

## FINANCIAL ASSISTANCE PROGRAMME Measures with impact on Employment

The “Memorandum of Understanding” sets forth the specific economic policy conditionality, defined by IMFI/ECB/EC, within the Financial Assistance Programme for Portugal.

The basis of the measures with impact on Employment to be adopted by Portugal, which will be implemented after consultation of social partners, is the job creation and reforms to solve the major issues that hinder the efficient transition of employees across occupations, firms and sectors.

We highlight the following measures:

### a) Unemployment benefits:

- Reducing the maximum duration of unemployment insurance benefits to no more than 18 months;
- Capping unemployment benefits at 2.5 times the social support index (1,048.05€) and introducing a declining profile of benefits over the unemployment spell after six months of unemployment (a reduction of at least 10% in the benefit amount);
- Reducing the necessary contributory period to access unemployment insurance from 15 to 12 months;
- Eligibility to unemployment insurance to clearly-defined categories of self-employed workers providing their services to a single firm on a regular basis;
- The reform will only concern to future unemployment situations.

### b) Employment Protection:

#### b1) Severance payments

- Total severance payments for new open ended contracts will be reduced from 30 to 10 days per year of tenure (with 10 additional days to be paid by an employers' financed fund to be implemented) with a cap of 12 months and elimination of the maximum limit of 3 monthly salaries irrespective of tenure;
- Total severance payments for fixed-term contracts will be reduced from 36 to 10 days per year of tenure for contracts shorter than 6 months and from 24 to 10 days for longer contracts (with 10 additional days to be paid by an employers' financed fund to be implemented);
- The measures to be implemented will only include new hires, being set in alignment between new hires and current employees by a Government's proposal.



## b2) Dismissals

- Dismissals linked to unsuitability of the worker should become possible even without the introduction of new technologies or other changes to the workplace;
- a new reason can be added regarding situations where the worker has agreed with the employer specific delivery objectives and does not fulfil them, for reasons deriving exclusively from the workers' responsibility;
- Individual dismissals linked to the extinction of work positions should not necessarily follow a pre-defined seniority order if more than one worker is assigned to identical functions, aligning said dismissal with the present rules for collective dismissals.

## c) Working time arrangements:

- The Government will prepare measures to increase flexibility mechanisms the use of flexible working time arrangements, including on modalities for permitting the adoption of "bank of hours" working arrangement by mutual agreement of employers and employees negotiated at plant level;
- Easing the legal requirements regarding working time arrangements and short-time working schemes in cases of industrial crisis;
- Overtime will be paid by the value of the hourly retribution with an increase of a maximum of 50%, regardless the work being rendered in normal weekday, rest day, mandatory or complementary, and holiday (this matter may be revised by CLA);
- Elimination of the compensatory time off equal to 25% of overtime hours worked (this matter may be revised by CLA).

## d) Wage setting and competitiveness:

- Increase in the minimum wage will take place only if justified by economic and labor market developments;
- Define clear criteria to be followed for the extension of collective agreements to a sector of activity, having the competitive position of nonaffiliated firms to be among these criteria;
- Incentive to social coordination to implement new employment measures.

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