Hiring in Portugal vs France: rules, costs and obligations

Ask a finance director (or ChatGPT, as is now the trend) what an employee costs in France and in Portugal and you will usually hear two numbers: around 45% on top of salary in France, 23.75% in Portugal. While both are defensible as headline figures, both will also completely mislead you if you build a budget on them. The reason: they are calculated on different bases, applied to a different number of monthly payments, and in the French case the headline rate now reaches only a minor, most expensive share of employees.

Finpartner PT (Portugal) and KeyPoint International (France) prepared this guide for companies moving between the two markets.

What an employee actually costs

Let's start with the number of payslips. A full-time Portuguese employee is paid fourteen times a year: twelve monthly salaries, plus the holiday allowance (*subsídio de férias*) and the Christmas allowance (*subsídio de Natal*), each worth a full month of pay. The Christmas allowance is due by 15 December under article 263 of the Labour Code, and the holiday allowance is normally paid before the employee starts their annual leave. Plus, employer social security charges apply to both.

Because of the mechanics of the Portuguese payslips, the 23.75% is the most quoted number in Portuguese payroll and one of the most frequently misapplied, usually by someone who has multiplied it by twelve. When spread across fourteen payments, de-facto Portuguese employer contributions come closer to roughly 27.7% of a twelve-month salary figure, before anything else is added further.

To continue calculating the real cost, add the items that sit outside the contribution rate. Work accident insurance is compulsory in Portugal and bought from a private insurer, supervised by the ASF, typically costing around 1% of pay depending on sector and claims history. It is, however, important to highlight the tax and social security treatment of the meal allowance (*subsídio de alimentação*) in Portugal. This component, commonly included in remuneration packages, benefits from exemption from tax and social security contributions up to certain limits, allowing employees to supplement their income without proportionally increasing the company's costs. In 2026, the tax-exempt amounts are: 6,15€ per day when paid in cash; 10.46€ per day when paid through a meal card. For example, for an employee earning the minimum wage of 920€ a month in 2026, the meal allowance paid through a meal card can represent more than 2.000€ in annual benefits.

Meanwhile, France works the other way round. Payslips work in twelve payments, and a thirteenth month payslip exists only in industries where it is enforced by the collective agreement. Unlike Portugal, France does not have an equivalent widespread practice of paying a meal allowance in cash alongside the salary and transferring it directly to the employee's personal bank account. Instead, the most common meal benefit is provided through *titres-restaurant* (meal vouchers), operating under a cost-sharing arrangement between the employer and the employee. The employer typically contributes between 50% and 60% of the voucher's face value, with the remaining 40% to 50% covered by the employee. The employer's contribution is not included in gross salary and is exempt from social security contributions up to the applicable legal limit, which in 2026 is 7,32€ per voucher, provided that the legal requirements are met. The employee's share of the vouchers, meanwhile, is deducted directly from their payslip. In addition, the contribution rates are steeper at the top and far gentler at the bottom. The standard employer rates run at 42-45%, but note that the full rates reach a minority of employees. At or near the minimum wage (1,823.03 €), the effective French employer rate falls into single digits (3%), though it climbs quickly above that: roughly 11% at 2,000 € and 26% at 2,500 €.

Monthly gross	**Effective employer contributions**
1,823 € (minimum wage)	~3%
2,000 €	~11%
2,500 €	~26%
3,000 €	~33%
3,500 €	~37%
4,000 €	~39%
5,000 €	~41%
5,469 € (3x minimum wage)	~41%
Above 5,469 €	~43%

Assumptions: non-executive employee, company of 11 to 49 employees, occupational accident rate of 1.5%. Excludes the local transport levy (versement mobilité, up to about 2.95% in the Paris region) and the employer's share of private health cover.

As a result, for warehouse, retail or entry-level service roles, France can turn out to be the cheaper country in pure employer contribution terms. For senior and technical hires, however, Portugal is cheaper by a wide margin, because the 23.75% carries no ceiling while France stacks capped and uncapped layers above the social security ceiling of 48,060 € for 2026. These nuances are why in both countries one needs trusted advisors to navigate each business' individual case.

Social security contributions

Portugal operates a single global rate, the *Taxa Social Única*, of 34.75%, split 23.75% employer and 11% employee for for-profit companies. Non-profits pay 22.3%, and very short-duration contracts carry 26.1%. There is no ceiling and no sliding scale, which makes budgeting simpler.

In France, as in Portugal, Social Security contributions include amounts payable by the employer and others borne by the employee. However, unlike the Portuguese system, which is based on a single overall rate, the French system comprises several separate contributions, each with its own rates and assessment bases. On the employer's side, these contributions fund different areas of social protection, including healthcare, maternity benefits, pensions, family allowances, and protection against occupational accidents and diseases. Many of these contributions in France are subject to a monthly earnings ceiling of 4005€, with different rates applying to the portion of salary above that threshold.

