

2025 will be a year marked by a number of important legislative developments. The most relevant of these include the following:

Possible Increase in the Minimum Wage

Background

Yolanda Díaz (Minister of Labour) announced in December 2024 that she would convene the social dialogue roundtable for the increase of the minimum interprofessional wage (SMI) at the beginning of 2025.

Current status

Pending approval of the possible increase in the SMI.

Implementation date

Once approved, it will be applied retroactively from 1 January 2025.

Summary

The SMI will start 2025 at the same level as in 2024, i.e. €1,134 per month for 14 payments, pending the Ministry of Labour's agreement with the social partners on a new increase.

Increase In Contribution Bases

Background

Since 3 December 2024, the draft ministerial order proposed by the Ministry of Inclusion, Social Security and Migration has been undergoing a public hearing. This initiative establishes the contribution bases and rates applicable to Social Security, unemployment, activity termination protection, the Wage Guarantee Fund and vocational training for the financial year 2025.

Current status / Implementation date

It is expected to enter into force at the beginning of 2025.

Summary

In accordance with the order published on 3 December 2024, which implements the legal rules on social security contributions, unemployment, the Wage Guarantee Fund and vocational training for the financial year 2025, the maximum contribution base for the General Scheme will be 4,909.50 euros per month from 1 January 2025 and the minimum contribution base will be 1,323 euros per month.

Additional Solidarity Contribution

Overview

Royal Decree-Law 2/2023 of 16 March on urgent measures to increase pensioners' rights, reduce the gender gap and establish a new framework for the sustainability of the public pension system created the so-called "solidarity contribution for the highest salaries", which provided for a gradual increase as of 2025 on the excess of salaries over the maximum contribution base established for each year by the General State Budget Law.

Current Status

The aforementioned Royal Decree-Law came into force on April 1, 2023.

Implementation date

The additional contribution provision will be gradually implemented from 2025 to 2045.

Summary

The additional solidarity contribution referred to in art. 19 bis of the Royal Decree-Law 2/2023 will be applied **gradually from January 2025 to 2045** on the salary bracket that exceeds the maximum contribution base, which in 2025 will be at €58,914 per year (€4,909,50 per month).

The percentages to be applied on such excess will be as follows:

- 0.92% on the 10% exceeding the maximum contribution base.
- 1% on the excess between 10% and 50% of the maximum base.
- 1.17% on the excess of 50% of the maximum base.

The above percentage will be increased by 0.25 points per year until 2045:

- 5.5% on the 10% exceeding the maximum contribution base.
- 6% on the excess between 10% and 50% of the maximum contribution base.
- 7% on the excess of 50% of the maximum base.

Solidarity Contribution And Rates To Apply

| | Percentages to be applied on the 10% exceeding the maximum contribution base | Percentages to be applied on the excess between 10% and 50% of the maximum contribution base | Percentages to be applied on the excess of 50% of the maximum base |
|------|---|--|---|
| Year | Contribution rate % | | |
| 2025 | 0.92 | 1.00 | 1.17 |
| 2026 | 1.15 | 1.25 | 1.46 |
| 2027 | 1.38 | 1.50 | 1.75 |
| 2028 | 1.60 | 1.75 | 2.04 |
| 2029 | 1.83 | 2.00 | 2.33 |
| 2030 | 2.06 | 2.25 | 2.63 |
| 2031 | 2.29 | 2.50 | 2.92 |
| 2032 | 2.52 | 2.75 | 3.21 |
| 2033 | 2.75 | 3.00 | 3.50 |
| 2034 | 2.98 | 3.25 | 3.79 |
| 2035 | 3.21 | 3.50 | 4.08 |
| 2036 | 3.44 | 3.75 | 4.38 |
| 2037 | 3.67 | 4.00 | 4.67 |
| 2038 | 3.90 | 4.25 | 4.96 |
| 2039 | 4.13 | 4.50 | 5.25 |
| 2040 | 4.35 | 4.75 | 5.54 |
| 2041 | 4.58 | 5.00 | 5.83 |
| 2042 | 4.81 | 5.25 | 6.13 |
| 2043 | 5.04 | 5.50 | 6.42 |
| 2044 | 5.27 | 5.75 | 6.71 |
| 2045 | 5.50 | 6.00 | 7.00 |

The distribution of the solidarity contribution rate between the employer and the employee will maintain the same proportion as the distribution of the contribution rate for common contingencies, with **83.39% paid by the employer and 16.61% by the employee. Self-employed workers will be exempted from this contribution.**

In addition, this contribution will be applied to any remuneration received by the employee subject to contribution, whether fixed, variable or in kind, and will be paid under the same terms and conditions as the rest of the contributions.

