

Urgent measures for growth, competitiveness and efficiency

1. Objectives of Royal Decree 8/2014

The new legislation was approved with a three-fold objective: (i) promote competitiveness and the efficient working of the markets, (ii) improve access to finance, (iii) promote employability and employment.

2. Key new legislation and amendments concerning labor and employment

2.1 Beneficiaries of the National Youth Guarantee System

The new royal decree-law establishes the creation of the National Youth Guarantee System, having among its aims for unemployed young people aged over 16 and under 25 who are not part of the education or training system to be able to receive an offer of employment, apprenticeship training, or work experience, after finishing their official education or becoming unemployed. For those with a degree of disability equal to or above 33% the age limit is raised to 30.

2.1.1 *Creation and basic functions of the National Youth Guarantee System file*

It sets up the National Youth Guarantee system file, which is the official information and monitoring system on the implementation of the Youth Guarantee in Spain and, as such, the single list for demand and the medium for registering those interested in the initiatives carried out in the context of the Youth Guarantee. The file is set up also as the tool for monitoring the system's initiatives and programs and for assessing the results obtained.

To benefit from the National Youth Guarantee System, it will be necessary to be registered on this file.

The functions of the registration file will include:

- Being a medium for the particulars of users registered voluntarily.
- Providing information and being a useful tool for planning and managing the National Youth Guarantee System.
- Enabling oversight that the applicable measures within the National Youth Guarantee System are targeted specifically at the intended beneficiaries.
- Having basic profiles of the registered young people for the purposes of monitoring the impact of any action plans adopted for the beneficiaries of the National Youth Guarantee System.

2.1.2 *Registration procedure and requirements*

The procedure for registration on the register has been set up electronically (electronic identity card, electronic certificate, or other recognized means) involving a user name and password. Anyone at risk of social exclusion or anyone with a disability can apply for registration in person.

To be registered on the youth guarantee register, and benefit from any of the measures, besides meeting the age requirements, it will be necessary to:

- Have Spanish nationality or be citizens of the EU or of the states in the European Economic Area or Switzerland who are in Spain under their right to free movement and residence. Any foreigners holding a permit to reside in Spain that entitles them to work can also be registered.
- Have a municipal certificate of registered domicile in any locality in Spain.
- Not have worked in the preceding thirty days.
- Not have been the recipient of any education initiatives for more than 40 hours in a month over the preceding ninety days.
- Not have been the recipient of training initiatives for more than 40 hours in a month over the preceding ninety days.
- Acquire a commitment to active participation.

2.1.3 *Measures and initiatives in the Youth Guarantee Plan*

Another purpose of the royal decree-law is the implementation of support measures or programs with particular impact in the following areas:

- Intermediation-enhancing measures: activities or measures will be implemented, contributing to early action and to the completion of intermediation and employee mobility processes; these may consist of career guidance activities, activities with placement agencies, mobility programs and education-employment intermediation programs.
- Employability-enhancing measures: activities that will contribute to improving professional skills and competencies: training with a commitment to hire, training especially in languages and in IT and communication, non-employment work experience programs at companies, driving dual vocational education and training, training to obtain vocational competence certificates, etc.
- Support for hiring: reduced social security contributions, promoting the training contracts provided in the legislation in force, employment aid for employers hiring people for a minimum period of time, training and promoting employment for young researchers, etc.
- Promotion of enterprise: support and promotion of an enterprising spirit, financing an aid program for self-employment, paying unemployment benefits in a lump sum to be invested in a business initiative.

2.2 Measures supporting the hiring of beneficiaries of the National Youth Guarantee System

2.2.1 Reduction in social security contributions for hiring beneficiaries of the National Youth Guarantee System under indefinite-term contracts

A monthly reduction is allowed in the employer's social security contributions equal to three hundred euros for up to six months where indefinite-term contracts are signed with the beneficiaries of the National Youth Guarantee System, subject to the following rules:

