



Industrial relations and social dialogue
**Spain: Developments in
working life 2023**

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Introduction

Despite the intense electoral and political period in Spain during 2023, there were significant advancements in industrial relations and employment policy during 2023. The consistent efforts since 2019 culminated in key measures, including successive increases in the statutory minimum wages and the limitations to temporary contracts through the Labour Reform Act in December 2021, making more resilient to the Spanish Labour Market in 2023 before potential economic shocks. Moreover, the implementation of the "Iberian exception" to limit energy prices had direct effect to counter inflation increases.

Beyond economic considerations, the Government has approved several key measures to increase once again minimum wages; extend a large part of the measures previously implemented to mitigate the effects of inflation; legislatively develop the Mechanism for Flexibility and Stabilization of Employment to prevent collective layoffs; improve labour rights and social protection for interns and individuals in non-work training in companies; as well as agree on a new tripartite strategy for Occupational Health and Safety; and approve the reform of the Vocational Training Law, encouraging life-long learning for workers.

Year 2023 has been significant also for industrial relations. After the labour disputes in 2022 due to the lack of agreement on salary increases to alleviate the loss of purchasing power due to inflation, the largest trade unions and employers' organizations signed the 'V Agreement for Employment and Collective Bargaining' (V AENC) in May, which includes a series of recommendations for sectoral and company-level negotiations. Its main advance is the agreement on a general salary increase of 4% for 2023, with additional increases of 1% in the following years depending on changes in the consumer price index. This agreement has reduced the intensity of labour disputes, reflected in a decrease in the number of participants in strikes. However, there have been also problems in the field of social dialogue: the Ministry of Labor tried to approve a reform of the applicative priority of collective bargaining at the regional level without the participation of social actors, generating rejection from unions and employers' organizations.

Political context

After overcoming the social and economic impact of the pandemic, Spanish society faced a politically turbulent year in 2023 marked by two decisive electoral calls. The local and regional elections held on May 28 resulted in a shift in the political configuration in favour of the People's Party (PP). The prompt response of the Prime Minister Pedro Sánchez was to move forward the national elections to July 23 (originally planned for December), at the beginning of Spain's presidency of the European Union.

The electoral campaign was marked by several key aspects. On one hand, electoral polls predominantly predicted a parliamentary majority for PP and VOX (the main far-right party in Spain). On the other hand, regional and local alliances between PP and VOX mobilized left-wing parties and voters. Thus, the electoral campaign progressed in a scenario of growing political polarization. The results brought a significant increase for PP (from 89 to 137 seats), although it was insufficient to form a coalition government with VOX. However, the alternative coalition of parties that supported the previous government of Pedro Sánchez was also not enough to govern. All possible combinations depended on Junts, the Catalan independentist right-wing party led by the MEP Carles Puigdemont.

After a failed investiture attempt by PP, the Socialist Party (PSOE) finally negotiated Pedro Sánchez's investiture with the parties that supported him in the previous term, plus Junts. These negotiations fed a growing outrage among a part of the population, leading to massive street demonstrations in some cities. The most violent expression occurred around the headquarters of the Socialist Party in Madrid, where far-right agitators gathered. Finally, the PSOE managed to reach agreements with several parties for the investiture at the end of the year, ushering in a renewed Coalition Government.

Actors and institutions

Social partners

In 2023, there have been no significant changes observed in social partner organizations at the national level. Additionally, none of the most representative national trade unions, i.e. Trade Union Confederation of Working Commissions (Confederación Sindical de Comisiones Obreras, CC.OO.) and General Union of Workers (Unión General de Trabajadores, UGT) or employer organizations ((Spanish Confederation of Employers' Organizations (Confederación Española de Organizaciones Empresariales, CEOE), and (Spanish Confederation of Small and Medium Enterprises (Confederación Española de la Pequeña y Mediana Empresa, CEPYME)) have undergone substantial internal reorganization. These key trade unions and employer organizations continue to actively engage in social dialogue on key issues. For example, agreeing the XVII strategy on Health and Safety at work (Ministry of Work, 2023a). However, unlike during previous years, negotiations between the Ministry of Work and social partners for an increase in the minimum wage have failed, reaching an agreement only with the unions in early 2024. Additionally, both unions and employers have criticized the government for not consulting or communicating the reform of regional collective bargaining priority and unemployment assistance protection, demanding greater respect for social dialogue (UGT, 2023a).