The General Treasury of the Social Security (TGSS) shall be informed of the following data:

- identification data of the employees affected by this additional contribution,
- the period in which the remunerations are to be paid,
- the amount of the remunerations that determine a contribution base higher than the maximum applicable contribution base, and
- the amount of the contribution bases between the maximum base and the one determined by the remunerations computable for these purposes.

In short, the main objective pursued by the legislator has been to deal with an unstoppable demographic circumstance: the retirement of the largest generation in Spain, belonging to what is known as the 'baby boom'.

MEI 2025 Contribution Increase

Overview

The so-called Intergenerational Equity Mechanism or MEI imposes an additional contribution to Social Security in order to ensure the economic sustainability of the system.

It came into force in 2023, incorporated by the Fourth Final Provision of Law 21/2021, of 28 December, on guaranteeing the purchasing power of pensions and, year by year, it will tax the contributions of companies, the self-employed and employees in our country.

Current status / Implementation date

With the imminent arrival of the year 2025, the contribution of companies and employees to the MEI will increase again.

Summary

By 2025 it will be 0.8%: 0.67% will be borne by the company and 0.13% by the employee.

| MEI Additional Contribution 2023-2050 | | | |
|---------------------------------------|----------------------|-----------------------|-------|
| Transitional period of application | Company contribution | Employee contribution | TOTAL |
| 2023 | 0,50% | 0,10% | 0,60% |
| 2024 | 0,58% | 0,12% | 0,70% |
| 2025 | 0,67% | 0,13% | 0,80% |
| 2026 | 0,75% | 0,15% | 0,90% |
| 2027 | 0,83% | 0,17% | 1,00% |
| 2028 | 0,92% | 0,18% | 1,10% |
| 2029 | 1,00% | 0,20% | 1,20% |
| 2030-2050 | 1,00% | 0,20% | 1,20% |

Reduction of Working Time

Overview

Currently, as stated in the Workers' Statute, in Spain the conventional work regime is 8 hours a day or 40 hours a week.

Once the reform and the implementation of the reduction of working hours is approved, the maximum limit will be reduced from 40 hours to 37.5 hours per week.

The main objective of this adjustment is to improve the work-life balance and the quality of life of employees.

Current status

Currently, by 2025, working time will remain unchanged.

Implementation date

The intention of Yolanda Díaz (Minister of Labour) is to have a law ready in the near future that will oblige companies to comply with the regulation from 31 December 2025.

During these 12 months, the government will have to work on a regulation to be approved in Congress. The collective agreements will be also updated so that the objective of applying the reduction in working hours to 37.5 maximum hours worked per week or its average with the annual computation of hours is met.

Summary

After a long period of negotiation, since the Social Dialogue Round Table was set up on 25 January 2024 to address the reduction of working time in Spain, on 20 December 2024 the Government and the trade unions Comisiones Obreras (CCOO) and Unión General de Trabajadores (UGT) signed an agreement to reduce the working week to 37.5 hours, implement a digital working hours register and strengthen the right to digital disconnection.

Although the document calls itself a 'social agreement', it does not have the support of the companies associations CEOE and CEPYME.

This agreement has crystallized in a first draft bill for the reform of the Workers' Statute and the LISOS which was also published on 20 December by the Ministry of Labour and Social Economy and foresees the reduction of the working day to 37.5 hours.

The reduction of the working day from 40 to 37.5 hours a week will benefit more than 8 million employees who currently work full time, who will work half an hour less each working day.

This reduction of 2.5 hours per week will not lead to a reduction in wages, i.e. the employees, in addition to seeing their working hours reduced, will earn more per hour worked, as the same wage and fewer hours will increase the price per hour.

On the other hand, part-time contracts that reach or exceed the new maximum working week of 37.5 hours will automatically be converted into full-time contracts.

