

2003 Annual Review for Portugal

This record reviews 2003's main developments in industrial relations in Portugal.

Political developments

The coalition of the centre-right Social Democrat Party (Partido Social Democrata, PPD/PSD) and the right-wing People's Party (Partido Popular, CDS/PP), elected in March 2002, continued to govern during 2003. There were no elections during the year.

The political debate during 2003 was dominated by the worsening economic situation and the measures to be taken to reduce the public deficit and comply with the EU's Growth and Stability Pact. In this context, in June the government presented a draft 'Social contract for competitiveness and employment' (Contrato Social para a Competitividade e Emprego) at a meeting of the Standing Committee for Social Concertation (Comissão Permanente de Concertação Social, CPCS), the tripartite body with a consultative role on economic, social and labour relations matters. The aim was that the social partners would sign up to this 'social contract'. The basic assumptions of the document were acceptance of pay moderation, investment in innovation and vocational training and a review of the company taxation regime, excluding VAT. The government's objective was to establish a medium-term pay agreement based on the sharing of productivity gains, with pay negotiations taking place on a biannual basis, aimed at improving productivity. The outcome of the meeting was low-key and talks over the idea of a social contract had not borne fruit by the end of the year.

Collective bargaining

The number of collective agreements negotiated in Portugal dropped by 2.1% between 2002 and 2003 (first three quarters of both years) - see table 1 below ([PT0309103F](#)). Thus, a total of 285 agreements were concluded in 2003, made up of 189 sectoral accords and 96 company accords. This compares with 291 agreements concluded in 2002, made up of 194 sectoral accords and 97 company accords. The proportion of the total made up by sectoral and company agreements respectively remained constant: 33.6% of agreements in 2003 were concluded at company level, compared with 33.3% in 2002.

Collective agreements concluded in the first three quarters of 2002 and 2003

| | 2003 | 2002 |
|--------------------------|------|------|
| Sectoral agreements | 189 | 194 |
| Company level agreements | 96 | 97 |
| Total | 285 | 291 |

Source: DGERT.

Pay

In 2003, inflation stood at 3.3%. Average pay rose by 3%, thus representing a decrease in real pay. The national minimum wage was increased by 2.47%, resulting in a significant drop in the purchasing power of the workers concerned.

According to data from the Directorate-General of Employment and Labour Relations, (Direcção Geral do Emprego e Relações de Trabalho, DGERT) of the Ministry of Social Security and Labour, (Ministério da Segurança Social e do Trabalho, MSST), pay-related topics continued to be the main priority in collective bargaining, accounting for 88.9% of all clauses in agreements negotiated between January and October 2003. In total, 23.3% of pay-related clauses in agreements dealt with changes to pay scales, 12.6% with meal allowances, 12.6% with cash-handling allowances, 11.1% with geographical mobility allowances, 8.9% with seniority payments, 6.0% with occupational mobility allowances, 4.2% with special working time allowances and 3.7% with shift premia.

Working time

Average collectively agreed normal working time stands at around 39 hours a week. Of the 285 collective agreements recorded in the first three quarters 2003, 150 contained new provisions unrelated to pay. A total of 28 dealt with various aspects of working time, including flexibility, night work and shiftwork while, in addition, 25 clauses dealt with the issue of annual leave. In general, these clauses introduced a range of alternative forms of flexibility in terms of working hours, and increased annual leave entitlement to 25 days.

Job security

Portugal has not escaped the wave of corporate restructuring exercises that has affected Europe in recent years. The number of unemployed people registered with job centres rose by 19% in 2003. Data from the Institute of Employment and Vocational Training (Instituto do Emprego e Formação Profissional, IEFP) show that, in December 2003, there were 452,542 people registered as unemployed - up 72,239 on 2002. Filings for bankruptcy grew by over 130% in 2002, and many other companies reduced staff levels.

There were some examples in 2003 of company-level agreements that succeeded in saving jobs under threat. For example, in November, management and the workers' commission at the Volkswagen Autoeuropa car plant at Palmela concluded an agreement that prevented 800 redundancies threatened as a result of a fall in production ([PT0312101N](#)). The accord provides for a pay freeze until 2005, compensated by a guarantee of no collective redundancies before December 2005, 12 additional paid days off a year during production stoppages, a one-off payment in 2004, additional annual leave and other benefits.