Social dialogue bodies or frameworks

Social dialogue bodies at the national level haven't experienced any changes during 2023. The Social and Economic Council, the main body for institutionalised social dialogue at the national level, has continued developing the two main roles assigned to this institution. First, as a consultative body, it has issued several opinions on different law proposals, including the Law for the Promotion of Social Economy, the Basic Conditions Law for Equality in Access to Social Services, the Organic Law on Gender Parity in Decision-Making Bodies, the Law against Trafficking and Exploitation of Human Beings, and the Industry Law, among others.

Secondly, it has elaborated various reports, encompassing topics such as the sustainability of the fishing sector and vocational education and training. At the regional level, no alterations have occurred in the social dialogue entities. Most regions maintain their own Social and Economic Council, and additionally, some major cities have a similar institution.

There haven't been any changes in 2023 in the different bodies where social partners have institutionalised participation at the national level either, including FUNDAE (occupational training tripartite foundation (a paritarian organisation)).

However, at the regional level, the Department of Industry, Commerce, and Employment of the Castilla y León region announced in January procedures for the dissolution of the Foundation of the Industrial Relations Service (SERLA). The head of this department, Mariano Veganzones (president of VOX party in the region), argued problems of indebtedness and funding of the organization. However, this decision aligns with the electoral campaign promises of the party to eliminate all funding to such entities as well as their participation in public administration through tripartite bodies. Moreover, trade unions CC.OO. and UGT and the employers' association CEOE Castilla y León asserted that the department did not allocate a budget to SERLA in 2023 (subsequently implying a

lack of funding). Nevertheless, the regional government agreed months later to finance this organization by reducing the department's contribution by half and excluding individual conflicts from mediation and arbitration (provoking potential judicializations), focusing only on collective issues. This measure has received support from CEOE, but the unions rejected it, announcing a legal demand.

Other working life related institutions

One of the most substantial measures during 2023 was a new Law 3/2023 on Employment, reforming the regulation of public employment policies in Spain. The principal feature of this law is the creation of a personalized support service for each job seeker. Additionally, the law has renamed the Public State Employment Service (SEPE) into the Spanish Employment Agency. Other relevant aspects include the expansion of priority target groups and the introduction of a new procedure for evaluating the effectiveness of employment policies (SEPE, 2023). Additionally, the Ministry of Labor reached an agreement with regional governments for the allocation of €2.803 billion for Active Employment Policies (the highest figure to date), although €231,886,000 comes from the Recovery Plan for Europe.

Retirement and pensions have been other important elements of 2023. On one hand, the Government has reformed the public pension system to ensure its purchasing power in the coming years. This reform, agreed upon with the major unions (CC.OO. and UGT), involves the gradual increase of maximum bases and maximum pensions, also including a "solidarity fee" for higher salaries, starting with a fee of 1% in 2025, with an annual increase of 0.25 percentage points until reaching 6% in 2045. On the other hand, the Government has also expanded incentives for delayed retirement through a mixed formula that allows combining the two existing types of incentives: the possibility of receiving a lump sum at the time of retirement and a percentage increase in their pension.

Developments in collective bargaining

Changes to the collective bargaining structures and frameworks

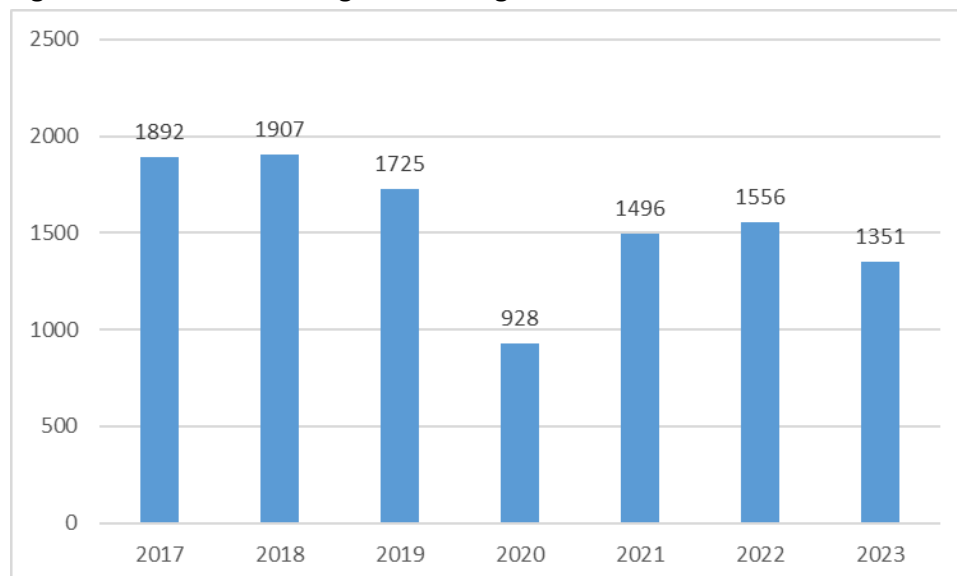
After several months of negotiations, social partners signed in May the fifth peak cross-sectoral agreement for collective bargaining and employment (V AENC) for the period 2023-2025. This agreement, serving as a crucial mechanism for coordinating collective bargaining, outlined a framework to negotiate aspects related to: Employment and recruitment; Flexible retirement plans; Training, qualifications, and competences; Wages, Temporary inability to work; Occupational health and safety; Internal flexibility mechanisms; and Remote work.