On top of the social contributions, French employers fund the compulsory supplementary pension at 4.72%, plus 1.29% for the general balancing contribution, on pay up to the ceiling, rising to 12.95% plus 1.62% on the band above it. Executives carry a further death and disability premium of 1.50% of pay up to the ceiling, also carried entirely by the employer. Employers must also fund at least half the premium of compulsory group health cover (*mutuelle*), commonly 25 € to 45 € per employee per month. Portugal's 23.75% carries none of these. There is no mandatory supplementary pension and no mandatory health cover, which leaves work accident insurance at roughly 1% as the main addition. Note that the sector-wide collective agreement (*convention collective*) can raise any of these floors, so confirm the agreement governing your activity with your advisor.

Employment law and termination

Portuguese law treats dismissal as constitutionally constrained. According to it, an employer cannot end an open-ended contract at will. Dismissal requires either proven disciplinary just cause (*justa causa*) through a formal written procedure, or an objective ground such as collective redundancy or elimination of the post. Compensation for the objective grounds currently runs at 14 days of base pay and seniority payments per full year of service, under article 366 as amended by Lei 13/2023. Earlier service accrues at the rate in force at the time, so a long-serving employee generates a layered calculation. Expiry of a fixed-term contract carries a higher rate of 24 days per year.

French dismissal law requires “real and serious cause” (*cause réelle et sérieuse*), tested through a prescribed procedure beginning with a formal pre-dismissal meeting. Statutory severance is a quarter of a month's salary per year for the first ten years of employment and a third of a month per year thereafter, under article R1234-2. Notice depends on length of service: one month for an employee with between six months and two years of service, and

two months after two years. As many other conditions in employment law, this one is also subject to a specific collective agreement conditions.

France also offers an employment termination mechanism that does not exist in Portugal under the same terms: the mutual termination agreement (*rupture conventionnelle*). This mechanism allows employers and employees to terminate a permanent employment contract by mutual consent, without having to provide a specific justification or dismissal reason. The agreement is subject to administrative approval and, provided that the employee meets the minimum contribution period and other legal requirements, they retain their entitlement to unemployment benefits (*allocation chômage*).

In Portugal, employment contracts can also be terminated by mutual agreement. However, access to unemployment benefits is subject to specific legal conditions and is not automatic, unlike under the French system.

As for commonalities, probation is the other termination lever, running to two months for manual and clerical staff, three for supervisors and technicians and four for executives, doubling to four, six and eight months only where an extended branch agreement allows a single renewal. Portuguese probation reaches 240 days for senior management and 180 days for first-job hires, so the trial window is comparable.

On working time and leave, Portugal sets 40 hours a week against the French 35, with 22 working days of annual leave against the French 25, and 13 mandatory public holidays against French 11. The fact that the French have 35 hours workweek does not necessarily mean they have shorter workweeks: they could work on standard 39- or 40-hour workweeks and have extra days off to compensate.

Local payroll and compliance

Neither country allows a foreign parent to run payroll informally from head office.

In France, each hire requires a pre-employment declaration (*déclaration préalable à l'embauche*) filed with URSSAF no earlier than eight days before the start date and always before the employee begins work. Monthly payroll then flows through the nominative social declaration (*déclaration sociale nominative*), a single filing that distributes data to every social body. A business has to be very conscious of these deadlines: the filing calendar is unforgiving and the penalties are automatic.

Currently, Portugal is in the middle of a reform. Decreto-Lei 127/2025 rebuilt the contribution cycle with effect from 1 January 2026, and it changes three things for employers.

First, a new hire must be reported through the social security online portal (*Segurança Social Direta*) before the contract starts, thus replacing the old fifteen-day window. Second, the monthly declaration is now pre-filled by the social security system from the pay data it already holds - the employer checks it and confirms by the 20th of the following month.

Contributions are then paid between the 1st and the 25th. Third, the old filing model is being retired: the new one is optional through 2026 and becomes compulsory on 1 January 2027, after which filings in the old format are rejected. Any business running a Portuguese payroll should ask its provider to confirm the migration before the end of 2026.

Both countries expect a local contract in the local language, a compliant payslip, and registration before the first day of work. For a company testing a market with one or two people, an employer of record can be sufficient in Portugal, and in France you can register directly as a foreign employer without paying the EOR fees. Once a permanent establishment exists, the obligations attach to you.

In Summary

Portugal's rules reward senior and technical headcount, and charge steadily for it across fourteen payments. Meanwhile, France rewards volume hiring at modest salaries, and charges heavily on higher salaries. Termination of employment contracts is subject to strict procedures in both countries. However, unlike Portugal, France offers the option of mutual termination through a simpler process. A foreign business in either of the two countries can expect to deal with a lot of nuances, so the best way to secure oneself is to have a trusted local advisor to guide the business through compliance complexity.