WORKING PAPER

Industrial relations and social dialogue

Portugal: Working life in the COVID-19 pandemic 2021

Authors: Maria da Paz Campos Lima and Paula Carrilho (Centro de Estudos para a Intervenção Social – CESIS)

Research manager: Christine Aumayr-Pintar (Eurofound)

Eurofound reference number: WPEF22024

Research carried out prior to the UK's withdrawal from the European Union on 31 January 2020, and published subsequently, may include data relating to the 28 EU Member States. Following this date, research only takes into account the 27 EU Member States (EU28 minus the UK), unless specified otherwise.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.

European Foundation for the Improvement of Living and Working Conditions

Telephone: (+353 1) 204 31 00

Email: information@eurofound.europa.eu

Web: www.eurofound.europa.eu

Contents

Introduction

In Portugal, the year 2021 began with the COVID-19 pandemic escalating to unprecedented levels (Campos Lima and Carrilho, 2021). The ‘state of emergency’ was renewed successively without interruption (8 times) lasting until 30 April 2021. From May until December 2021 the ‘state of emergency’ was replaced by the ‘state of calamity’ a less restrictive regime, with an interval in October and November under the ´state of alert’, a regime for lower risk situations. The ‘state of calamity’ was declared to deal with the rapid worsening of the pandemic situation in December, instead of the ‘state of emergency’ because at the time around 86% of the population had complete vaccination (and the elderly received a third dose). Vaccination in Portugal has been a success story. Official data from Our World in Data (2021) showed that Portugal presented on 31 January 2021 the second highest share of COVID-19 vaccination in the world, with 89.0 % of the population fully vaccinated.

In the first quarter of 2021, Gross Domestic Product (GDP) in real terms registered a year-on-year reduction of 5.4%, reflecting the economic impact of the COVID-19 pandemic. In the second quarter, the year-on-year rate of change was 15.5%, an evolution influenced by the unprecedented contraction of economic activity in the second quarter of 2020. In the third and fourth quarters of 2021, GDP evolution reflected the gradual diminution of the pandemic constraints, with a growth rate respectively of 4.2% and 5.8%. In 2021, GDP increased by 4.9%, in volume, ‘the highest growth since 1990, following the historical decline of 8.4% in 2020, which resulted from the adverse effects of the COVID-19 pandemic on economic activity’ (INE, 2022a).

Over the year 2021, the unemployment rate increased, from 6.5% in January to reach the highest level of 7.2% in May and decreased in the following months to reach the lowest level of 5.9% in December 2021, down 1 percentage point from a year before. Compared with one year earlier, in December 2021 the employed population (4,865,900) increased by 3.7%; the active population increased by 2.6%; the inactive population decreased by 4.7%; and the labour underutilisation rate (11.7%) decreased 2 percentage points (INE, 2022b).

Around 18.4% of the population was at-risk-of-poverty in 2020, 2.2 percentage points more than in 2019. The at-risk-of-poverty rate in 2020 corresponded to the proportion of inhabitants with a monthly income below €554. The 2021 survey collecting data on the impact of the COVID-19 pandemic highlighted that between May and September 2021, 16.4% of families reported a reduction in household income in the previous 12 months, a figure that remains much higher than that obtained in pre-pandemic (10.3% in 2019); 27.5% of the households that reported the reduction in household income indicated the COVID-19 pandemic as the reason (INE, 2021b). Sources from the Ministry of Labour indicate that the rate of poverty risk of the employed population was 9.5% in 2019 and that this rate was much higher for employees with non-permanent contracts (10.3%) than for employees with permanent contracts (6.1%) (GEP/MTSSS, 2021b).

The continuation, in 2021, of exceptional mitigation measures and various types of support measures to protect employment combined with the minimum wage trajectory (increase by 4.7% in 2021) helped to favour domestic demand. According to Statistics Portugal ‘domestic demand presented a significant positive contribution to the annual rate of change of GDP, after being markedly negative in 2020, with a recovery of private consumption and investment’ (INE, 2022b).

Political context

The year 2021 corresponded to the second year of the government of the Socialist Party (Partido Socialista, PS). For this term (2019-2023), the PS minority government did not want to renew the written agreements of parliamentary incidence with the left leaning parties, which were crucial in the previous term (2015-2019). The government followed instead a strategy of ad-hoc cooperation (Campos Lima and Carrilho, 2021).

The signals of discontent from the left lean parties in relation to some critical issues increased over the year. Although converging in various important issues with the PS, the Left Bloc (Bloco de Esquerda, BE), the Communist Party (Partido Comunista, PCP) and the Ecologist Green Party (Partido Ecologista 'Os Verdes', PEV) demanded more ambitious measures: strengthening the National Health Service, the reversal of labour legislation from the Troika period and improving further the level of minimum wage and pensions. The tension mounted on October 2021, when these parties announced they would vote against the government's 2022 budget bill, after the PS government did not accept their conditions for its approval. After the rejection of the budget bill on 27 October 2021, the President of the Republic, Marcelo Rebelo de Sousa, announced on 5 November the decision to dissolve the parliament and called general elections for 30 January 2022. The parliament was formally dissolved on 5 December 2022. The decision of the President of the Republic raised concerns among law experts, insofar neither the Portuguese Constitution nor the Budget Law determines automatically the dissolution of the parliament in the case of the non-approval of a state budget bill (Jornal de Negócios, 4 November 2021). As agreed between the Prime Minster António Costa and the President of the Republic, the PS government remained in functions until the elections, with all its competences, having into account the critical situation of the country concerning COVID-19 pandemic and the commitments concerning the implementation of the National Recovery and Resilience Plan (Plano de Recuperação e Resiliência, PRR).

In the national elections on 30 January 2022, the Socialist Party, after six years in power in minority governments, won an outright majority of votes, of 117 seats in the 230-seat parliament. The response of the Public Health Service to the pandemic crisis and the positive evolution of the economy and employment growth concurred for this outcome. The public perception of polarization and the threat of right and extreme right parties increasing their score in opinion polls seem to have been decisive for the PS outstanding victory, giving this party the chance of a very stable new mandate (Ramiro, 2022).

Governments and social partners response to cushion the effects

The government response to cushion the effects of the COVID-19 pandemic in 2021 included a wide range of emergency/mitigation measures already implemented in 2020, which were extended due to the wide spread of the pandemic from January to April 2021, under the 'state of emergency', combined with stabilization and recovery measures, some of which in place since April 2020, and new measures that emerged after April 2021 linked with the debate of the PRR.

