

AUSTERITY: THE WRONG PATH TO EMPLOYMENT ENHANCEMENT - F. CASTELO BRANCO & ASSOCIADOS

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The unemployment rate in Portugal was around 15% in early September 2012, which means that by now there are more than 800,000 unemployed.

Much has been said and debated about this issue, but it seems that everything is yet to be achieved.

On September 7th, 2012, the Portuguese Prime Minister announced that employees' monthly contributions to the social security would increase from 11 per cent to 18 per cent of their remuneration. The employers' social security contribution would also be reduced from 23.75 per cent to 18 per cent of the employee's remuneration.

These measures were proposed as a way to face and to put an end to the galloping rise in unemployment and, according to the Government's expectations, they could enable companies to reduce their costs and consequently enhance their competitiveness and capacity for making new investments.

Notwithstanding this, these measures sparked huge criticisms from all quarters of the Portuguese society, including the

people's reaction by means of massive public demonstrations. The Government therefore reversed their decision, decided to put them aside and study other solutions not only to fight the unemployment rate but also to reduce the public deficit to 4.5 per cent in 2013.

It is true that efforts have been made in order to fight the unemployment numbers, notably by the creation of programmes such as 'Estímulo 2012' – a measure that lies in a financial support provided to all employers that sign an employment agreement with an unemployed person registered in the job centre for at least six consecutive months – which entered into effect on February 14th, 2012.

A strategic plan for youth employability and to support the small and medium companies named 'Programa Impulso Jovem' was also implemented.

This Plan is based on three key pillars: professional training/internships; hiring and entrepreneurship support; and, investment support.

Regarding the first pillar, the Portuguese Government foresees that about 19,000 young people will be covered by these measures, namely by the '*employment passports*' recently created by Order of the Government nr. 225-A/2012, of July 31st. This is intended for young people aged 18-30 that have been registered in a job centre for at least four months, and consists of financial support given to employers that provide professional training for six months.

Under the second pillar, a measure was created that allows employers to reduce their social security contribution provided that an employment agreement is signed with a young unemployed person registered in a job centre for at least 12 consecutive months.

With regard to the third pillar, the Government announced better access to financing facilities for the small and medium companies, as well as measures to enhance youth entrepreneurship.

The big questions are whether these measures enough to face the hostile unemployment environment, and whether they be able to turn around the status quo.

Despite all efforts, statistics show that unemployment keeps on rising, the number of insolvencies has long passed reasonable figures and the fast-growing numbers of collective dismissals are disturbing and a matter of the utmost concern.

It is clear that the employment policies outlined are not delivering the intended results and until this moment have had very little impact on the Portuguese labour market.

To employ a healthcare metaphor, the above-mentioned measures are like giving aspirin to a terminally ill patient. They are surely well intended but are of no use in trying to overcome unemployment unless a serious approach, as well as a decisive commitment, is taken.

Bearing in mind the Portuguese reality and the urgent need for more austerity measures, unless the Portuguese Government performs a Houdini move, it is very unlikely, not to say almost impossible, that the unemployment rate will reduce in the forthcoming year.

We must place greater reliance on a wide range of cross-cutting measures that cover the whole business sector - employers and employees - in order to boost domestic and foreign investment. Only investment will create jobs!

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