



## Employment stimulus measures

Financial support for employers who hire, on permanent or fixed-term contracts, those who are unemployed (including young people)

### PORTUGAL

**Title of the practice (in original language)**

Contrato Emprego

**Who is/was implementing the practice?**

The Institute for Employment and Vocational Training (Portuguese PES)

**Which other organisations are/were involved in the practice?**

Private and not-for-profit organisations (employers)

**What are/were the main objectives of the practice?**

The main objective of Contrato Emprego is to encourage employers to hire on permanent or fixed-term contracts unemployed who are registered with Portuguese PES.

Subsidies are awarded to employers who provide vocational training and hire individuals for a period of 12 months or more.

**When was the practice implemented?**

Since 2014 (ongoing)

In 2017, Portugal reformed the initiative “Estímulo Emprego” and rebranded it as “Contrato Emprego”<sup>1</sup>.

**Who is/was targeted by the practice?**

Contrato Emprego targets unemployed registered with PES who are:

- registered for at least six consecutive months, or
- registered for at least two consecutive months, in the case of a person:
  - aged 29 years or under,
  - aged 45 years or older,
  - who does not have social security records as an employed or as a self-employed person in the last 12 months.

Regardless of the duration of registration with PES, Contrato Emprego also targets: single parents, individuals receiving unemployment benefits, persons with disabilities, refugees and ex-prisoners.

<sup>1</sup> Ordinance of rebranding Estimulo Emprego to Contrato Emprego: <https://dre.pt/application/file/a/105776416>

## What activities are/were carried out?

Implementation involves:

- Employers (private and not-for-profit sector) apply for subsidies through the PES. Applicants must meet the eligibility criteria e.g. not having any outstanding debts to social security.
- Details of vacancies, specifically aimed at unemployed persons, are provided to the PES by the employer.
- Unemployed persons registered with the PES are referred to employers for consideration.
- Alternatively an organisation can also identify individuals registered at the PES and apply for the subsidy retrospectively.
- Once an employment contract for a minimum of 12 months is agreed, the awarded subsidy is paid on a monthly basis for nine months by the PES to the employer.
- Throughout the duration of the contract the employer provides vocational training adjusted to the skills required by the job.

Subsidy allocation:

The size of the subsidy depends on the employer's regional location, contract duration and circumstance of the unemployed person. Employers are awarded:

- Nine times the value of Social Support Index (an indexing reference of social support)<sup>2</sup> in the case of permanent employment contracts, totalling EUR 3 860.10.
- Three times the value of Social Support Index in the case of fixed-term contracts, totalling EUR 1 286.70.
- An additional 'conversion bonus' if a fixed-term contract is changed to a permanent employment contract. This is two times the monthly basic subsidy provided, with a maximum limit of five times the value of Social Support Index.

Financial subsidy is increased in the following cases:

- 10% if the target audience is 'hard-to-reach' groups (e.g. single parents, person with disabilities).
- 10% if a job is located in an economically disadvantaged region.
- Where there is under-representation of sex in a particular profession, 33.3% or below, subsidy is increased. This supports new measures to promote gender equality in the labour market<sup>3</sup>. Subsidy is increased in the following terms:
  - 20% of the subsidy awarded in the case of the conclusion of fixed-term work contracts.
  - 30% of the subsidy granted in the case of the conclusion of permanent employment contracts or the conversion of a fixed-term employment contract into a permanent contract.

## What are/were the sources of funding?

For the period 2014 to 2020 the total budget for Estímulo Emprego / Contrato Emprego is EUR 236 900. This is provided by the European Social Fund (ESF), Youth Employment Initiative (YEI) and the Portuguese national budget.

## What are/were the outputs: people reached and products?

### People Reached

- In 2017 and first half of 2018 employers applied for EUR 76.7 million of subsidies to support 19 000 jobs.
- As of first half of 2018, 14 353 applications were approved that support 16 670 jobs.
- Under Contrato Emprego 87% of employment contracts are permanent, compared to 54% under the previous initiative "Estímulo Emprego".
- Over 50% of subsidized employees were previously long-term unemployed and young people aged 30 or below.

<sup>2</sup> Value of Social Support Index (IAS): EUR 428.90

<sup>3</sup> Measure to promote gender equality on the labour market, Ordinance No. 84/2015 of 20 March: <https://dre.pt/application/file/66818280>

**What are/were the outcomes: medium-term results or effects?**

The measure has supported the creation of jobs for unemployed registered with PES, in particular long-term unemployed and young people under the age of 30. The financial incentives improve the access to labour market for vulnerable groups.

**What are/were the lessons learnt and success factors?**

**Lessons Learnt**

- Financial support for permanent employment contracts is more effective than temporary contracts.
- To tackle labour market segmentation active labour market programmes should support permanent contract employment.

**Success Factors**

- Close partnerships between the PES and private enterprises are essential to ensure the maximum number of young people take up vacancies supported by Contrato Emprego.
- The vocational training provided by employers allows young people to up- or re-skill for the for the purpose of the new job.

**What are key sources of information?**

Contrato Emprego webpage:  
<https://www.iefp.pt/apoios-a-contratacao>