The measures aiming at **employment protection and retention** included income support for people in employment: under the 'simplified layoff regime/short-time work' launched in March 2020 renewed and reconfigured in connection with the escalation COVID-19 pandemic; and under the regime supporting the temporary reduction of working time launched in the stabilisation/recovery period (in August 2020) and updated and extended during 2021.[i]

The extension of the implementation period of some measures was closely linked to the worsening of the pandemic, such as those concerning the **protection of workers and adaptation of workplace**, with focus on teleworking and on specific vulnerable groups.[ii] The changes in working hours and work arrangements[iii] reflected simultaneously the purpose of **protection of workers and adaptation of workplace** and the aim to facilitate the reopening of the economy under more secure conditions.

During 2021, a wide range of measures to support business and employers still were interlinked with some of the previous measures, namely layoff, short-time, and reduction of working time duration, with the measures suspending temporary economic activity and those of gradual opening. From measures aiming to **support business to stay afloat,** which implementation period was extended in 2021, with focus on direct subsidies,[iv] deferral of payments or liabilities, [v] and access to finance with two new measures;[vi] to measures aiming to **support business to get back to normal**, with focus on enhancing employability and training[vii] and to support a gradual relaunch of work. [viii]

A particular measure remained in force during 2021 aiming to **ensure business continuity and support for essential services**, with focus on the implementation of an exceptional regime suspending overtime limits in the National Health Service.[ix]

Various measures launched in 2020 to address the critical social emergency generated by the pandemic crisis with incidence on **income protection remained in place in 2021:** with focus on support to workers not covered by any kind of protection scheme.[x]

On the other hand, the focus on active labour market policies established in 2020, linked with recovery goals identified in the PEES included several measures that remained in place in 2021, covering incentives for employers to hire and internships, targeting different groups of unemployed and vulnerable workers (young people, unemployed persons with disability or impairment, etc).[xi]

The process of information/consultation of social partners, i.e. the four employer confederations (CAP, CCP, CIP and CTP) and the two trade union confederations (CGTP and UGT) took place in the context of the tripartite Standing Committee for Social Concertation (CPCS). Basically the question was to re-establish in 2021 some of the extraordinary measures already launched during the 'state of emergency' in 2020 to tackle the escalating pandemic crisis. In general, the measures were well accepted. However, there were some tensions about the duration of restrictions concerning opening hours, occupation or capacity of establishments or events, limitation to the movement of people in the national territory, or conditioning access to tourists. For example, the National Council of Employers' Confederations (CNCP) questioned the government decision of maintaining compulsory telework in the private sector until mid-June 2021, arguing that it conflicted with other constitutionally protected rights, freedoms and guarantees such as the development of economic activity.

The measures adopted, in particular the simplified lay-off regime and the support for the progressive recovery, played a key role in mitigating the effects of the pandemic crisis, having benefited 174 thousand employers and around 1,040 million workers. The overall amount of support measures to maintain employment reached 3,230 million euros.

Table 1: Measures COVID-19 - Support to employment protection and retention

Measure	Number of workers covered (thousand)	Number of companies (thousand)	Level of funding (million euros)
Simplified Layoff 2020	899	110	855
Simplified Layoff 2021	329	58	395
Support to Progressive Recovery	339	44	647
Incentive to Normalisation 2020	471	53	448
Support to normalisation + Simplified support to Micro 2021	287	48	187

Note: Provisory data; database situation on 26 October 2021.

Source: GEP/MTSSS, 2021b

[i] Eurofound (2021) Exceptional and temporary measure on layoffs to protect jobs in the context of the COVID-19 pandemic, case **PT-2020-13/297** – measures in Portugal, COVID-19 EU PolicyWatch; Eurofound (2021) Support to temporary reduction of the normal period of working time **–** case **PT-2020-31/1278**, COVID-19 EU PolicyWatch.

[ii] Eurofound (2021), Telework - exceptional and temporary measure in the context of the COVID-19 pandemic, case **PT-2020-13/307** - measures in Portugal, COVID-19 EU PolicyWatch; Eurofound (2021), Telework - Increasing the number of Public Administration workers in teleworking, case **PT-2020-28/964** - measures in Portugal, COVID-19 EU PolicyWatch; and Eurofound (2021), Telework and workers with disability or impairment - exceptional and temporary measure in the context of the COVID-19 pandemic, case **PT-2020-22/1228** - measures in Portugal, COVID-19 EU PolicyWatch.

[iii] Eurofound (2021), Staggered working times - exceptional and transitory regime, case **PT-2020-40/1273** – measures in Portugal, COVID-19 EU PolicyWatch.

[iv] Eurofound (2021), Exemption and partial remission of social security contributions for companies with temporary reduction of the normal period of working time, case **PT-2020-31/1282** – measures in Portugal, COVID-19 EU PolicyWatch.

[v] Eurofound (2021), Exceptional and temporary regime for compliance with fiscal obligations and social contributions, case **PT-2020-16/410**; and Fiscal support measures to micro, small and medium businesses, case **PT-2020-31/1218** – measures in Portugal, COVID-19 EU PolicyWatch.

[vi] Eurofound (2021), New measures addressed to businesses and employment, case **PT-2020-53/1731**– measures in Portugal, COVID-19 EU PolicyWatch; Financial support line for micro and small tourist companies,

case **PT-2021-3/1732** – measures in Portugal, COVID-19 EU PolicyWatch; Companies Capitalisation Fund, case **PT-2021-31/2065** – measures in Portugal, COVID-19 EU PolicyWatch.

[vii] Eurofound (2021), Extraordinary training plan - Exceptional and temporary measure to protect jobs in the context of the COVID-19 pandemic, case **PT-2020-13/335** - measures in Portugal, COVID-19 EU PolicyWatch; and Eurofound (2020), Training plan for companies with temporary reduction of the normal period of working time, case **PT-2020-31/1281** - measures in Portugal, COVID-19 EU PolicyWatch.

[viii] Eurofound (2021), Extraordinary financial incentive to support the normalisation of business activity, case **PT-2020-13/433** – measures in Portugal, COVID-19 EU PolicyWatch; ADAPTAR Programme - Adaptation of business activity in the context of COVID-19, case **PT-2020-51/1728**– measures in Portugal, COVID-19 EU; Support measures within the scope of the COVID-19 pandemic, case **PT-2021-13/1878**– measures in Portugal, COVID-19 EU PolicyWatch.