Regarding the functioning of collective bargaining, this agreement between unions and employers'/business organizations promotes, firstly, the renewal and updating of collective agreements, articulating rules on validity, extension, and procedures that facilitate negotiation processes. Secondly, social partners encourage the use of autonomous systems for resolving labour conflicts in situations where negotiations are deadlocked. Finally, the agreement recommends the use and strengthening of joint committees, providing them with agility and operational flexibility to improve their effectiveness and reinforce their autonomy.

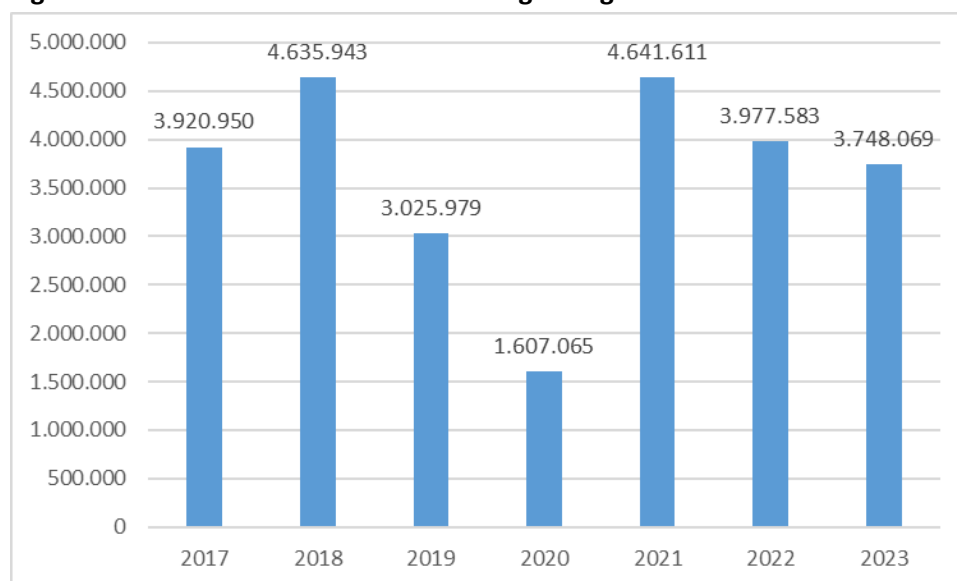
Additionally, as mentioned earlier, the Ministry of Work and Social Economy issued in December the Royal Decree 7/2023 with a multitude of relevant measures for regulation of employment and industrial relations, but without the participation or consultation of social partners. Among them, one of the most significant measures was an amendment to the Article 84 of the Workers' Statute Law that established the applicative priority of collective bargaining at the regional level. In other words, the decree established the priority of regional agreements over the national or sectoral level. This measure was included to guarantee the support of the Basque Nationalist Party (PNV) to the investiture of the new coalition Government. Thus, the structure of collective bargaining was changed without resorting to social dialogue, leading to the rejection of social actors. It should be noted that this applicative priority was conditioned exclusively to the extent that these regional agreements regulated better working conditions than that established in national or sectoral collective agreements. In any case, this decree was repealed: it required parliamentary approval but was rejected in January 2024 with the votes of PP, VOX, and Podemos (the left-wing party that was government partner in the previous term). However, the Ministry of Labor has announced that it will continue working on its validation during 2024.

Data on collective bargaining

The number of collective agreements signed during 2023 was the lowest in the past seven years (1,351), although the number of workers covered by these agreements is similar or even higher than in other years (Figure 1). This is partly due to a greater number of agreements negotiated at higher levels (Figure 2). Moreover, a large portion of these agreements has been signed by representatives of the major unions: CC.OO. signed 491 agreements, and UGT 507. Only 98 agreements were negotiated by non-unionized groups of workers.

