



# **ESPN – Flash report**

## **2014/7**

**Increase of the minimum wage in Portugal in a  
context of continued austerity**

Isabel Baptista and Pedro Perista  
November 2014

## **EUROPEAN COMMISSION**

Directorate-General for Employment, Social Affairs and Inclusion  
Directorate D — Europe 2020: Social Policies  
Unit D.3 — Social Protection and Activation Systems

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IN COOPERATION WITH OSE - EUROPEAN SOCIAL OBSERVATORY (BE)

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### **Increase of the minimum wage in Portugal in a context of continued austerity**

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<b>Theme(s):</b>	<b><i>Social Inclusion</i></b>
<b>Title:</b>	<b>Increase of the minimum wage in Portugal in a context of continued austerity</b>
<b>Category:</b>	<b><i>Policy measure</i></b>
<b>Abstract:</b>	The Portuguese Government has recently approved the increase of the minimum wage, after a freezing of almost four years. The minimum wage has now been increased from EUR 485 to EUR 505 per month. This uprate will reach approximately 400 thousand workers, benefitting over 10% of the total workforce.
<b>Description:</b>	<p>The minimum wage (retribuição mínima mensal garantida, RMMG) in Portugal had been increased for the last time in 2010, in spite of a formal agreement signed in December 2006 among social partners that defined the conditions for a regular uprating of the national minimum wage: the RMMG would be annually increased until it reached EUR 500 by the end of 2011. The freezing of that uprate till the beginning of October 2014 was based on the evolution of the economic situation thereafter. Following a recent decision by the coalition government, the uprated minimum wage has now been set at EUR 505 per month, starting on the first October 2014. According to the Government, it will cover approximately 400 thousand workers (12% of the total workforce, 8.7% men and 16.5% women).</p> <p>The decision to increase the RMMG is relevant from a social inclusion standpoint. The latest data from Eurostat show that, in 2012, 10.5% of the working population was at risk of poverty, compared to 18.7% overall. However, throughout time, the working poor population has been representing a significant part of the poor. In 2012, it represented approximately 30%, which demonstrates the importance of the phenomenon that finds its roots in a labour market largely based on low salaries and on the system of social protection. The issue raised immediate controversy/debate among social partners. The left wing Confederation of Portuguese Workers (CGTP-IN), the largest trade union federation, considered the decision to be tardy and insufficient. As a response, the Government accused the CGTP-IN of firstly demanding the increase and then of devaluing its accomplishment.</p>
<b>Outlook &amp; Commentary:</b>	The decision to uprate the RMMG rekindled the ongoing debate regarding the protection granted by the minimum wage regarding poverty. In fact, even after the increase, the minimum wage will only achieve to pull people out of poverty if the worker has no dependents. This shows that, in Portugal, having a job is not a firm guarantee of protection against poverty. The new value of the

	RMMG will be in place until December 31, 2015. The Portuguese Government recently reaffirmed its commitment to respect the 2015 deadline for Portugal to exit the Excessive Deficit Procedure, and will thus maintain austerity.
<b>Further reading:</b>	<p>Decree-Law 144/2014 of September 30 available at <a href="http://www4.seg-social.pt/documents/10152/6829461/DL_144_2014">http://www4.seg-social.pt/documents/10152/6829461/DL_144_2014</a></p> <p>“Acordo relativo à atualização da retribuição mínima mensal garantida, competitividade e promoção do emprego” (Text of the Agreement regarding the uprate of the national minimum salary, competition and employment promotion), 24 September 2014 available at <a href="http://cip.org.pt/wp-content/uploads/2014/09/2014-09-24-CIP-Acordo-tripartido-RMMG.pdf">http://cip.org.pt/wp-content/uploads/2014/09/2014-09-24-CIP-Acordo-tripartido-RMMG.pdf</a></p> <p>“Governo e parceiros sociais acordam no aumento do salário mínimo para 505 euros”, in Portuguese Government webpage, released on September 24 available at <a href="http://www.portugal.gov.pt/pt/os-ministerios/ministerio-da-solidariedade-e-seguranca-social/mantenha-se-atualizado/20140924-msess-salario-minimo.aspx">http://www.portugal.gov.pt/pt/os-ministerios/ministerio-da-solidariedade-e-seguranca-social/mantenha-se-atualizado/20140924-msess-salario-minimo.aspx</a></p>
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