[ix] Eurofound (2021), Exceptional regime suspending overtime limits, case **PT-2020-11/320** – measures in Portugal, COVID-19 EU PolicyWatch.

[x] Eurofound (2021), Extraordinary support for the reduction of self-employed economic activity, case **PT-2020-12/432** - measures in Portugal, COVID-19 EU PolicyWatch; Eurofound (2020), Protection of self-employed and informal workers, case **PT-2020-27/950** - measures in Portugal, COVID-19 EU PolicyWatch; and Eurofound (2020), Extraordinary support to workers income , case **PT-2021-1/1973** - measures in Portugal, COVID-19 EU PolicyWatch.

[xi] Eurofound (2020) Incentive ATIVAR.PT - Financial incentives to hire registered unemployed, case **PT-2020-31/1068**; ATIVAR.PT Labour market integration internships, case **PT-2020-31/1075**; Internship ATIVAR.PT - Internships for unemployed persons with disability or impairment, case **PT-2020-35/1225**; Incentive ATIVAR.PT - Incentive for employers to hire unemployed persons with disability or impairment, case **PT-2020-35/1226**; Financial support for the hiring of young unemployed - Incentive ATIVAR.PT, case **PT-2020-35/1254**; Supporting the labour market integration of young people - internships ATIVAR.PT, case **PT-2020-35/1263**.

Adapting to the pandemic and the return to work: Policies and debates

New occupational health and safety rules

In Portugal, the vaccination plan for COVID-19 was released in early December 2020 (DGS, 2020), defining the priority groups and the respective stages of vaccination. The vaccination has been administered on a voluntary basis since January 2021. The government intense effort providing the infrastructure and human resources and the positive response of the population allowed Portugal to be among the most highly vaccinated countries in the world, with 88% of the population fully vaccinated.

In the first phase, people over 50 years of age with health problems were vaccinated. Professionals and residents of nursing homes and long-term care units, as well as health professionals, the armed forces, security forces and critical services were part of this initial phase. Later, in a second phase, people over 65 (with or without pathologies) and people aged between 50 and 64 with health problems were vaccinated. The third phase included the remaining population living in Portugal. For confirmed COVID-19 cases and for those in contact with positive cases there was an obligatory quarantine period of 14 days.

Although the vaccination is not mandatory, unvaccinated people have faced severe mobility restrictions, especially in accessing restaurants, hotels and cultural and sports events (Observador, 2021). In Portugal, workers cannot be dismissed or suspended if they do not adhere to the vaccination. However, there is a social pressure for workers to be vaccinated and vaccination has been highly recommended by the Government and Ministry of Health. Workplaces were considered places of high risk of contagion, leading to the implementation of a set of measures and increased hygiene requirements in the workplace. The social distance and the use of the mask were the two main recommendations that remained in force since 2020. Compulsory and recommended telework have been also a way for minimising the negative effect of the pandemic and limiting its spread.

Some employers defended that the workers must be tested in a regularly basis. Article 19 of the Labour Code (Law 7/2009) provides the possibility for employers to ask workers to present COVID-19 tests to access workplaces (RTP, 2021). However, no specific case deserved particular attention. The Confederation of Portuguese Industry (CIP) argued in favour of legislation obliging workers to test for COVID-19. For the president of the CIP, if vaccination is not compulsory, the monetary burden of testing should be borne by the workers themselves who do not want to be vaccinated and testing must be compulsory. The idea of compulsory vaccination faced strong criticisms from the General Workers' Union (UGT) that argued that workers should not be forced to be vaccinated (Público, 2021a).

New working arrangement policies

The most recent information from Statistics Portugal reveals that in the fourth quarter of 2020, 12.3% of the employed population reported having teleworked always or almost always in the reference week or in the three weeks before, 1.9 percentage points less than in the previous quarter. Of these, 79.4% indicated that the main reason for having teleworked was the COVID-19 pandemic. Among those having teleworked always or almost always, 94.3% used information and communication technologies (ICT). That estimate represented 11.6% of total employed population, 1.8 percentage points less than in the previous quarter, and has decreased by 12.6% from the third quarter of 2020 (INE, 2021).

According to the study 'Work, Telework and Social Distancing in the Pandemic', in 2019, before COVID-19 pandemic, only 6% of workers had a prior experience of telework, in Portugal. This proportion increased significantly when telework became obligatory under lockdown emergency measures, reaching 35% of working population, in 2020 (Pereira, 2021). This study concluded that:

- Workers, in general, have difficulties to disconnect outside working hours, whether they are in telework or face-to-face work: 38% of workers report that they often or always work outside working hours, whether they work in the office or at home; furthermore, 15% of the workers are contacted by superiors outside working hours.
- Telework is associated with long working hours. Almost half of the workers (48%) stated that their working time increased in the telework regime: 33% reported that they worked longer and 15% worked much longer. Only 10% said they worked fewer hours than their usual working time.
- Stress was pointed as a harmful effect of telework. The experience of stress is mostly identified by those workers that tend to reject telework, in 46% of the cases, compared to those who advocate a more regular use of telework – among these association between stress and telework reduces to 22%.

The study 'One year after: the impacts of the COVID-19 pandemic on the Portuguese's lives' (OSP, 2021) compared the results of an online survey between 27 and 30 March 2021 with those of a previous study conducted in March 2020 on the initial impacts of the pandemic. The participants in the study who were teleworking, who represented 41.5% of all participants, were invited to position themselves, on a scale ranging from 1 (totally disagree) to 7 (totally agree), with 4 representing a neutral point (neither agree nor disagree) regarding a set of situations in the context of telework. The results, comparing the 2020 and the 2021 averages, showed a general positioning of neutrality regarding the feeling of pressure to complete their tasks (2020: 3.9; 2021: 4), the need to be online constantly (2020: 4; 2021: 4.1), the need to work more hours outside working hours (2020: 4.1; 2021: 4.4). More respondents have the perception that they have achieved a better work-life balance (2020: 4.3; 2021: 4.3) compared with those who believe to experience more difficulties to balance work and personal life (2020: 3.5; 2021: 3.7).

