

LEGAL UPDATE

Modifications to the financial support for the celebration of open-ended employment contracts.

Employers can benefit from financial support for entering open-ended employment contracts with unemployed registered with the IEFP and support for the payment of social security contributions, through the already known Sustainable Employment Commitment (“Compromisso Emprego Sustentável”) measure, created by Ordinance no. 38/2022, of January 17.

This measure provides financial support for each eligible employment contract (i) in the amount of EUR 6,111.12 (12xIAS), which may be increased, and (ii) half the amount of the social security contribution during the first year.

The end of the ATIVAR.PT Incentive, in its current version, and the Support Measure for the Emergency Reinforcement of Social and

MdME

Health Equipment (MAREES) will lead to the Sustainable Employment Commitment measure becoming the main support for signing open-ended employment contracts.

The changes now introduced by Ordinance no 39-A/2024, published on February 1, have the express purpose of ruling out its exceptional nature, while restricting its applicability.

Employment contracts signed between an unemployed and an employer (or an entity in the same business group) with whom they had been bound by employment contract immediately before becoming unemployed, were already excluded from this measure¹.

With the changes now introduced, are also excluded:

- a) Employment agreements which basic salary is less than EUR 1,018.52 (2 x IAS);
- b) Employment agreements with people aged 35 or under who have a technological specialization course, undergraduate or graduate degree, master's degree or doctorate²,
- c) Employment agreements entered into with unemployed people who have attended a professional internship funded by the IEFP at the same employer or entity in the same business group in the previous 12 months.

Thus, with the new version of the law, to benefit from this measure, employers must be, namely, in order with refunds under any European funds.

Those aged 35 or under and those aged 45 or over must now register with the IEFP for a minimum of 3 months.

The financial support will be increased by 25% if the basic salary is equal to or greater than €1,527.78 (3 x IAS). In the previous version, this increase took place when the basic salary was equal to or greater than twice the RMMG, which currently corresponds to €1,640.

Provided all other eligibility and maintenance requirements are met, the financial support for hiring will be paid once in 3 installments. The following examples provide a better understanding of its financial impact³.

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| Supported employment contract | | Unsupported employment contract | |
|---------------------------------|------------|---------------------------------|------------|
| Basic salary | 1,500 EUR | Basic salary | 1,500 EUR |
| Annual salary cost | 14,888 EUR | Annual salary cost | 21,000 EUR |
| Annual cost of SS contributions | 2,494 EUR | Annual cost of SS contributions | 4,988 EUR |
| Total annual cost | 17,382 EUR | Total annual cost | 25,988 EUR |

| Supported employment contract | | Unsupported employment contract | |
|---------------------------------|------------------------|---------------------------------|------------|
| Basic salary | 2,000 EUR ⁴ | Basic salary | 2,000 EUR |
| Annual salary cost | 20,361 EUR | Annual salary cost | 28,000 EUR |
| Annual cost of SS contributions | 3,325 EUR | Annual cost of SS contributions | 6,650 EUR |
| Total annual cost | 23,686 EUR | Total annual cost | 34,650 EUR |

The changes to this measure come into force on February 2, 2024.

¹ Unless they have been unemployed for more than 12 months or your previous employment contract falls under the scheme for young people on school vacation.

² These employment agreements may be supported through the Avançar Program ("Programa Avançar");

³ The annual cost is only used for the purposes of illustration, since the support payments will be made available as follows: 60% after the start of all supported employment contracts; 20% in the thirteenth month of the last contract started; 20% in the twenty-fifth month of the last contract started.

⁴ Supported with a 25% increase, which can be combined with other increases.

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