

Q&A

Special measures for companies and employees within the context of the COVID-19 pandemic, aimed at facing situations of company crisis and maintenance of employment contracts

As a result of the emergency situation triggered by the COVID-19 pandemic, the Portuguese Government has approved a number of temporary measures aimed at supporting the maintenance of employment contracts and to help companies in a corporate crisis situation.



What are the special measures aimed at helping companies to maintain their workforce?

- a) Extraordinary support to the maintenance of employment contracts, with or without job training, in the situations of reduction of the working hours or suspension of employment contracts, under article 298th and following of the Portuguese Labour Code (simplified lay-off);
- b) Special professional training plan;
- c) Extraordinary financial incentive to support the companies' return to regular activity;
- d) Temporary exemption on Social Security Contributions.

Which companies may resort to these special measures?

Private entities facing a corporate crisis and that have no debts to the Tax and Social Security Authorities.

They are considered as corporate crisis any of the following situations:

1. Total or partial temporary closing of the company or undertaking as a result of the Emergency Situation declared by the President of the Portuguese Republic or under the Civil Protection or Health Acts and concerning the specific undertaking or company which is closed as a result of such rules and limited to the workers assigned to such undertakings;
2. Total or partial halting of the company or undertaking activities as a result of the interruption of the global supply chains, suspension or cancelation of orders or reservations;
3. Sudden and accentuated loss of turnover, amounting to at least 40% of the turnover on the period of 30 days prior to the date of application for the special measures, and having per reference the average of the 2 months prior to such 30 day period or vis-à-vis the same period in the previous year.

What is the extraordinary support to the maintenance of employment contracts (simplified lay-off)?

Companies facing a corporate crisis may suspend employment contracts and/or reduce the employees working time. A combination of such measures with employees who continue to perform work on a regular basis is also possible.

The support consists on a extraordinary financial support granted to the company for each employee included on the measure, and which is solely aimed at paying the employees' salaries during the period of the suspension of employment contracts or reduction of working periods.

The measure may be in place for a period of 1 month and be extended for additional periods of 1 month up to a limit of 3 months.

Situations of suspension of employment contracts

Employees whose employment contracts are suspended are entitled to receive a compensation of up to $\frac{2}{3}$ of the respective salary (with a minimum € 635.00 and a cap of € 1,905.00). The company is entitled to receive a financial support from the Social Security services corresponding to 70% of the compensation to be paid to the employee. We underline that the company has to pay the compensation in full to the employee and thereafter will receive the payment of the 70% from the Social Security services.

For the sake of clarity, please refer to the following chart:

Employee's salary	Salary during the suspension	Financial Support from the Social Security	Part of the salary to be paid by the Company
€635	€635	€445,5	€190,5
€900	€635	€445,5	€190,5
€1000	€666,67	€466,67	€200
€1500	€1000	€700	€300
€2000	€1333,33	€933,33	€400
€2500	€1666,67	€1166,67	€500
€3000	€1905,00	€1333,50	€571,5
€5000	€1905,00	€1333,50	€571,5

Situations of reduction of working periods

Employees whose normal working periods are reduced are entitled to receive a salary calculated in proportion to new working period. They will only be entitled to receive compensation in the situations in which the amount of the salary proportionately calculated is inferior to $\frac{2}{3}$ of their normal salary or to € 635,00, with a cap of € 1,905.00.

Examples:

1. An employee with a normal working period of 40 hours per week and with a salary of € 1,000.00 and whose working schedule is reduced to 20 hours per week.

The salary to be paid for the work performed will amount to € 500. Since such amount is lower than $\frac{2}{3}$ of the normal salary, he will be entitled to receive € 166,66 of compensation. Such amount of compensation will be paid in 30% (€ 49,99) by the company and 70% (€ 116,66) by the Social Security.

2. An employee with a normal working period of 40 hours per week and with a salary of € 3,000.00 and whose working schedule is reduced to 30 hours per week.

The salary to be paid for the work performed will amount to € 2250 and, since it is higher than $\frac{2}{3}$ of the salary, he will not be entitled to receive any compensation.

What is the extraordinary financial incentive to support the companies' return to regular activity?

Companies that resort to the special measures will be entitled to receive a financial support from the Social Security in the amount of € 635,00 per each employee affected by the measures, when it returns to its normal activity.

What is the temporary exemption on Social Security Contributions?

During the period the company is benefiting from the above mentioned special measures it will be exempted from Social Security contributions (23,75% of the employee's salary).

How to apply?

Companies that are planning on implementing the simplified lay off regime have to issue a written notice to the relevant employees (or to the trade unions delegates or workers committees, if existing). Following such communication, it has to apply for the benefits before the Social Security Services (through an electronic form).

Miscellaneous

Considering that the above described measures are aimed at protecting the employment contracts, in addition to other obligations foreseen by law, companies that resort to the above mentioned measures will be prevented from starting redundancy procedures (both collective dismissals and extinction of labour positions) during the period of implementation as well as during a period of 60 days thereof.

In addition to the above described measures, the Portuguese Government has also put forward a number of laws aimed at protecting or broadening the scope of protection of employees in situations of sickness, quarantine related absences and for assisting members of the household.

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In order to receive any further information or clarification on this matter, please contact the Partner in charge of the Labour Department, Hugo Martins Braz: hugomartinsbraz@valadascoriel.com.