A survey to companies carried out by the CIP showed that 43% of the companies considered that the productivity of workers in telework has remained unchanged; 10% believed that productivity has improved and 16% that it has worsened. The reduction of operating/facility costs and the motivation of workers were, in the views of these companies, the two main advantages of telework (27% and 26%, respectively). Contrary, the lack of self-control of work-life balance, the lack of communication between colleagues and the lack of work monitoring were the main disadvantages pointed out (43%, 30% and 15%, respectively). Around 50% of the companies surveyed advocate hybrid work in the future, with 2 or 3 days of telework per week (CIP, 2021b).

An important study conducted by the Directorate General of Administration and Public Employment (DGAEP) that involved an estimated universe of 42,810 workers and middle managers in 29 Central

Public Administration bodies showed that, in January 2021, 27% of the surveyed workers were in office work, all the others being in total or partial telework. Out of these, 17.6% worked occasionally at the workplace and 22% worked there regularly (DGAEP, 2021).

The widespread use of telework due the compulsory measures related with the pandemic triggered a debate about the limits of the existing legislation. As a result, after a long period of debate, an amendment to the Labour Code (Law 83/2021) came into force on 1 January 2022, which introduced significant changes, in particular:

- Written agreement defining a *regime of permanence* or *alternation* of teleworking;
- Workers with children up to 8 year old and workers with care responsibilities have the right to request telework;
- Employers have the duty to refrain from contacting the workers during rest period;
- Distance meetings must take place within working hours and control of worker's activity must respect their privacy;
- Prohibited a permanent connection by means of image or sound;
- Employer visits only during working hours, requiring workers agreement and 24-hour notice;
- Employer duty to reduce the isolation of the workers, at least at intervals not exceeding two months;
- Employer duty to provide the equipment and systems to carry out the work and to compensate workers for all additional expenses for their acquisition, use or maintenance, including the increases in energy and network costs;
- Right of workers to information and representation by unions and work councils, as well as to attend meetings and be elected for representative structures; companies shall provide the unions and work councils the contact of individual workers to allow their interaction;
- Collective agreements and/or individual contracts cannot include less favourable rules for the workers under telework than those provided by the Labour Code.

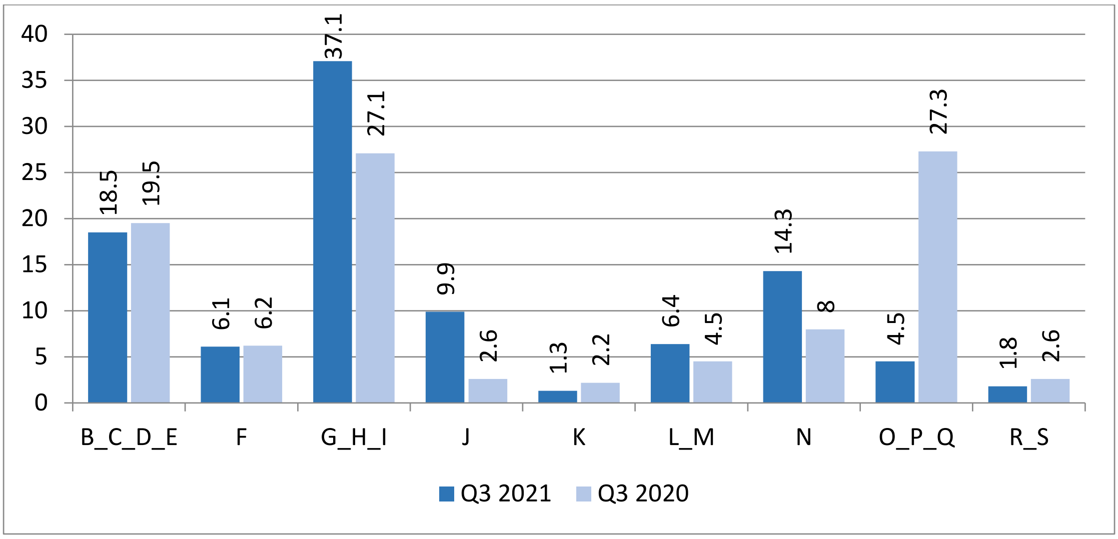
Labour shortages

Quarterly data on Job vacancy statistics [Estatísticas dos Empregos Vagos] showed that, in 2021, some sectors and specific occupations were particularly affected by labour shortages.

In the third quarter 2021 (latest data available), there were 42,823 unfilled vacant jobs in Portugal, an increase of 54%, compared with the first quarter of 2021 and 74% compared with the third quarter 2019, when the number of unfilled vacant jobs was 37,306.

In the third quarter of 2021, the highest number of unfilled job vacancies was in the ‘Wholesale and retail trade; repair of motor vehicles and motorcycles / Transportation and storage / Accommodation and food service activities’ (37.1%), followed by ‘Mining and quarrying / Manufacturing / Electricity, gas, steam and air conditioning supply / Water supply, sewerage, waste management and remediation activities’ (18.5%); and ‘Administrative and support service activities’ (14.3%).

Figure 1: Unfilled job vacancies by sector or group of sectors (%) (3Q 2020 and 3Q 2021)



Source: GEP/MTSSS (2021c), Estatísticas dos Empregos Vagos – 3º trimestre 2021. Gabinete de Estratégia e Planeamento / Ministério do Trabalho, Solidariedade e Segurança Social.

An opposite trend was verified in the 'O_P_Q' sectors (Public administration, education, and healthcare), where the number of health professional recruited increased significantly.

In the third quarter of 2021, the 'service and sales workers' (23.8%) and the 'professionals' (17.9%) were particularly affected by labour shortages, followed by the 'Craft and related workers' and workers from 'elementary occupations' (with 15.6% and 15%, respectively).

Figure 2 - Main occupations affected by labour shortages (%) (Q3 2021)

The labour shortages have been a matter of concern for representatives of different sector associations. According to their perspectives, the shortage of human resources jeopardised the recovery in most traditional sectors of the Portuguese economy, notably textiles, footwear and construction, which were already penalised by the pandemic crisis (Jornal de Negócios, 2021c).

