Portugal: Latest working life developments – Q3 2016

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Good news on unemployment, criticism by social partners of sanctions on Portugal for breaking EU rules on the public deficit, and talks on increasing the minimum wage are the main topics of interest in this article. This country update reports on the latest developments in working life in Portugal in the third quarter of 2016.

Labour market and economic indicators: some positive steps

Positive trends in employment and household income

According to figures from Eurostat, employment in the EU28 rose by 0.3% in the second quarter of 2016 (compared with the first quarter) while, in Portugal, the percentage change for the same period was double this at 0.6%. According to Statistics Portugal (INE) the unemployment rate was 10.8% in July 2016, a decline from 12.4% in the previous quarter. This fall is due to 69,200 fewer people being unemployed; it is also due to 77,400 more people in employment, compared with July 2015. According to INE, the continuous fall (since the first quarter of 2013) in the savings rate of households has stopped, suggesting better conditions for sustainable consumption.

Private investment in industry is rising

According to INE, business investment rose by about 8% in the first half of 2016 including a record number of applications for European funds. Foreign direct investment also grew over the past year. The Minister of Economy stressed that investment, compared with the first half of 2015, increased in the first half of 2016 by 70% in industry and 60% in manufacturing.

Social partners oppose sanctions and cuts to European structural funds

Official estimates at the end of September 2016 put the public deficit at 2.5% for 2016 – the lowest deficit since 1999. Consequently, there was heavy criticism in Portugal of the decision by the Council of the European Union on 12 July 2016 to sanction Portugal and Spain on the grounds of their excessive deficits in 2015.

On 27 July 2016, a joint statement by social partners (PDF) welcomed a recommendation by the European Commission to waive a fine on Portugal. However, they added that a suspension of EU funds would be profoundly unfair (and possibly discriminatory), considering the enormous contribution to fiscal consolidation made by Portugal over the past few years. The statement was signed by:

- General Union of Workers (UGT);
- Confederation of Portuguese Business (CIP);
- Portuguese Commerce and Services Confederation (CCP);
- Confederation of Farmers of Portugal (CAP);
- Portuguese Confederation of Tourism (CTP).

The statement highlighted that 'EU funds represent for Portugal an important lever for investment; whether public or private' and that they were 'an essential and central source to its modernisation and to the qualification of the Portuguese business and human resources'.

The General Confederation of Portuguese Workers (CGTP) did not sign the document, but its leader stressed that:

the European Commission’s decision to apply a ‘suspended sentence’ is an unacceptable measure, aggravated by keeping the country as a hostage by conditioning access to structural funds, at a time when the investment is fundamental to the growth of the economy.

Tripartite talks begin on mandatory minimum wage increase

The Labour Minister, Vieira da Silva, has expressed interest in establishing a medium-term agreement with the social partners on increasing the mandatory minimum monthly wage (*Retribuição mínima mensal garantida,* RMMG), in line with the government goal of €600 in 2019. The UGT argued for a comprehensive medium-term agreement and proposed an increase in RMMG to €565 in 2017. The trade union confederation CGTP reiterated its claim for a €600 RMMG in 2017. Employers' body CIP advised caution on increasing the RMMG, so as not to undermine investment, economic growth or competitiveness. And CCP proposed that any agreement to increase the rate of RMMG above inflation and economic growth should also compensate companies.