Equal opportunities and diversity issues

Equal opportunities and diversity issues were not a particular focus of collective bargaining in 2003. In March 2003, the Commission for Equality in Work and Employment (Comissão para a Igualdade no Trabalho e no Emprego, CITE) organised an international conference on guaranteeing the right to equal pay for women and men ([PT0304102F](#)). In spite of developments in law at both EU and national levels, speakers at the conference stressed the difficulties experienced in applying the equal pay principle in practice. In Portugal, very few equal pay cases have been taken to court.

In July, the government presented its second National Plan for Equality. The plan aims to promote equality between women and men in a wide range of areas, addressing matters such as education, employment, balancing work and family life, preventing violence against women, and social protection ([PT0308101N](#)).

Training and skills development

There was relatively little bargaining on training and skills development issues during 2003. Four agreements contained clauses relating to vocational training in 2003, while 22 agreements contained clauses relating to career paths.

Other issues

Table 2 below summarises the non-pay issues dealt with by collective bargaining in the first three quarters of 2003.

Table 2. Non pay-related topics in collective agreements concluded between January and October 2003

| Topic | Number of agreements |
|------------------------------------|----------------------|
| Sectoral coverage of the agreement | 2 |

| | |
|--|----|
| Geographical coverage of the agreement | 2 |
| Recruitment conditions | 7 |
| Job descriptions | 36 |
| Career paths | 22 |
| Vocational training | 4 |
| Geographical and occupational mobility | 4 |
| Annual holidays | 25 |
| Working time | 28 |
| Supplementary social security scheme | 1 |
| Trade union rights | 1 |
| Health and safety | 2 |
| Joint collective agreement committees | 3 |

Source: DGERT.

Legislative developments

The main legislative development of the year was the adoption of Law no. 99/2003 of 24 August 2003, which introduced the Labour Code (Código do Trabalho) (PT0305101N). First proposed by the government in 2002, the Code brings together in one document a large number of aspects of labour law, while amending a number of them - Portugal previously had no such codified set of labour legislation. It contains changes in both the collective and individual aspects of labour law. The changes relate to matters such as: the duration and renewal of fixed-term contracts; employers' rights to transfer employees temporarily between places of work; obligations on employers to draw up vocational training plans and provide training; annual leave; working time flexibility around the 40-hour weekly norm; the definition of night work; work performed by children; workers' claims in the event of their employer's insolvency; and temporary shutdowns and lay-offs. The Code came into force on 1 December 2003.

Other new legislation in the social and employment field included:

- decree-Law no. 84/2003 on unemployment protection, which amended unemployment benefit with the overall aim of combating fraud (PT0311101N). It will come into effect in 2004;
- a new law on sickness benefit, which will come into force on 1 March 2004. It introduces differentiated benefits according to the length of time a worker is absent from work due to sickness;
- a law amending the rules governing early retirement for public servants and the way of calculating their pensions. The new law, which comes into force on 1 January 2004, penalises early retirement; and
- new measures to reform and restructure a number of services and bodies within the Ministry of Social Security and Labour (PT0312103F). The changes relate to areas such as conflict-resolution services, and statistics, studies and planning in the areas of employment and labour. These measures are seen as particularly important in the light of the new Labour Code which came into force in December 2003, with implications for the areas affected by the reform.

In June 2003, the government issued a set of discussion papers setting out proposals for reform of the public administration, with the aim of making it more flexible. Along with organisational and management changes, the proposals include new assessment procedures and training measures for civil servants. Trade unions complained of a lack of dialogue and consultation on the reform (PT0309101N). Finally, 2003 also saw the presentation of Portugal's 2003-6 National Action Plan for employment and 2003-5 National Action Plan on social inclusion (PT0312102F).

