

MINIMUM WAGE IN PORTUGAL

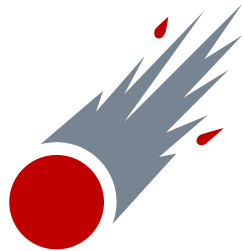
a success story of
almost half a century

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DINAMIA'CET / ISCTE-IUL

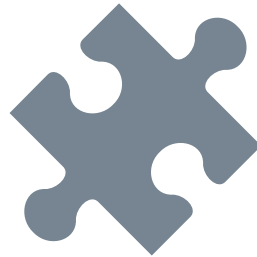
Peer Review on "Minimum wages – extending coverage in an effective manner"
Limassol (Cyprus), 19-20 September 2019

Key features (I) of the Portuguese statutory minimum wage (RMMG)



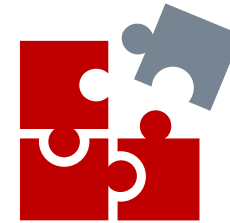
Achievement of the Revolution

Emblematic act of the Portuguese revolution 1974-75, enshrined in the Constitution (1976).



Initial exemptions and exceptions

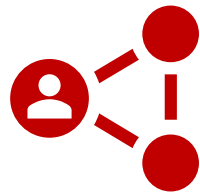
Rural, domestic and younger workers initially excluded, small firms exempted. In a second period specific lower minimum wages for rural and domestic workers (1977-78) and phasing out of exemption of small companies.



Convergence to one RMMG for all

After a long period of convergence, special regulations for rural and domestic abolished and in 2004-05 creation of one general minimum wage.

Key features (II) of the Portuguese statutory minimum wage (RMMG)



Tripartite negotiations (since 2006)

Since first medium-term tripartite agreement on the increase of the RMMG (signed in 2006) statutory minimum wage is central issue in negotiations at national tripartite body (CPCS). Further tripartite agreements on RMMG signed in 2014, 2016 and 2017.



Above average increases and growing coverage

Based on the tripartite agreements the RMMG registered increases far above the average evolution of collectively agreed wages during the periods 2007-2011 and 2016-2018. Due to these increases (and to the crisis in collective bargaining) a growing share of the workforce was covered by the RMMG.



Continuous monitoring

Based on the tripartite agreements the CPCS has created a mechanism of continuous monitoring of the impact of the minimum wage on economy, employment and inequality.

Strengths of the RMMG

Simplicity of the model

One minimum wage for all (only exceptions: trainees, apprentices and disabled workers) , one increase at the beginning of each year.

Effectiveness

Each increase with direct effect for a large number of workers.

(Almost) no negative employment effects

Broad political and social support

Government, social partners, political parties and population largely in favour of RMMG.

Effective enforcement

Strengths mentioned above result in effective enforcement.

Weaknesses of the RMMG

Freeze in times of crisis

Long-term advancement can be undone (at least partly) in periods of severe crisis (1976, 1982, 2012-13).

Bargaining chip in tripartite negotiations

Employers' support is not unconditional, and the increase of the minimum wage has become a kind of 'bargaining chip' in the overall tripartite negotiations (Campos Lima / Naumann 2011: 157f). Problematic case: trading RMMG-increase against relief in social contributions.

The success of the RMMG reveals the crisis in collective bargaining



High coverage of RMMG

(20% - 25% of workforce in private sector)
reveals crisis in collective bargaining



Total coverage of collective agreements still high

(basically due to extension mechanism), but
many agreements with outdated wage tables



Most unions too weak to achieve adequate results in wage bargaining

need for new union strategies and support from government
and legislator

Thank You

Obrigado