

Market and Benchmark Insight Report for Portugal – 2020

Competitive employee benefit norms for mid-market employers in Portugal

Introduction

VISA VIS provides independent employee benefit advice to over 400 Portuguese employers and therefore has substantial data to help companies understand how their employee benefits compare in their sector. Multinational employers regularly ask us for these insights, and this document provides a general overview of such guidance.

Inside, we outline:

- Portugal's benefits landscape which includes a benefits menu, mandatory requirements, and employment law
- Typical benefit design and cost
- Adviser remuneration

We are proud to be an Asinta Partner, and hope this document is of use to you.



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1. Portugal Benefits Landscape

Employee benefits are important in Portugal as they help recruit and retain employees and shape an employers' brand. They vary substantially based on a company's attraction and retention goals, culture, as well as their industry.

Three other factors influence the definition of the benefit design:

- Industry Type
- Salary Level
- Location

1.1 Industry Type

Benefits vary widely according to industry type. For example, we see generous benefits in the financial services, high-tech, and professional services sector. However, in the retail and hospitality sectors, benefits are far lower. We can provide sector specific benchmarking and advise on appropriate benefit design.

1.2 Salary Levels

Salary levels will impact benefit provision. In lower paid industries, you may find only senior managers receive supplemental employee benefits. However, if you have employees with substantial salaries (where base salary is over €80,000), these staff members may have limitations applied to pension contributions or to sums insured for risk covers.

Please note that in 2019, the average base salary in Portugal was €943.00. Considering allowances, extra hours and bonuses the average remuneration is €1,133.30. The minimum salary determined by law is €635.00

1.3 Location

The location of employees can influence benefit provision and salaries. Costs will be higher in Lisbon and slightly less in Oporto.

2. Portugal Benefits Menu

Portugal used to have one of the world's most generous social security systems. However, the political reforms since 2007, and the increasingly understaffed and overcrowded National Health Service (NHS), are raising awareness and the responsibility for retirement provisions and health insurances onto individuals and employers.

Health insurance is the most valued and popular employee benefit in Portugal, and it seems that it will continue to be, along with life insurance solutions.

On the other hand, pension schemes are increasingly offered by companies because they are valued by older employees.

There is a continued interest in defined contribution plans. Most of the new schemes implemented by employers are defined contribution plans with the possibility of voluntary individual contributions made by employees.

Despite that, other social benefits are being more and more valued such as company cars or co-payments of schools and/or education costs of employees' children.

The range of benefits that are typically available to employees in Portugal are shown in the table on the next page.





2.1 Mandatory Benefits

Benefit	Comments
Workers Compensation Insurance	<p>All employees are covered for accidents at work, through coverage with an insurance company including "in-itinere" (on the road).</p> <p>No waiting period.</p> <p>The bases for assessing benefits are:</p> <ul style="list-style-type: none"> • For temporary or partial disability greater than 30%: 70% of the value corresponding to the decrease in earnings capacity. • For temporary total disability: 70% of the gross pensionable salary up to 12 months, then 75%. • In case of permanent and absolute disability: 80% of the gross pensionable salary. • In case of death: 30% of the gross pensionable salary. If it is a spouse or orphan: 20% for one descendant, 40% for two, 50% for three or more. <p>The payable benefits include:</p> <p>Temporary Disability 70% of the decrease in earnings capacity for the duration of the disability up to a limit of 12 months; 75% from 12 months.</p> <p>Permanent Disability 80% of gross earnings for total disability. Medical treatment, surgery, hospitalisation, medicines, appliances, and transport provided for both temporary and permanent disability.</p> <p>Partial Disability Percentage of the full pension, corresponding to the degree of incapacity. If the disability is below 30%, the amount is converted into a lump sum.</p> <p>Spouse's Pension 30% of gross earnings for spouse/former spouse. The benefit terminates upon remarriage with a lump sum payment of three times the annual pension. After the age of 65, or in the event of physical or mental disease which affects the ability to work, the above rate is raised to 40%.</p> <p>Orphan's Pension 20% of gross earnings for one child, 40% for two children and 50% for three or more children. If both parents are deceased, the rates are doubled, but the total maximum pension is fixed at 80% of gross earnings.</p> <p>Funeral Grant Lump sum payment corresponding to the effective funeral expenses, up to a maximum of four times minimum salary.</p>