According to the Construction Union of Portugal (Sindicato da Construção de Portugal), affiliated of CGTP, the construction sector continued to experience a crisis of qualified work force and needed in the beginning of 2021 at least 80,000 skilled workers. Employer associations shared a similar concern. The Association of Civil Construction and Public Works Industries (AICCOPN) called the attention to a survey showing that 65% of entrepreneurs in the sector considered that 'the shortage of skilled labour force was the main constraint to the activity’. This association stressed that 34% of the planned investment of the Recovery and Resilience Plan will correspond to investment in construction and ‘there is an effective need to reinforce the level of qualified labour’. The Construction Union highlighted that the response to the shortage of qualified labour must include upgrading the wages in Portugal adjusting to the reality of the European Union, so that workers will not be forced to leave the country to seek for better wages, as it has been the case (Diário de Notícias, 2021).

The ‘accommodation and food’ sector has been also particularly affected by the pandemic, given the mandatory closure in various periods of ‘state of emergency’. By the end of 2021, the Portuguese Association for Hotels and Restaurants (AHRESP) expressed its concerns with the labour force shortage the sector is facing. AHRESP highlighted that the latest survey of the sector revealed that ‘32% of hospitality companies and 67% of catering companies had already felt the need to hire new employees this year [2021]. However, 78% of hospitality companies and 91% in restaurants had difficulties in recruiting’. The AHRESP notes that given the pandemic, the number of jobless individuals who, although they were available for work, did not actively seek employment increased by around 150,000, an unprecedented increase with a negative impact in the labour market (Jornal Económico, 2021).

In the public sector, the problem of labour shortage affects in first place the Public Health Service (SNS). According to data from the Central Administration of the Health System (ACSS), until September 2021, nurses had already worked more than five million overtime hours and doctors more than four million. In total, the number of overtime hours worked by professionals in healthcare amounted to 18.5 million, having already exceeded the total value of last year. In addition, to meet the need for human resources, the SNS subcontracted the provision of services. The SNS paid more than €400 million in overtime and service provision, according to ACSS (Público, 2021d). Trade unions in the health sector have warned about the need to improve wages and working conditions in the sector enhancing the attractiveness of careers to retain and recruit professionals who otherwise might move to the private sector or emigrate.

Wages and wage-setting

A recent study based on official administrative data of the Ministry of Labour (Quadros de Pessoal/ GEP/MTSSS) concerning the evolution in the private sector and state-owned companies of monthly average base salary from 2015 to 2022 (estimating data for 2020, 2021 and 2022), calculated a salary increase of 10.1% from €952 to €1,048. While the national minimum wage will rise in the same period by 39.6%, from €505 to €705 (with an increase by 5.8% in 2020, by 4.7% in 2021 and by 6.0% in 2022). With basis on this estimation, the minimum wage, in percentage of the average monthly average base salary, will increase from 53.1% to 67.3%. The author of the study adverted: ‘It’s evident that Portugal is transforming itself into a country of minimum wages’. The study concludes that the problem is not the trajectory of the minimum wage increase but the stagnation of the wages of the most qualified workers, a serious national matter that has not received due attention. The study calls also the attention to the situation in public administration, with wages practically frozen since 2009, making it almost impossible to hire highly qualified workers; and for the limitations of the legal framework on the expiry of collective agreements undermining bargaining power (Público, 2021c; Rosa, 2021).

In public administration, according to the Directorate-General for Administration and Public Employment (DGAEP), in July 2021, the average monthly basic remuneration of full-time workers stood at around €1,536, corresponding to a year-on-year increase of 0.2%, a value resulting from the combined effect of the entry and exit of workers with different remuneration levels, of the promotions and advancements of careers and the updating of the minimum wage, but not from wage updates. In 2021 the government did not updated wages in public administration, opposing to public trade unions claims in that regard.

On the other hand, Statistics Portugal (INE) reported that wages in the private sector had increased by 3.4% in the third quarter 2021 to €1,221. The difference with the average wage in public administration, according to INE reflect, among other, differences in the type of work performed and in the qualifications of the workers, insofar workers in the public administration sector have, on average, higher levels of education.

The increase of average wages in the private sector reflects certainly shifts in employment and the effects of the pandemic in reducing employment in low wages sectors, a phenomenon observed before. Moreover, the contribution of collective bargaining for wage increases in the private sector as we will see is very limited in its coverage.

In November 2021, the 4 employer confederations demanded in the context of the CPCS exceptional measures to compensate employers for the increase of the minimum wage to €705 for 2022. The government responded positively to this claim issuing a measure providing a one-off cash allowance to companies, per year, in the amount of €112 per worker earning the minimum wage. Trade union confederations CGTP and UGT claimed a higher increase of the minimum wage (respectively to €850 and to €715) and disagreed with the compensation for the companies.

Impacts on the social dialogue and collective bargaining

Impacts on the social dialogue

Notwithstanding the specific responses to the escalating pandemic health crisis, the social dialogue agenda in 2021 was very demanding, in view of the broad range of issues to be discussed by the government and the social partners in the context of the Economic and Social Council (CES) and of the CPCS: the PRR measures; the Green Paper on the Future of Work, and the Agenda for Decent Work. The social partners presented also individual written contributions about the draft versions of the PRR and of the Green Paper on the Future of Work, within the framework of formal 'public consultations' (CCP, 2021a; CGTP, 2021a; CIP, 2021a; MTSSS, 2021; UGT, 2021a).

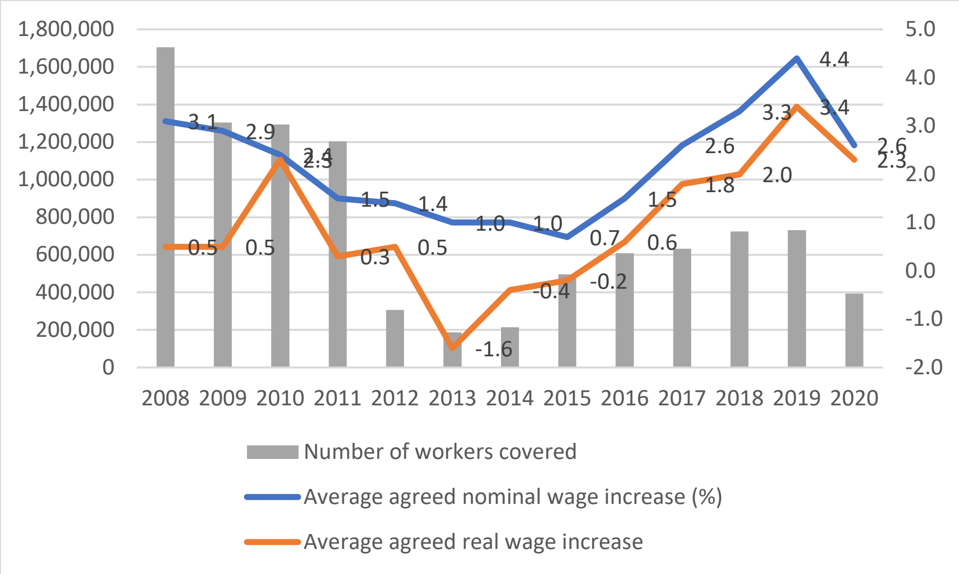
The debates about the Green Paper on the Future of Work and about the legislative initiatives linked to the Agenda for Decent Work generated mixed reactions among the social partners (CCP, 2021b; CGTP, 2021b; Jornal de Negócios, 2021a; RTP Noticias, 2021a; UGT, 2021b), showing the political difficulties to reach to reach a consensus.

