

2023-2026 PORTUGUESE SOCIAL PACT: LABOUR MEASURES

The 2023-2026 Social Pact sets guidelines for the evolution of the national minimum wage, as well as incentives for companies to hire and improve the salary of young employees.

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A “Medium-Term Agreement on Improving Incomes, Wages and Competitiveness” (“The 2023-2026 Social Pact”) has recently been signed by the so-called Portuguese Social Partners (representatives of employers, unions, and the Government). It sets guidelines for employment collective bargaining on the increase of salaries for the years 2023 to 2026.

The most relevant provisions of the Portuguese 2023-2026 Social Pact in this regard are:

- (i) The annual nominal appreciation of salaries per employee of 4.8% on average (appreciation of 5.1% in 2023; 4.8% in 2024; 4.7% in 2025 and 4.6% in 2026);
- (ii) An increase of the minimum monthly guaranteed remuneration up to at least €900.00 in 2026 (increase to €760.00 in 2023; €810.00 in 2024; €855.00 in 2025 and €900.00 in 2026).
- (iii) The increased remuneration for overtime work above 100 hours: (i) 50% for the first hour; (ii) 75% for each subsequent hour; (iii) 100% for each hour on weekly rest days or public holidays.
- (i) A tax exemption on the meal allowance of up to €5.20 per day.
- (ii) The increase to the severance compensation to 14 days’ salary per year of seniority in case of collective dismissal or job extinction.
- (iii) An increase of 50% to the employer’s tax deductions regarding an increase in salaries (wages and social contributions), for all companies that have at least complied with one of the following conditions: (i) they have signed or renewed their collective bargaining agreements less than three years ago; (ii) they have annually increased salaries above the values of the 2023-2026 Social Pact and of their application framework collective bargaining instruments; (iii) they have reduced the difference between the remuneration of the 10% of better remunerated and the 10% of less well remunerated.

Employers must pay attention to the 2023-2026 Social Pact for the impact it will have on their labor costs, as the above guidelines can be construed as an instrument that, to some extent, allows anticipating the Portuguese companies’ labor costs in the forthcoming years.

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