Holiday Pay	All workers are legally entitled to 22 paid holidays per year. In some cases there are collective labor agreements that establish a higher period of paid holidays (typically 25 days).
Meal Allowance	Employers must pay employees a meal allowance for each workday. This allowance is fully taxable unless it is paid through a card or ticket which makes these taxes exempt up to a certain limit.

2.2 Wider Benefit Provisions

In addition to the mandatory benefits, employers will often provide a range of benefits to help recruit and retain employees.

Benefit	Comments
Company Cars	A small number of employees can be provided with company financed cars and/or fuel, or an allowance in lieu. In a work environment where employees travel on business, you may see either company cars provided or a car allowance paid.
Meal Allowance Cards	Very common benefit due to its tax advantages to both the employee and the employer (tax free up to 7,63€ per day).
Childcare Vouchers	Tax efficient benefit. Various suppliers are available to administer these schemes.
Voluntary Benefits	Large and mid-sized employers will often provide employees with a range of voluntary benefits that can be provided at discounted prices through the employer.
Flexible Benefits	Employees can select several types of benefits from a menu, most of them being tax efficient.
Work from Home	An increasing number of employers have been creating working models that include the possibility of employees working from their home, particularly in the technology sector.
Workplace Canteens	This benefit is common with larger employers and particularly on industrial facilities. Food is provided at a discounted rate and can include breakfast and lunch.

When designing your benefits, you need to consider your sector, employee census data, and objectives. As advisors, we will help you design your benefits that work for you and are within your budget.



3. INSURED BENEFITS – DESIGN AND TYPICAL COSTS

Below, we have shown the most popular insured employee benefits in Portugal and typical levels of cover.

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Medical Insurance	The most valued benefit by employees. Managed care schemes are the most common. Employees have access to the insurance company's network of healthcare providers by presenting the respective insurance card.	Only employees are covered.	Family members (spouse and children) can be also covered but at employee's expense.	All staff and dependants covered at employer's expense.
Life & Disability Insurance	Typically, group life insurance schemes include lump sum benefits in case of death, accidental death and disability, and usually amount to a multiple of each employee's salary.	Only senior staff covered. Sum insured equal to 1 annual salary.	All staff covered. Sum insured equal to 1 annual salary.	All staff covered. Sum insured equal to 2 annual salaries.
Pension Plan	Defined contribution scheme. Funding through an insurance contract. Pay out via lump sum, annuities or a mix of the two.	Contribution equals 1% or 2% of each employee's salary.	Contribution equals 3% or 4% of each employee's salary.	Contribution equals 5% or more of each employee's salary.
Personal Accident	Death and disability coverage due to professional or extra-professional accidents. Typically also includes a sum insured for treatment expenses and another for funeral expenses.	Only senior staff covered.	Only senior staff and employees with the most hazardous jobs are covered.	All staff covered.
Workers Compensation Insurance	Mandatory cover by law, it is nevertheless considered an employee benefit. Treatment under a workers compensation insurance policy is immediate and usually fast, contrary to what typically happens if it is dealt under the National Health System.	All staff must be covered and the level of coverage is identical to all and determined by applicable legislation.		



4. Setting Up Policies

Employers often ask us to comment on how policies need to be set up in Portugal and possible restrictions that could apply. The following describes these processes.

