

## Employment Alert

# Brief analysis of the ten new employment and social security measures included in the 2018 General State Budget Project

April 2018

In the Council of Ministers held on March 27, 2018, the Draft Law on the General State Budget ("PGE") for the present year 2018 was approved, and after its submission to Parliament, it must continue its parliamentary process during the months of April and May, until its final approval.

The PGE Project includes social measures, among other things, a reduction in personal income tax for the lowest income brackets, a rise in minimum and widow's pensions, a salary increase for civil servants, a greater public offer of employment and equal pay for the State Security Forces and Corps.

From a purely labour and social security perspective, the following novelties are worth mentioning:

### **1.- Extension of the duration of paternity leave**

Article 48.7 ET is to be amended to extend paternity leave for both the public and private sectors from four to five weeks. This leave may be taken on a full-time or part-time basis for a minimum of 50% and without interruption, except in the last month of the period, which may be taken within nine months of the date of the child's birth, subject to agreement between the worker and the employer.

### **2.- Allowance in the event of a change of job post due to risk during pregnancy or breastfeeding and in the event of occupational disease**

The 50 percent bonus on the company contribution is maintained in the event of a change of job due to risk during pregnancy or while breastfeeding, as well as in the event of occupational disease.

### **3.- Financial support for young people with low levels of training**

A new activation or labour insertion measure for young beneficiaries of the Youth Guarantee System is contemplated, in the form of accompanying financial aid, for an amount equivalent to 80% of the Public Indicator of Income with Multiple Effects (IPREM) in force at any given time. This support will be maintained for the duration of the training and apprenticeship contract, with a maximum duration of 18 months.



#### **4.- Bonus for the conversion of training and apprenticeship contracts into open-ended contracts**

The conversion of training and apprenticeship contracts concluded with young people benefiting from the accompanying financial aid into open-ended contracts is encouraged, and a bonus of 250 euros per month may be applied to company contributions for common social security contingencies for a period of three years.

#### **5.- Measures to support employment in the tourism sector**

With the aim of combating temporary employment in a sector such as tourism, measures to support the extension of the period of activity of workers with discontinuous permanent contracts in this sector are being maintained.

In this sense, the employer who starts or maintains the registration of workers in this sector with discontinuous permanent contracts can benefit from discounts of 50% in the employer's social security contribution for common contingencies, joint collection of unemployment, FOGASA and professional training of workers.

#### **6.- Raising the lowest pensions**

Minimum pensions are to be improved with a 3% increase, and widow's pensions with a 2% increase in the regulatory base for the over-65s. Other pensions not exceeding 12,000 euros gross per annum will be increased by between 1% and 1.5%.

In general, the contributory pensions paid by the Social Security system, as well as those of pensioners, will be revalued in 2018 by 0.25%, as in the previous year.

#### **7.- Public employment offer**

In the case of public administrations that meet their deficit, debt and expenditure targets, the supply of public employment may reach 100% of the replacement rate.

Local authorities may have an additional 10% restocking fee, provided that they have repaid their financial debt at 31 December of the previous year.

In addition, with regard to compensation for public employees, the agreements signed between the Government and trade unions provide for an update of 1.75% for 2018. Based on the agreements reached, this update includes a fixed increase, and an additional share linked to GDP and the achievement of the stability target in 2020.

## **8.- Reduction for obtaining income from work**

A lowering of the IRPF for the lowest taxes is contemplated, so that the minimum tax-exempt is increased from 12,000 to 14,000 euros per year. It also provides for a reduction in the taxation of employment income of between 14,000 and 18,000 euros per year. And the reductions for income from work are increased to 18,000 euros gross salary.

## **9.- Maternity deductions**

Women with children under three years of age, if they have paid the costs of authorized day care centers or day care centers, may increase the annual deduction of 1,200 euros, which had already been applied, by an additional 1,000 euros.

## **10.- The IPREM and the legal interest rate on the money for the year 2018 are maintained**

No variation is contemplated with respect to the the multiplier for the public income index (IPREM), such as the legal interest of money, which remain for the year 2018 at 17.93 euros/day and 3.00%, respectively.

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