

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Unemployment in Portugal

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Nezaměstnanost v Portugalsku

Unemployment in Portugal

Souhrn

Moje bakalářská práce poskytne teoretický pohled na nezaměstnanost a skutečnou analogii k portugalskému trhu práce. Teoretická část bude spojovat většinu teorií spojených s nezaměstnaností v souvislosti s dalšími ukazateli. Praktická část bude zahrnovat obecný přehled míry nezaměstnanosti od vstupu do EU a analogii vztahu k ostatním ukazatelům

Podstata mojí bakalářské práce zahrnuje porovnání nezaměstnanosti s ostatními makroekonomickými indikátory a rozdělení pracovních sil na jednotlivé skupiny lidí a členění podle jednotlivých regionů Portugalska. Praktická část bakalářské práce bude založena na znalosti získané z teorie.

Summary

My bachelor thesis will provide a theoretical view of unemployment and a practical analogy of the Portuguese labor market. The theoretical part will synthesize most of the theories associated with unemployment and its relation to other indicators. The practical part will include an overview of unemployment rates since the entrance in the EU and an analogy of its relation with other indicators.

The gist of my bachelor thesis includes comparisons of unemployment with other macroeconomic indicators and the labor force segmentation into groups of people and regions of Portugal. The practical part of the thesis will be based on the knowledge acquired from the theory.

Klíčová slova: nezaměstnanost, trh práce, pracovní síla, globalizace, míra, nezaměstnanosti, poptávka turismu, HDP, inflace.

Keywords: unemployment, labor market, labor force, globalization, unemployment rate, tourism demand, GDP, inflation.

Introduction

My bachelor thesis “Unemployment in Portugal” is a matter of increasing concern over the previous years. Since 2010 the unemployment rates reached alarming levels in Portugal. The loss of a job has negative consequences either on the social, economic or politic level. High unemployment rates might provoke uncertainty about the future and that is always problematic for an economy. It is known that it is not possible to have the whole workforce employed at the same time, the reasons why will be provided ahead.

One of the most important indicators used in macroeconomics is unemployment. Employment indicators reflect the health of an economy. For a better understanding of an economy’s health we need to know how many jobs are being created or destroyed and the percentage of employed workforce.

The bachelor thesis “Unemployment in Portugal” will allow a better understanding of the actual situation in the country as well as it will provide data and respective analogy of several indicators.

Aims and Methodology

I pretend with my bachelor thesis to provide an insight on one of the most important macroeconomic indicators which is unemployment. I found this topic interesting mainly due to the actual situation in my country. The main aim is to understand what the main problems in the Portuguese labor force are and how it has changed over the previous years. I will compare unemployment to other indicators through data provided by both Portuguese (INE, PORDATA) and European (Eurostat) statistical entities. The probability for an individual to be unemployed depends on many factors as education level, age, activity sector or geographical region. I will provide statistical data in order to analyze the relations between all those factors and unemployment.

The bachelor thesis included study of literature, data collection, descriptive and comparative methods. Most of the tables were elaborated on MS Excel after the extraction of data from statistical entities.

The thesis will be divided into two main parts. The theoretical part will include some of the most important theories of employment. Its main goal is to provide a better understanding of the matter in order to analyze the Portuguese situation. In the second part I will analyze the unemployment mainly since Portugal belongs to EU. The unemployment will be often compared to other indicators which might not show a constant correlation, however I will choose the indicators which mostly affect the Portuguese labor force and also, for some indicators, compare it to the situation in the whole Europe.

Conclusion

The Portuguese geographical distribution of the population is affected by the young people who often decide to move to bigger cities in order to find better job opportunities. The ones who stay are mainly those who don't belong to the workforce anymore.

In terms of migration to/from other countries, the correlation between unemployment and net migration was mostly negative in the period of time analyzed. The consequences of low net migration and high unemployment rates are the investment which is lost in education, population ageing and brain drain.

Portugal has been investing in education over the last decades in order to improve its workforce. I concluded before that Portugal reduced the quantity of early leavers from education/training in more than half since 2000 until now. I also got to the conclusion that those who achieved only the compulsory schooling accounted with the highest unemployment rates.

Both of the macroeconomic indicators related to unemployment in my thesis (growth rate of GDP and inflation) showed a negative correlation in the period analyzed. The indicators unemployment and inflation showed a negative correlation with increasing unemployment rates and disinflation, deflation was registered in the years 2009 (-0.8%) and 2014 (-0.28%). The data presented from the 21st century confirms the Phillip's curve in the short run. In the comparison made between growth rate of GDP and unemployment, the respective lowest and highest rates were recently registered 16.2% (2013) for unemployment and -3.32% (2012) growth rate of GDP.

Since Portugal became an EU member state, the sector of services became the one with higher levels of employment. That is considered to be a normal behavior since in the developed and richest countries most people work in the tertiary sector. Part of the increasing employment in the sector of services is explained by the increasing tourism demand since the entrance in the EU.

The weaknesses of the Portuguese labor market became clearer with my bachelor thesis. I analyzed the unemployment in different perspectives. As I mentioned in the unemployment rate's definition, it is not enough to analyze only the rates, it hides several evidences which I then analyzed with more detail. I may conclude that Portugal has a challenging future due to the recession by which the country is passing through, and that one of the ways how to cope with the levels of unemployment is through investing in human capital.

References

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