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Portugal: Severance pay/redundancy compensation

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Portugal

Phase:

Management

Type:

Severance pay/redundancy compensation

Last modified: 17 February, 2021

Native name:

Código do Trabalho; Lei 69/2013, de 30 de Agosto; Decreto-Lei 210/2015 de 25 Setembro; Lei 70/2013 de 30 Agosto

English name:

Labour Code; Law 69/2013 of 30 August; Decree-Law 210/2015 of 25 September; Law 70/2013 of 30 August

Article

Labour Code, Article 366; Decree-Law 210/2015 of 25 September; Law 69/2013 of 30 August; Law 70/2013 of 30 August

Description

In 2011, severance entitlements were reduced from 30 to 20 days pay per year of service. Law 69/2013 further reduced severance entitlements to a maximum of 12 times the individual's base salary plus seniority pay or 240 times the statutory minimum wage (or 18 times the individual's base salary plus seniority pay in case of fixed-term or temporary contracts). As a result of these and prior changes, severance will generally be based on three different formulas for periods of service before, during and after the following dates:

- Employment contracts prior to 1 November 2011
- Employment contracts between 1 November 2011 and 30 September 2013
- Employment contracts from 1 October 2013

For example, for contracts prior to 1 November 2011, compensation shall be calculated in the following terms:

- For the period of execution of the contract until 31 October 2012, compensation is equivalent to one month of base salary per year of seniority.
- For the period from 1 November 2012 to 30 September 2013, the compensation is equivalent to 20 days of base salary per year of seniority.
- For the period from 1 October 2013 until the date of termination, the compensation is equivalent to 18 days of base salary per each complete year of seniority (in the first 3 years, when the contract has not reached 3 years on October 1 2013) and to 12 days of base salary per each complete year of seniority (in the subsequent years until the date of termination).

The compensation can not exceed 20 times the minimum national wage (€665 as at February 2021) with a maximum amount equivalent to 12 times the monthly base salary or 240 times Portuguese minimum wage.

This refers both to individual and collective dismissal.

The Compensation Fund (Fundo de Compensação do Trabalho) and the Guarantee Fund for Work Compensation (Fundo de Garantia de Compensação do Trabalho - FGCT) can be used to partly finance severance payments and is applicable in situations of both individual and collective dismissals.

The FCT and FGCT funds aim to ensure the workers' right to receive half of the compensation due in case of termination of the employment contracts. The employers are obliged to adhere to the funds. Employers are required to contribute 1% of pay (0.925% to FCT, 0.075% to FGCT) for employees hired after 1 October 2013. The amount is calculated according to article 366 of the Labour Code, which establishes that:

- the amount of compensation is equal to 20 days of basic salary and seniority bonus for each full year of seniority or fraction thereof;
- the amount of monthly basic salary and seniority bonus to be considered for the basis of calculation may not exceed 20 times the minimum guaranteed wage (€665, as at February 2021);

- the total amount of compensation may not exceed 12 times the monthly basic payment and seniority bonus of employee or, when the limit specified above is taken in consideration, 240 times the minimum guaranteed salary.

Comments

The new regulation is based on a [tripartite agreement](#) between all social partners with the exception of the General Confederation of Portuguese Workers (Confederação Geral dos Trabalhadores Portugueses – [CGTP-IN](#)) signed in January 2012.

These standards override collective bargaining agreements that provide for higher amounts or more favourable definitions of covered pay under the new law.

Cost covered by

Employer







Involved actors other than national government

National government only

Thresholds

No, applicable in all circumstances

Sources

-  [Labour Code \(Law 7/2009, of 12 February\) – updated version](#)
-  [Law 210/2015 of 25 September](#)
-  [Law 69/2013 of 30 August](#)
-  [Law 70/2013 of 30 August](#)
-  Clauwaert, S., Schömann, I. (2013), The crisis and national labour law reforms: A mapping exercise, Country report: Portugal, ETUI.
-  Eurofound (2012), Controversial new labour code comes into force, EurWork: Eurofound, Dublin.

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