The main legislative outcome of these debates was the amendment to the Labour Code with focus on telework (Law 83/2021). The government presented also for public discussion on 29 October 2021, the draft law amending labour legislation within the scope of the Decent Work Agenda, comprising changes to the Labour Code in relation to various issues including the regulation of platform work. This draft included additional measures not discussed at the CPCS – concerning severance pay, overtime pay, *favor laboratoris* on regulation of telework and digital platforms; and obligations of private companies providing services to the state– which generated the strongest opposition of employer confederations (Martins, 2021b; 2021c). The dissolution of the parliament on 5 December cancelled the process of discussion of this draft law.

Impacts on collective bargaining

In 2020, the pandemic resulted in a significant retrenchment of collective bargaining, leading to a decrease of 46.1% in the coverage of wage bargaining increases. The average nominal increase of the agreed wages was 2.6% and the real increase was 2.3%.

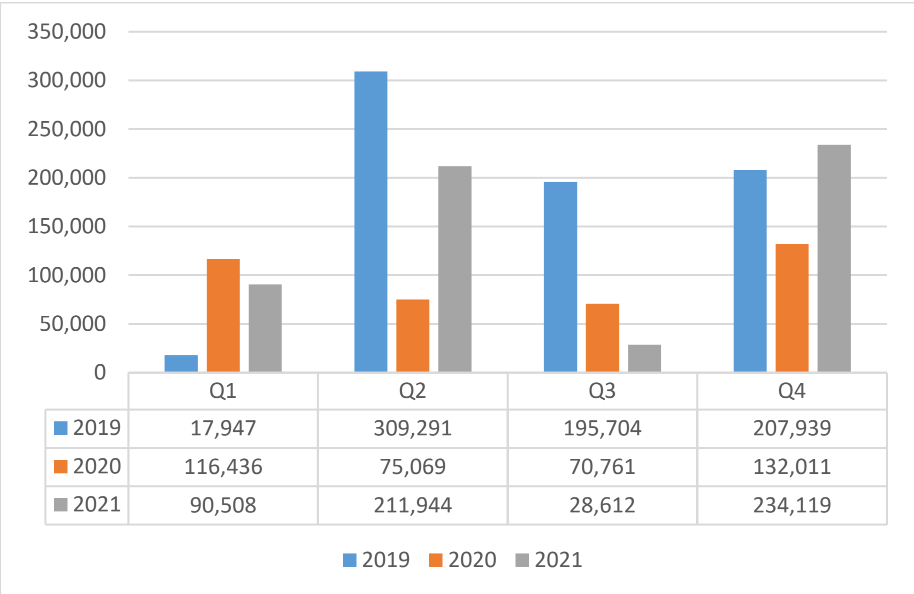
Figure 3 – Average agreed nominal and real wage increases (%) and number of workers covered by agreed wage updates (2008 -2020) – whole economy except public administration.



Source: DGERT/MTSSS, 2021a, 2021b.

In 2021, collective bargaining showed some signs of recovery, in particular in the last quarter but the level of dynamism prior to the pandemic crisis was not restored, when comparing the number of workers covered by wage bargaining updates in 2019 (730,881) with the number of workers covered in 2021 (565,183) (Figure 4).

Figure 4: Number of workers covered by agreed wage updates (Quarterly data 2019-2021) – whole economy except public administration



	Q1	Q2	Q3	Q4
2019	17,947	309,291	195,704	207,939
2020	116,436	75,069	70,761	132,011
2021	90,508	211,944	28,612	234,119

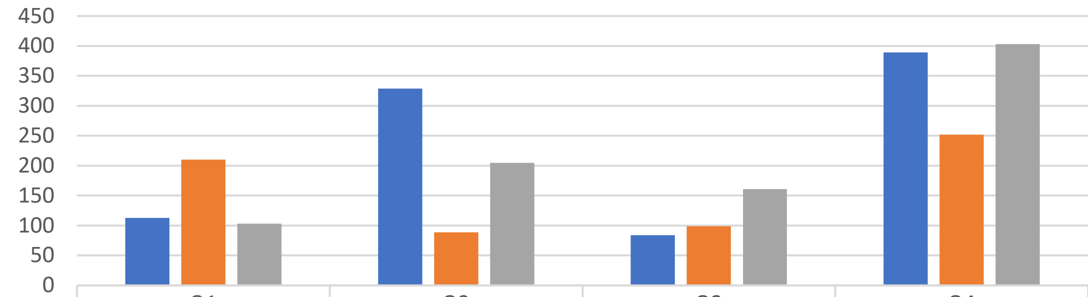
Source: DGERT/MTSSS, 2021b; GEP/MTSSS, 2022.

The critical situation of collective bargaining in 2020, led the government to take an exceptional measure suspending the deadlines concerning the survival and expiry of collective agreements, for a period of 24 months, a measure that entered into force on 10 March 2021 (Law 11/2011 of 9 March 2021). The measure aimed to prevent the emergence of gaps in collective bargaining coverage resulting from ongoing unilateral requests or from new requests seeking the expiry of collective agreements. It is plausible that this measure contributed for the slight recovery of collective bargaining in 2021.

Labour disputes in the context of the pandemic

The statistical data available concerning labour disputes in 2021 refer to the evolution of strike warnings. In the second, third and fourth quarters of 2021 there was a significant increase of strike warnings compared with the same period in 2020. The annual sum of strike warnings in 2021 (872) represented an increase by 34% compared with 2020.

