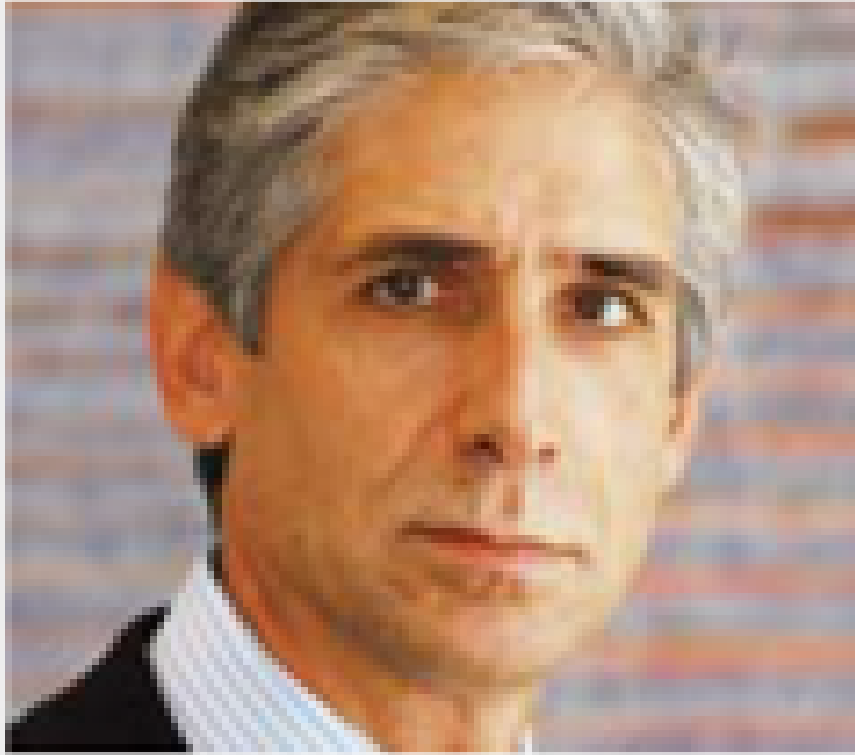


MORE LABOUR REFORM NEEDED IN PORTUGAL TO HELP BUSINESSES RECOVER FROM THE CRISIS - FCB SOCIEDADE DE ADVOGADOS

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While growth is returning to Portugal, businesses in some sectors are unable to restructure due to recent labour reforms related to employment protection legislation

Further labour reforms are still needed in Portugal to narrow the regulatory gap between permanent and temporary employment, in order to help businesses recovering from the crisis and address the 'dual labour market' that is damaging the Portuguese economy, says Inês Albuquerque e Castro, associate and head of the employment team at FCB Sociedade de Advogados in Lisbon.

"Although we are slowly seeing growth, there are still markets and sectors such as retail and commercial where clients are not able to recover as they don't have the funds to do the necessary restructuring," she says. "This is because Portugal still benefits from the highest level of protection against dismissals when compared with other countries." Labour reforms related to employment protection legislation – which aimed to make it easier for employers to dismiss staff on permanent contracts – did not go far enough, according to Albuquerque e Castro. Additionally, temporary and

fixed-term contracts are still more appealing to employers, which should not be the case, she adds. "The intention should be to reduce employers' reliance on temporary staff." However, any long-term wage and productivity gains from adjustments to permanent contracts have been offset by Portugal having one of the highest rates of temporary employment – 22 per cent compared to the 11 per cent OECD (Organisation for Economic Co-operation and Development) member country average. "This duality between permanent and temporary contracts has been a chronic problem because of our current labour legislation," says Albuquerque e Castro. "One of the challenges we currently face is how to help clients with less money find the legal means to pay their permanent employees severance," she explains. "At the same time, with the crisis forcing clients to use temporary contracts, we're also giving advice on how to draw up employment packages that will attract and retain employees."