martin Rhodes (Rhodes 1997).

nancial and product markets worldwide and/or the transference of capital and production abroad, as well as to the constraints imposed by EMU. In order to overcome some of its labour market structural problems and to adapt to the changing socioeconomic circumstances, Portugal needs to readjust its model of economic specialization⁴³. This means that it is necessary, for instance, to promote the development of high-tech and knowledge-intensive sectors and, simultaneously, to upgrade the skills and education levels of the Portuguese labour force. These require the implementation of structural reforms that, as we know, take a long length of time, since they depend on the evolution of institutional behaviour, which is traditionally very slow, and must be successful and undertaken without delay, since the ones introduced until now proved to be rather tenuous. Additionally, the persistence of low paid and precarious forms of employment represents additional risks, affecting some groups of workers more deeply (e.g. women, young people, long-term unemployed) for both the social protection system and the labour market performance and thus jeopardizes the country's position in the international "world-system". In Portugal, the balance between job security and increased labour mobility needs to be (re) established in order to reduce the risks of reinforcing the group of the "working poor" as well as labour market dualism. For now, the noteworthy increasing levels of unemployment and inactivity as well as the raising number of precarious jobs, not only are a clear sign of the labour market structural weaknesses, as they represent to the welfare state new and additional demands. Due, namely, to the financial constraints with which it is currently confronted there is a high risk of diminishing the social policies efficiency at the cost of the workers well being and/or their entrapment in social exclusion and poverty situations. In our opinion, this risk is aggravated by a widespread pattern of hidden unemployment in the EU countries, a phenomenon, as we can testify from the Portuguese recent experience, underestimated by official statistics. To conclude, we emphasize that some of the negative consequences of the ongoing trends and political options are already being felt by the

⁴³ The Ernest&Young report for 2007, stresses the transformation of the Portuguese paradigm of attractiveness based on less labour intensive low value-added products and increased specialization in medium and high-tech activities. Services are seen as the most attractive specialization areas in the near future, and the contribution of tourism and leisure, in particular, is emphasized (Ernest&Young 2007).

Portuguese society and force us to envisage a pessimist scenario characterized by the reinforcement of social and economic inequalities, or to use the French expression, a society “à deux vitesses” and the peripheralization of the Portuguese economy and society for the following years.

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