- This measure will be compatible with the other incentives, provided they do not reduce the monthly contributions to be paid by the employer or self-employed worker to negative figures.
- The employer must keep on the worker for at least six months from the start of the employment relationship. If this obligation is not met the reduction must be refunded.
- Moreover, by entering into the new contract, employers will be required to increase both the level of employment under indefinite-term contracts and the aggregate level of employment and keep the new level attained with the contract for the whole period in which they benefit from the reduction.
- If the contract is for part-time work, the employee's working hours must be at least 50 percent of the full-time working hours and the reduction will be applied as follows:
 - (i) If the part-time employee's working hours are equal to at least 75 percent of the working hours of a comparable full-time worker, the reduction will be applied in an amount of 225 euros.
 - (ii) If the part-time employee's working hours are equal to at least 50 percent of the working hours of a comparable full-time worker, the reduction will be applied in an amount of 150 euros.
- An employer can only apply the reduction once for each of the beneficiaries of the National Youth Guarantee System that they hire, regardless of the period for the reduction taken by the employer for that worker.
- The Ministry of Employment and Social Security will examine whether the level of employment under indefinite-term contracts and the aggregate level of employment have been maintained, at the end of 6 months after the contract giving entitlement to reduced social security contributions has been executed. For these purposes, they will take the average number of employees under indefinite-term contracts and the average employee total in the month for which the fulfillment of this requirement must be examined. Any terminations of employment contracts on objective or disciplinary grounds that have not been held unjustified will not count for these purposes.
- These reductions will be applied to any and all contracts that are concluded from the date the legislation comes into force until June 30, 2016.
- To be able to benefit from the reductions the employer must evidence that he is up to date with tax and social security obligations.

- The reduction is not allowed to be applied alongside the special social security regimes, and the provisions in section I, chapter I of Law 43/2006 determining disallowed reductions will also apply.

2.2.2 *Incentives for work experience contracts applicable to beneficiaries of the National Youth Guarantee System*

The royal decree-law provides in relation to the incentive for work experience contracts under Law 11/2013 on measures to support entrepreneurs and to foster business growth and the creation of employment, that where the contract is executed with beneficiaries of the National Youth Guarantee System, a 50 percent reduction to the employer's social security contributions for nonoccupational contingencies for the worker concerned will also apply throughout the valid term of the contract. This additional reduction will be 25 percent if the worker is on the special non-employment work experience program under Royal Decree 1543/2011.

The reduction will apply to all contracts that are executed until June 30, 2016.

2.2.3 *Incentives for part-time contracts linked to training applicable to beneficiaries of the National Youth Guarantee System*

The royal decree-law provides that the incentive for part-time contracts linked to training, under Law 11/2013 on measures to support entrepreneurs and to foster business growth and the creation of employment will apply to the beneficiaries of the National Youth Guarantee System. As an exception in these cases, the covenanted working hours may be up to 75% of those of a comparable full-time employee.

2.2.4 *Training and apprenticeship contract*

It is determined that, within a month from when the new decree comes into force, the relevant legislation will be amended to increase the ceilings on the reductions to the employer's social security contributions designed to finance the training costs associated with these contracts, where the person concerned is a beneficiary of the National Youth Guarantee System. The costs associated with the need to have a tutor will also be taken into account in the incentive.

2.3 ***Reductions in social security contributions for work experience placements for university and vocational training students***

Under additional provision twenty-five, for those on external work experience placements as part of university and vocational training courses, who are treated as being registered for the purposes of being included in the social security system, under additional provision three of Law 27/2011 and Royal Decree 1493/2001, employers will have a 100 percent reduction in their social security reductions from August 1, 2014.

3. Other new legislation concerning temporary employment agencies and placement agencies

The following bullets summarize some of the main new items of legislation on temporary employment agencies and placement agencies:

- The prior administrative authorization for temporary employment agencies has been kept in place for being able to operate as such, although it has been added that there will be a single authorization valid throughout Spain which will be granted with no time limit and expire when the agency has not operated as such uninterruptedly for a year. Any authorizations prior to the entry into force of the amendment, whether provisional or definitive, will be treated as valid to be able to operate, not subject to any time limit, throughout Spain.
- The activities that temporary employment agencies will be able to conduct have been broadened by adding training activities for vocational qualifications and for human resources consulting and advisory services.
- And for placement agencies, the prior administrative authorization to operate as such has been eliminated and replaced by a solemn declaration, which will take effect from when it is filed and they may operate throughout Spain. Any placement agencies that had an authorization in force on July 5, 2014 may continue operating throughout Spain without having to file that solemn declaration.

4. Entry into force

Under final provision five, the amendments in Royal Decree 8/2014 having an impact on the matters falling within the scope of this Labor and Employment Commentary generally come into force on July 5, 2014, the date of its publication in the Official State Gazette.