



Covid-19: New measures to support resuming work

Extended until the end of July, the simplified lay-off regime will be restricted from August onwards. In return, two new supports are created to maintain employment.

Following the set of measures adopted in the context of the COVID-19 pandemic, the Portuguese Council of Ministers enacted a new plan on June 6, which aims to encourage the return to professional activity, the increase in the number of working hours and the income earned by employees.

To encourage the maintenance of employment and the gradual resumption of economic activity, the following measures were adopted:

Simplified lay-off

- Extension of the simplified lay-off regime, as provided for in Decree-Law 10 G/2020, of 26 March, until the end of July;
- Application of the simplified lay-off regime, enshrined in the law identified in the previous point, from August onwards, only for companies and establishments whose activity is suspended by legal or administrative imposition.

Support to employment in the resumption of activity

- From August onwards, companies that can resume their activity, but have a drop in turnover of 40% or more, can benefit, between August and December 2020, from a progressive recovery support mechanism.
- This support only allows the reduction of working hours, but not the suspension of employment contracts, and is modulated according to the company's fall in invoicing. This way, the companies most affected can make greater reductions in normal working hours and the respective wages of their employees.
- The new support will be allocated, between August and September, in a differentiated manner according to the break in invoicing: (i) a reduction of up to 50% in working hours may be made in the event of a drop in revenue of 40% or more; (ii) a reduction of up to 70% in working hours may be made in the event of a drop in invoicing of 60% or more.
- Between October and December: (i) a reduction of up to 40% in the working hours may be made in the event of a 40% or more billings; (ii) a reduction of up to 60% in the working hours may be made in the event of a 60% or more billings.

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In order to benefit from the new support, companies have to comply with the following conditions:

- (i) Prohibition of collective dismissal, due to the extinction of the job and due to inadaptation on the employee, while the support is in force and in the following 60 days;
- (ii) Prohibition of distribution of profits while the support is in force.

Extraordinary financial incentive to normalize the activity

- Creation of an extraordinary financial incentive for the normalization of activity for companies able to resume their activity under 'normal' conditions and which have benefited from the simplified lay-off scheme or the extraordinary training plan, provided that they have not accessed the phasing-in support mechanism.

The incentive may be granted, according to the company's choice, through one of two modalities:

- a) A bonus of two minimum wages (1,270 euros) for each employee who was in a simplified lay-off and who resumes to work;
- b) A bonus of one minimum wage (635 euros) for each employee who was in a simplified lay-off and who resumes to work.

To access the first modality (a), the employer must comply with the following conditions: prohibition of collective dismissal, due to job extinction and inadaptation, as well as the duty to maintain the employment level during the implementation of the support and within 60 days thereafter.

The company will benefit from a 50% reduction in social security contributions in the first three months. If, in these three months the corporation creates more jobs, it will be exempt from payment of social security contributions for a period of two months in proportion to the employment gain, provided that it maintains that employment gain for a period of six months.

As regards the second modality (b), the employer must comply with the following conditions: prohibition of collective dismissal, due to job extinction and inadaptation, as well as the duty to maintain the employment level, during the implementation of the measure and in the following 60 days.

In short: with the deconfinement, the Portuguese Government has chosen to take new measures to support the economy and the employment, fostering the reduction of the normal period of work instead of the suspension of employment contracts.

For companies that remain closed due to legal obligation, the suspension of employment contracts is still allowed.

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