4.1 Medical Insurance

- Definition of the plan's design: consider the options for coverage (in-hospital, outpatient, dental, vision, medicines, childbirth and other secondary supplemental covers), its respective annual limits per person and eligibility.
- Up to 50 lives, the available options are standard modules for several insurance companies. Over 50 lives, it is possible to have a tailor-made plan.
- Paperwork:
 - Employer must complete and sign a specific form.
 - Employees must complete and sign a specific form with their personal data and a health questionnaire.
 - For larger populations, it is enough to fulfill a specific Excel sheet provided by the insurance company with the employees' data (and the one of their dependents, if applicable).

4.2 Life & Disability Insurance

- Definition of the plan's design: consider the options for coverage (death, disability, accidental death, accidental disability, death due to traffic accident, disability due to traffic accident and other secondary supplemental covers), sum insured per person (a multiple of salary) and eligibility. Insuring base salary, and not bonuses or other remuneration, is the most common.
- Paperwork:
 - Employer must complete and sign a specific form.
 - Employees must complete and sign a specific form with their personal data, a health questionnaire and identification of their beneficiary(ies).
 - Under same circumstances, to be assessed case by case, the fulfillment of the forms by the employees can be waived.

4.3 Pension Plan

- Definition of the plan's design: consider the contribution amount (a percentage of salary), eligibility, vesting and tax regime.
- Paperwork:
 - Employer must complete and sign a specific form.
 - Employees must complete and sign a specific form with their personal data and identification of their beneficiary(ies) in case of death.
 - Under the same circumstances, to be assessed case by case, the fulfillment of the forms by the employees can be waived.

4.4 Personal Accident

- Definition of the plan's design: consider the options for coverage (accidental death, accidental disability, treatment expenses, funeral expenses and other secondary supplemental covers), as well as the sum insured per person by a multiple of their salary, and eligibility.
- Paperwork:
 - Employer must complete and sign a specific form.
 - Employees must complete and sign a specific form with their personal data and identification of their beneficiary(ies) in case of death.
 - Under the same circumstances, to be assessed case by case, the fulfillment of the forms by the employees can be waived.

4.5 Workers Compensation Insurance

- Level of benefit is pre-determined by law. All employees must be covered.
- Cost will vary according to the employers' activity (or its main activity, in case there is more than one).
- Paperwork:
 - For small groups, each employee needs to be identified by providing full name, function, salary and all other remunerations.



- For mid-sized and larger groups, simply provide the estimated annual payroll for the year. The negotiated rate will be applied on that estimation, and at year-end, an additional premium or a refund will be issued depending on whether the real payroll of the year is lower or higher than the estimate.

5. Onboarding and Policy Administration

Onboarding

In the US, for example, great attention is given to the onboarding process and the benefit choices employees have to make. In Portugal, there is far less emphasis on this process because most benefits have little choice, and employees are automatically enrolled into policies.

For employee communication, we can offer the following to meet client needs:

- Staff presentations
- Benefit communication packets including new employee packets
- Benefit videos
- A selection of insurance companies with portals giving employees secure access to benefit data, and benefit usage, particularly in the case of medical insurance.

Policy Administration

As advisers, we provide full policy administration support through our own IT platform which gives us the current status of any process in a given moment. This lets us quickly answer client questions, ensure policies are up to date and support claims issues that may arise. Clients have secure access to a web-based portal that is directly connected to our central IT central system which gives them access to insurance policies, invoices and claims.

6. Adviser Remuneration

We base our costs on the requirements of the client and the time spent providing that service. Commissions payable on insured policies is the typical market practice, but whenever required, we will be happy to discuss fee or commission options.

When looking at fees, we consider:

- Time required to set up any new policies
- The total number of policies to manage
- Time required to administer the policies
- Frequency of pre-determined, face-to-face client meetings and conference calls
- Whether there is the need to directly assist your employees
- The size of policies (expected claims volumes) under management

7. VISAVIS Team

Pedro Carranço is your primary contact. Whenever needed, you can also reach out to Ana Rebelo.



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