The organisation and role of the social partners

During 2003, parliament examined draft government legislation that would amend the composition of the Standing Committee for Social Dialogue (Comissão Permanente de Concertação Social, CPCS), a constituent body of the Economic and Social Council (Conselho Económico e Social, CES) (PT0305102F). The role of the CPCS, according to the 1991 law that established the CES, is to promote dialogue and understanding between the social partners, and contribute to the definition of policies on pay and prices, and employment and vocational training. The main proposed change is the inclusion in the CPCS of the Confederation of Portuguese Tourism (Confederação Portuguesa de Turismo, CTP) as the body representing employers' organisations in the tourism sector. This move is based on the importance of tourism to Portugal. Also during 2003, the CES appointed a new president, who is in favour of involving a wider range of social interest groups in the Council.

As mentioned above (under 'Political developments'), in June the government launched talks in the CPCS about a possible tripartite 'Social contract for competitiveness and employment', though with no success by the end of the year.

In 2003, the services of the Ministry of Social Security and Labour registered the establishment of eight new trade unions. This included the creation of two trade unions in the security forces sector - in 2002, Portuguese legislation finally allowed existing police associations to become trade unions. On the employer side, 2003 saw the merger of two employers' associations in the textile and clothing sectors.

Industrial action

The number of strikes in 2003 fell considerably in relation to 2002, with the figures standing at 246 and 312, respectively - see table 3 below. In particular, the incidence of company-level strikes decreased, accounting for 65.9% of the overall number of strikes in 2003, compared with 78.8% in 2002. However, the public administration sector saw an increase in the number of strikes: in 2003, strikes in this sector represented 26.8% of the total, whilst in 2002 they represented 12.8%.

Table 3. Strikes in 2003 and 2002

| | 2003 | 2002 |
|--|------|------|
| Single-company strikes | 162 | 246 |
| Sectoral strikes (involving more than one company) | 18 | 26 |
| Public administration | 66 | 40 |
| Total | 246 | 312 |

Source: Directorate of Industrial Relations (Direcção de Serviços das Relações Profissionais, DSRP) MSST.

Analysing the single-company strikes by economic sector shows that transport and communications continued to experience the highest number of strikes in 2003 (61), followed by metalworking (26) and chemical products (21) - see table 4 below.

Table 4. Single-company strikes by economic sector, 2003 and 2002

| Sector | 2003 | 2002 |
|---|------|------|
| Transport and communications | 61 | 61 |
| Metallurgy | 26 | 50 |
| Chemical products, rubber and non-metallic minerals | 21 | 27 |
| Textiles, clothing and footwear | 17 | 29 |

| | | |
|---------------------------------|-----|-----|
| Services to companies | 17 | 26 |
| Wood, pulp and paper processing | 5 | 29 |
| Hotels and restaurants | 4 | 11 |
| Other | 11 | 13 |
| Total | 162 | 246 |

Source: DSRP.

Employee participation

The government's initial proposal for the new Labour Code (see above under 'Legislative developments') provided for the possibility of company-level workers' commissions negotiating over pay issues, but this proposal was later taken off the table. Some preparations were made during 2003 for the implementation the EU information and consultation Directive ([2002/14/EC](#)) ([EU0204207F](#)), but no activity was reported with regard to transposition of the employee involvement Directive ([2001/86/EC](#)) linked to the European Company Statute ([EU0206202F](#)).

Stress at work

No significant developments in the area of stress at work were reported during 2003.

Undeclared work

There were no significant developments reported in the area of undeclared work during the year.

New forms of work

As mentioned above (see above under 'Legislative developments'), the new Labour Code contains revised provisions on fixed-term employment contracts. Otherwise there were no reported legislative or collectively agreed developments in the area of new forms of work during 2003.

Outlook

Negotiations over the government's proposed social contract were due to restart early in 2004, against a backdrop of continued economic difficulties. Following falling real pay, rising unemployment and tightening public expenditure in 2003, the two main trade union confederations - the General Confederation of Portuguese Workers (Confederação Geral de Trabalhadores Portugueses, CGTP) and the General Workers' Union (União Geral de Trabalhadores, UGT) - are focusing on pay rises in 2004 that will improve workers' purchasing power, especially at the lowest levels, and calling for similar increases in pensions ([PT0310101N](#)). On the legislative front, 2004 is likely to see approval of new legislation on employment contracts and a new performance assessment system in the public administration, while social dialogue is expected to continue on aspects of the new Labour Code. (António Casimiro Ferreira, Maria Luísa Cristovam, Marinús Pires Lima and Marta Sofia Lino, UAL)