Figure 3 - Number of official strike warnings in private sector and state-owned companies (quarterly data 2019-2021)



	Q1	Q2	Q3	Q4
2019	113	329	84	389
2020	210	89	99	252
2021	103	205	161	403

2019 2020 2021

Source: *DGERT/MTSSS, 2022*.

Among the strikes observed in 2021 in the private sector, those in the banking sector – a sector without any national strike in the last three decades – were most relevant. In the context of highly ambitious restructuring plans reducing employment, the announcement of public dismissals in the Banco Comercial Português (BCP) and in the Santander Totta faced the strong reaction of all the trade unions represented in the sector, affiliated in UGT, CGTP and independent, calling jointly a simultaneous strike in the two banks for 1 October 2021 (MadreMedia/Lusa, 2021).

In Public Administration the number of strike warnings in 2019 was 380, including two public sector general strikes, in January and in May. In 2020 the number decreased to 194 including one general public sector strike in January before the emergence of the pandemic. In 2021, strike warnings increased again to reach 382, surpassing the number observed in 2019. Like in 2020, the education sector was the one that recorded the large majority of the strike warnings (Campos Lima and Carrilho, 2021). Like in 2020, the trade unions protested against work overload and demanded the compliance with the legal regime of 35 hours week, assembling educators of children and primary and secondary school teachers. The 'overtime strikes' – to any additional meetings or activities beyond the 35 hours week – were called by a large majority of teachers' trade unions and federations (FENPROF, 2021). The teachers' trade unions called a national strike for 5 November 2021, to question the budget bill for education, seeking higher funding to improve teachers' pay and careers, to reduce the number of students per class and strengthen human resources. But they cancelled this strike after the rejection by the parliament of the budget bill, on 27 October 2021 (FENPROF, 2021b; Martins and Viana, 2021). The Common Front of public sector unions, affiliated to

CGTP, maintained however the public sector general strike announced for 12 November 2021 claiming wage increases in the public sector, which was joined by several unions in the education sector.

Commentary and outlook

In the year 2021, the most significant developments in Portugal were the economic and employment positive trends supported by the continuation of mitigation measures and by the new recovery measures and the success of the response of the Public Health Service (SNS), first combating the wide spread of the COVID-19 pandemic; and secondly implementing a robust plan of vaccination encompassing the vast majority of the population.

However, in various areas, the developments were less satisfactory and raised concerns for their economic and social consequences: the limited wage increases and their low bargaining coverage contributing for the persistence of low average wages; the slow level of increase of minimum wage, though faster than the average wages; in the public sector, the stagnation of wages, the limited recruitment and excessive overtime hours, namely in the SNS; and the gaps and low level of social protection for precarious workers. Labour shortages became highly visible and the debate about the role of low unattractive wages and limits of internal devaluation gained momentum. While unions stressed the need to upgrade wages in connection with reinforcing collective bargaining; employers stressed the need to lower both corporate and personal taxes to promote economic dynamics and wage levels.

The implementation of the new legislation on telework, initiated in January 2022, will be a test for employers and unions to prove its effectiveness. On the other hand, the debate initiated in the last quarter of 2021 about the draft bill concerning the Decent Work Agenda, abruptly interrupted by the dissolution of the parliament, will continue in 2022, probably in new forms.

References

All Eurofound publications are available at www.eurofound.europa.eu

Campos Lima, M.P. and Carrilho P. (2021), Portugal: Working life in the COVID-19 pandemic 2020, Eurofound.

CCP [Confederação do Comércio e Serviços de Portugal] (2021a), Apreciação do Plano de Recuperação e Resiliência/Consulta Pública, 1 March 2021.

CCP[Confederação Empresarial de Portugal] (2021b), Apreciação da CCP: Livro Verde sobre o Futuro do Trabalho, 18 June 2021.

CIP [Confederação Empresarial de Portugal] (2021a), Resposta à Consulta Pública sobre o Plano de Recuperação e Resiliência, 1 March 2021.

CIP [Confederação Empresarial de Portugal] (2021b) Teletrabalho – Projeto Sinais Vitais [Telework – project Vitals Signals] Confederation of Portuguese Industry/FutureCastLab ISCTE.

CGTP [Confederação Geral dos Trabalhadores Portugueses] (2021a) Apreciação do Plano de Recuperação e Resiliência/Consulta Pública], 1 March 2021.

CGTP [Confederação Geral dos Trabalhadores Portugueses] (2021b) Orientações do Livro Verde são insuficientes para garantir trabalho digno, 31 March 2021.

CGTP [Confederação Geral dos Trabalhadores Portugueses] (2021c), O futuro do trabalho tem de ser de progresso e justiça social, 13 May 2021.

Dantas, M. (2021d), 'DGS reduz para 7 dias o isolamento de pessoas infetadas com COVID-19', Público, 30 December.

DGAEP [Direção-Geral da Administração do Emprego Público] (2021), *A adaptação dos modelos de organização do trabalho na administração pública central durante a pandemia COVID-19: dificuldades e oportunidades*, Lisboa.

DGAEP [Direção-Geral da Administração do Emprego Público], Março 2021 (2022), 'Greves – Dados Mensais de 2019, 2020 e 2021', Lisboa.

DGERT/MTSSS [Direção Geral do Emprego e das Relações de Trabalho/Ministério do Trabalho, Solidariedade e Segurança Social] (2021a) *Relatório sobre regulamentação coletiva de trabalho publicada no ano de 2020*, Lisboa.

DGERT/MTSSS [Direção Geral do Emprego e das Relações de Trabalho/Ministério do Trabalho, Solidariedade e Segurança Social] (2021b) *Variação Média Ponderada Intertabelas – Relatórios publicados,* Lisboa.

DGERT/MTSSS [Direção Geral do Emprego e das Relações de Trabalho/Ministério do Trabalho, Solidariedade e Segurança Social] (2022) *Relatórios de evolução mensal, semestral e anual dos avisos prévios de greve e serviços mínimos*, Lisboa.

DGS (2020), Plano de vacinação COVID-19. Available at: https://covid19estamoson.gov.pt/plano-vacinacao-covid19/

FENPROF (2021a), 'FENPROF retoma greve ao sobretrabalho a partir de 25 de outubro de 2021', 6 October. Available at: https://www.fenprof.pt/GREVESOBRETRABALHO/?aba=140&mid=353&cat=721&doc=13155

FENPROF (2021b), '5 de novembro de 2021: Greve Nacional de Professores e Educadores', 20 October. Available at: https://www.fenprof.pt/?aba=27&mid=115&cat=95&doc=13178

GEP/MTSSS [Gabinete de Estratégia e Planeamento/Ministério do Trabalho, Solidariedade e Segurança Social] (2021a), *Indicadores COVID-19 MTSSS*, Gabinete de Estratégia e Planeamento/ Ministério do Trabalho, Solidariedade e Segurança Social.

