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How the Change of Government in Spain Might Increase Costs for Employers

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Following a vote of no confidence in the Spanish Parliament on 1 June, Spain has a new Prime Minister – Pedro Sánchez – and a new Socialist government.

Whilst the full implications of this momentous change are not yet known, the new Prime Minister has stated that his government will:

- Continue to observe European regulations and structure (i.e. Spain will not leave the euro or the European Union)
- Adopt the national budget that was approved at the end of May
- Keep Spain united under the current Constitution

Whilst this may be reassuring from a general political point of view, the change of government does raise particular concerns from a labour and employment perspective. This is because the political parties that support the new government have long sought to overturn the extensive employment reforms that came into effect in Spain in February 2012. If this proves to be the case, employers of staff in Spain are likely to face increased employment and social security costs, including (but not limited to):

- **Increased severance payments.** The amount of compensation payable by employers for unfair dismissals may be increased by more than a quarter to 45 days' salary per year of service, from the current 33.
- **Redundancy.** Currently, a dismissal will be treated as by reason of redundancy if it is based on "economic, technical, organisational or production" reasons. The new government may tighten the criteria and make it even harder for businesses to make employees redundant.
- **Reduced flexibility to change terms and conditions of employment.**Employers may not have the ability to reduce salaries in redundancy situations without first obtaining employee consent.
- **Stronger collective bargaining**. Historically, if an employer was unable to reach agreement on the terms of a new collective agreement, the provisions of the old agreement would remain in force indefinitely. This position may be reinstated.
- **Interim wages**. Prior to the 2012 reforms, if an employee was dismissed and the dismissal was found to be unfair, an employer was required to pay severance pay **and** either reinstate

the employee or pay him wages from the date of dismissal to the date of the judge’s ruling. The right to an interim wages payment was abolished in 2012, but may be re-introduced.

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