

NEW HIRING INCENTIVES - PBBR

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Last year, Portugal wanted to increase the flexibility of its employment regulations and by doing so would correspondingly increase its competitiveness. A year later some labour law reforms have been approved, mainly related to the termination of employment contracts and redundancies in general, in view of the very difficult situation that Portugal was, and is still,

Despite the absence of a more in-depth revision of the Portuguese Labour Code, the Government has been passing some measures aiming at generally improving hiring, but mainly incentivising the hiring of long-term unemployed people, including both young people (between 18- 30 years old) and people over 45.

These measures contain stimuli for employers consisting mainly of the total or partial reimbursement for a certain period of time of social security contributions (TSU) paid by the employer and enabling some of the measures to be accumulated with others within the same scope. The exception is the Stimulus 2013 Measure, which instead of a reimbursement foresees a financial support payment to the employer of a certain capped percentage of the employee's salary.

In broad terms, the reimbursement ranges from 50 to 100 percent of the TSU amount, being capped at different levels, depending on the applicable measure. The reimbursement is made in instalments.

The measures are generally admitted up to a maximum of 20 employees, with the exception of Stimulus 2013, where this number may be higher. Should the company be considered as having a strategic interest, the employees' number limit is not applicable.

All companies applying these measures must be compliant with all their obligations towards both the social security and tax authorities.

Since they are aimed at stimulating hiring, all measures trigger an obligation for the employer to increase its net employment situation. This means that the employer is bound to increase its headcount above the lower average number that it had within a certain time limit (four, six or 12 months) preceding its application to the measure. Furthermore, the employer is bound to keep the same or higher headcount at least as long as the support lasts, such headcount determined on a monthly or quarterly basis, depending on the applicable measure. The maximum length of the support is generally of 18 months.

The Start-Ups Support Measure was designed to incentivise the incorporation of start-up companies in Portugal and thus, given their specific features, the long-term unemployed that may be hired under this measure must have professional skills matching a certain minimum degree (level III) within the National Qualification Table.

Although the other measures in force allow the hiring of both full-time and part-time employees, the Start-Ups Support Measure only covers full-time employees and is only applicable to workplaces located at the Level II Units of the North, Centre, Alentejo and Algarve.

It is too soon to determine if and how these measures have or will impact the general framework of the Portuguese employment market, but, in our opinion, they already set a very positive tone.

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