GEP/MTSSS [Gabinete de Estratégia e Planeamento/Ministério do Trabalho, Solidariedade e Segurança Social] (2021b), *Retribuição Mínima Mensal Garantia – Novembro 2021*, Gabinete de Estratégia e Planeamento/Ministério do Trabalho, Solidariedade e Segurança Social.

GEP/MTSSS [Gabinete de Estratégia e Planeamento/Ministério do Trabalho, Solidariedade e Segurança Social] (2021c), *Estatísticas de Empregos Vagos – 3º trimestre 2021 Portugal*, Gabinete de Estratégia e Planeamento/Ministério do Trabalho, Solidariedade e Segurança Social.

GEP/MTSSS [Gabinete de Estratégia e Planeamento/Ministério do Trabalho, Solidariedade e Segurança Social] (2022), *Boletim Estatístico* - Instrumentos de regulamentação coletiva do trabalho, January 2022.

INE [Instituto Nacional de Estatística] (2021a), *Working from home – Labour Force Survey ad hoc module* – 4th Quarter 2020.

INE [Instituto Nacional de Estatística] (2021b), *Income and Living Conditions*, 17 December 2021.

INE [Instituto Nacional de Estatística] (2022a), Quarterly national accounts – 4th Quarter 2021, Statistics Portugal, 28 February 2022.

INE [Statistics Portugal] (2022b), Monthly Employment and Unemployment Estimates – December 2021, Statistics Portugal, 31 January 2022.

Moreira, A. (2020), 'CIP. Patrões querem ter uma palavra a dizer sobre suspensão dos prazos de caducidade de contratos coletivos', *Jornal Económico*, 19 October.

Jornal Económico (2021), 'COVID-19: AHRESP avisa que falta de mão-de-obra no setor pode ameaçar retoma', 4 November.

Jornal de Negócios (2021a), 'Livro Verde sobre futuro do trabalho em consulta até 22 de Junho', 3 June.

Jornal de Negócios (2021b), 'Dissolução do Parlamento após chumbo do OE é inédita na UE', 4 November.

Jornal de Negócios (2021c), 'Falta de trabalhadores ameaça setores tradicionais', 21 November.

MadreMedia/Lusa (2021) 'Há 30 anos que não havia uma greve nacional dos trabalhadores bancários. Aconteceu num 2021 marcado por despedimentos'**,** 24 December.

Martins, R. (2021b), 'Patrões abandonam concertação social e pedem intervenção de Marcelo', Público, 22 October.

Martins, R. (2021d), 'Marcelo promulga teletrabalho e avisa que lei tem pormenores "de complexa aplicação"', *Público*, 25 November.

Martins, R. and Viana, C. (2021), 'Crise politica deixa greves em suspenso', *Público*, 29 de Outubro.

MTSSS (2021), *Livro Verde sobre o Futuro do Trabalho*, Ministério do Trabalho, Solidariedade e Segurança Social, 2 June 2021.

Observador (2021), 'Será ético obrigar à vacinação?' 26 December.

OSP (2021), *Um ano depois: o impacto da pandemia COVID-19 na vida dos Portugueses,* Observatório da Sociedade Portuguesa, Católica Lisbon Business & Economics.

Our World in Data (2021), 'Share of people who completed the initial COVID-19 vaccination protocol', 31 December.

Pereira, S. (2021), 'Construção tem falta de 80 mil trabalhadores em Portugal', *Diário de Notícias*, 25 January.

Pereira, T. (coord.) (2021) *Trabalho, Teletrabalho e Distanciamento Social em situação de Pandemia* [Work, Telework and Social Distancing in the Pandemic] – final report - May 2021, CoLABOR: Laboratório Colaborativo para o Trabalho, Emprego e Proteção Social, (not published).

Portuguese government (2020a), Programa de Estabilização Económica e Social, Accessed 7 february 2022.

Portuguese government (2021b), Plano de Recuperação e Resiliência Portugal (PRR), 22 April 2021, Accessed 7 february 2022.

Portuguese government: Proposta de lei que procede à alteração da legislação laboral no âmbito da agenda do trabalho digno*, Boletim do Trabalho e Emprego 33*, 29 October, 2021.

Portuguese government: Law 83/2021 of 6 December. Available at: https://files.dre.pt/1s/2021/12/23500/0000200009.pdf

Público (2021a), 'Patrões querem que legislação obrigue trabalhadores a fazerem teste à COVID-19, 17 de Setembro de 2021', 17 September.

Público (2021c), 'Eugénio Rosa: Portugal está a transformar-se "num país de salários mínimos"', 7 November.

Público (2021d), 'Horas extraordinárias e prestações de serviço já custaram mais de 400 milhões de euros ao SNS', 2 December.

Ramiro, J. (2022), 'Portugal's Socialists have won a big victory – but the resurgent far right is a threat, *The Guardian*, 2 February'.

Rosa, E. (2021), 'A distorção de salários em Portugal é causa da fuga dos trabalhadores mais qualificados para o estrangeiro, está a destruir a administração pública e é um obstáculo ao crescimento e ao desenvolvimento do país', 7 November.

RTP Notícias (2021a), 'UGT diz que Livro Verde se afasta da realidade laboral portuguesa', 13 May.

RTP (2021b) 'COVID-19. Lei já permite que trabalhadores não vacinados sejam obrigados a mostrar teste', 18 September.

UGT (2021a), Apreciação do Plano de Recuperação e Resiliência/Consulta Pública, 26 February 2021.

UGT (2021b), Por uma dimensão social em Portugal e na Europa – Resolução do Secretariado Nacional, 28 May 2021.

UGT (2021c) Politica Reivindicativa para 2021-2022, 16 September.

UGT (2021d) Alterações ao Código do Trabalho – Governo acolhe propostas da UGT, 22 October.

Varzim, T. (2021), 'Salário médio da função pública sobe 0,2% para 1.536,3 euros brutos', *Eco* , 15 November.