Prior Hearing Of The Employee In Disciplinary Dismissals

Overview

The Supreme Court, in its judgement of 18 November 2024, has modified its doctrine by concluding that before a company carries out a disciplinary dismissal, it is necessary to offer the employee the possibility of defending himself against the charges brought against him, in application of Article 7 of Convention No. 158 of the International Labour Organisation.

Current status / Implementation date

This obligation has already entered into force.

Summary

The obligation to give the employee a prior hearing in cases of disciplinary dismissal is not specified in Article 55.1 of the Workers' Statute (with some exceptions).

However, it is provided for in Article 7 of Convention 158 of the International Labour Organisation, which was ratified by Spain on 18 February 1985 and has been part of the domestic legal system since its entry into force on 26 April 1986.

Until then, the majority doctrine had understood that Spanish legislation complied with the Convention without the requirement of a hearing prior to disciplinary dismissal, except in the cases provided for by law or by agreement (prior hearing of trade union delegates, contradictory proceedings with the employees' legal representatives or when provided for in the applicable collective agreement).

Therefore, based on this ruling, the previous doctrine of the Supreme Court, which for almost four decades has considered the formalisation of dismissal by means of a written letter to be sufficient, has been modified to now establish that the prior hearing of the employee is an essential requirement to guarantee their right to a defence.

In addition, the judgment clearly states that the failure to hold a hearing prior to disciplinary dismissal violates the employee's right to a defence, and therefore goes so far as to state that the dismissal was unlawful.

This new criterion represents a significant change in Spanish case law, bringing it into line with international labour law standards.

The Supreme Court Declares That It Is Not Possible To Increase The Severance For Unfair Dismissal

Background

Recently, in Spain, we have come across a clear case of a lack of jurisprudential uniformity. Some Labour Courts of certain High Courts of Justice were recognising the right of employees, whose dismissals had been deemed unfair, to receive from their employers compensation in addition to the 33 days per year worked established in Article 56 of the Workers' Statute.

However, the recent Judgment 1350/2024, of 19 December, of the Supreme Court has declared that it is not possible to increase the compensation for unfair dismissal through the courts.

Current status / Implementation date

This is a particularly relevant judgement for future terminations.

Summary

Until now, many of the courts understood that in some cases the legal compensation could be insufficient to compensate the damage caused to the employee, and therefore allowed a higher compensation to be requested.

They relied on Article 24 of the European Social Charter, which deals with the "Right to protection in the event of dismissal", states the following:

"In order to ensure the effective exercise of the right of employees to protection in the event of dismissal, the Parties undertake to recognise:

- the right of all employees not to be dismissed without valid reasons related to their qualifications or conduct. 'In order to ensure the effective exercise of the right of employees to protection in the event of dismissal, the Parties undertake to recognise:
- the right of all employees not to be dismissed without valid reasons related to their skills or conduct, or based on the operational requirements of the undertaking, establishment or service;
- the right of employees dismissed without valid reason to adequate compensation or other appropriate relief.

To this end, the Parties undertake to ensure that an employee who considers that he or she has been dismissed without valid reason has the right to appeal to an impartial body”

A similar mandate is contained in Article 10 of Convention 158 of the International Labour Organisation (ILO), ratified by Spain, according to which:

“if the bodies referred to in Article 8 of this Convention come to the conclusion that the termination of the employment relationship is unjustified and if under national law and practice they are not empowered or do not consider it possible, in the circumstances, to annul the termination and possibly order or propose the reinstatement of the employee, they shall have the power to order the payment of adequate compensation or such other relief as may be deemed appropriate”

However, the Supreme Court, in its judgment 1350/2024 of 19 December, has ruled that it is not appropriate to pay compensation in addition to the compensation already provided for. However, the Supreme Court, in its ruling 1350/2024 of 19 December, has ruled that it is not appropriate to pay compensation in addition to that already provided for in our legislation for unjustified dismissals.

Among other reasons, it is based on the fact that:

- the doctrine of the Constitutional Court considers it to be adequate compensation;
- the labour standard is different from the civil regulation;
- Convention No. 158 uses generic concepts that preclude its direct application to each case; and
- Article 12 of the ILO Convention itself refers to salary and seniority when it establishes parameters for calculating compensation for contractual termination.
- it also considers that the legal formula has been providing legal certainty and uniformity for all employees who are compensated on the same terms.

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