

### Royal Decree-Law 3/2014, of February 28, 2014, on Urgent Measures to Foster Employment and Permanent Contracts

This document gives a brief overview of the key new elements introduced by Royal Decree-Law 3/2014, of February 28, 2014, on **urgent measures to foster employment and permanent contracts**.

#### 1. Reduced Social Security contributions

The Royal Decree provides that, from February 25, 2014, for new permanent contracts, the employer's social security contributions for nonoccupational contingencies will be reduced by the following amounts:

Working hours	Contribution reduced to
Full time	100 euros/month
Part time equal to at least 75% of the working hours of a comparable full-time worker	75 euros/month
Part time equal to at least 50% of the working hours of a comparable full-time worker	50 euros/month

The above reductions will apply to contracts executed between February 25, 2014 and December 31, 2014: (i) for a period of 24 months (calculated from the effective date of the contract which must be formalized in writing), and (ii) on completion of the 24-month period and for the following 12 months, all companies with at least 10 workers on the date the contract is executed will be entitled to a 50% reduction to their contributions for nonoccupational contingencies for the worker hired under a permanent contract.

The calculation of any financial benefits to which workers may be entitled will not be affected by the reductions and will be made by reference to the full amount of the contribution base applicable to them.

These reductions cannot be taken alongside any other Social Security contribution-related benefit for the same contract.

#### 2. Requirements and exclusions

Any reduction to contributions for nonoccupational contingencies will be conditional on employers meeting the following requirements:

- They must be up to date in compliance with their tax and Social Security obligations on the date of effective registration of the workers for social security purposes and throughout the period it is applied. In the event of failure to make all or part of any

payment by the statutory deadline in the above period, the right to the reduction will automatically be forfeited from the month in which the failure occurs.

- They must not have terminated any employment contracts on objective or disciplinary grounds in dismissals that have been held unjustified by a court, or in collective layoffs, in the six months preceding the contract. An exception is made for contract terminations before February 25, 2014.
- They must execute permanent contracts that increase both the level of permanent employment and overall employment at the company. The daily average number of workers at the company in the 30 days preceding the contract will be used to calculate the increase.
- They must maintain, for a 36-month period starting on the effective date of the permanent contract to which the reduction applies, (i) the level of permanent employment and (ii) at least the overall level of employment attained with that contract. This requirement will be reviewed every 12 months. Any contractual terminations on objective or disciplinary grounds not held unjustified will not be taken into account.
- They must not have been disqualified from receiving any benefits under employment programs due to the perpetration of a serious infringement under article 22.2 (failure to register workers) or the very serious infringements under articles 16 and 23 of the Labor and Social Security Infringements and Penalties Law (in terms of employment, aid to foster employment in general and vocational training and in relation to Social Security).

The cases not eligible for the reduction include: (i) special employment relationships, (ii) workers falling within the special systems established in the General Social Security Regime, (iii) workers hired at other group companies and whose contracts had been terminated on objective or disciplinary grounds in dismissals that had been held unjustified by a court, or under collective layoffs, in the 6 months preceding the contract (save for terminations before February 25, 2014), (iv) the hiring of any workers who have worked at the same company or entity under a permanent contract in the six months preceding the contract date (save for terminations before February 25, 2014), (v) the hiring of certain family members, or (vi) the hiring of employees that may exceptionally take place in the public sector in certain scenarios set out in the 2014 State Budget Law.

Where the reduction is applied incorrectly due to a failure to meet the above requirements, the company must pay over the amounts by which it had reduced its contributions plus the relevant surcharge and late-payment interest.

Where the breach arises with respect to the obligation to maintain levels of employment, the reduction will cease to be valid and the company must pay over the difference between the employer Social Security contributions for nonoccupational contingencies that would have been payable had the reduction not been applied and those made since it started to apply the reduction, to which certain percentages apply to determine the amount to be paid over, based on the date on which the breach occurs. No surcharge or late-payment interest will be payable in this case, however.

These new provisions do not prevent the application of any potential infringements and penalties set out in the law.

More information:

**Rosa Zarza**

Partner in charge of Labour and  
Employment Law

[rosa.zarza@garrigues.com](mailto:rosa.zarza@garrigues.com)

T +34 91 514 52 00