Figure 1: Number of total agreements signed

Source: *Collective Agreements Statistics (2023)*

Figure 2: Number of covered workers in signed agreements

Source: *Collective Agreements Statistics (2023)*

Throughout the year 2023, a total of 573 cases of inapplicability of the collective agreement (not applying the agreement they are legally obliged to) were registered to the Labor Authorities, involving 49 companies, and affecting 26,257 workers. The number of these cases decreased from 2020 and has remained stable since then. Although the number of affected workers varies each year, the figure in 2023 is higher than in 2022 and similar to 2021. The data also indicates a majority of affected workers in medium-sized companies (10,615). These inapplicability cases are primarily linked to agreed wages, affecting 12,432 workers.

Collectively agreed pay outcomes and wage-setting mechanism

Regarding the average agreed salary variation, the Collective Agreements Statistics (Ministry of Work and Social Economy, 2024) calculates it using information from those agreements whose economic effects are known and quantifiable. For the estimate of 2023, it has considered 3,512 agreements with known and registered economic effects until December, affecting 1,138,232 companies and 10,952,544 workers. Among them, 1,146 agreements were signed and registered in 2023, affecting 404,658 companies and 3,676,970 workers. Regarding the agreed salary variation, 79.9% of agreements agreed on salary increases higher than 2%, while the remaining 20.1% of agreements involved increases equal to or lower than 2%.

Furthermore, this statistic also provides information about clauses. Thus, among the 1,351 collective agreements signed in 2023, 1,275 included clauses regulating salary structure, 1,234 addressed clauses related to salary supplements, 906 regulated specific supplements or remuneration for night work, and 217 included clauses for the inapplicability of the salary regime.

Collective bargaining and inflation

After several months of negotiations, social partners signed the fifth peak cross-sectoral agreement for collective bargaining and employment in May. This agreement, serving as a crucial mechanism for coordinating collective bargaining, outlined a three-year path for wage increases: 4% in 2023, 3% in 2024, and 3% in 2025. If actual inflation surpasses 4% in 2023, an additional 1% increase will be implemented in 2024 and 2025. Such clauses are not new: in 2023, the 45% of workers with collective agreement signed for 2023 have wage revision clauses that will allow to increase wages in case of real inflation exceeding the forecasted one (Eurofound, 2023).

Developments in governmental responses to inflation

The inflation rate reached 3.4% in Spain during 2023, with a higher 9% in food inflation (both indicators slightly above the EU average) (OECD, 2024). Therefore, inflation and its impact on real wages continued to play a central role in policy developments. Specifically, one of the main measures implemented was the 8% increase in the minimum wage. Thus, it is set at 1,080 euros gross per month in 14 payments (15,120 euros gross annually). With this increase, it accumulates a 47% rise over the past five years, an additional 345 euros per month. The increase had retroactive effects (starting from January 1st). This measure was agreed with the CC.OO. and UGT unions, but employers' organizations did not support this increase, expressing concerns about the reduction of scope to negotiate collective agreements.

Beyond this increase in the minimum wage, the Government has approved few new measures to mitigate the effects of inflation. For instance, the revision of pensions and social benefits in line with the Consumer Price Index, affecting 11.8 million people in 2024. Specifically, this increase is 3.8% in general terms for Social Security pensions. On the other hand, minimum and non-contributory pensions, and the minimum income have increased by 6.9%, and those for widows with dependents by 14.1%. Another new measure was the raising of the annual income threshold to 38,000 euros to access benefits as debtors at risk of vulnerability. Lastly, a ticket discount was implemented to make it easier for young people (18 to 30 years old) to travel on public transportation during the summer of 2023 throughout Spain and Europe (Eurofound, 2023), regulated by Royal Decree-Law 4/2023 due to the increasing prices of transportation tickets.

Nevertheless, the government approved Royal Decree-Law 8/2023 to extend many of the measures approved in 2022 and implemented during 2023. Regarding specific measures to support vulnerable groups, the government approved an extension of the limitation on the increase in the regulated gas price for households and butane gas cylinders until June 2024. It also suspended evictions of vulnerable households without alternative housing until December 2024. Additionally, the government decided to extend, for six months, the prohibition on cutting off basic utilities supplies to vulnerable consumers, along with reinforced discounts on the social electricity tariff for this group.

Likewise, concerning measures related to energy costs, the VAT on electricity remains reduced to 10% during 2024. The gas VAT remains at 10% during the first three months of 2024, and the Special Electricity Tax will have a reduced rate during the first semester: 2.5% until the end of March and 3.8% until the end of June. After these periods, the government plans to withdraw these reductions given the gradual fall in energy prices. The government has also extended for another year the charges on profits for large energy companies and banks.

Other extended measures include the prohibition of layoffs due to energy costs or causes related to the invasion of Ukraine (until June 30, 2024); free services for frequent users of railway services and publicly owned bus lines; and an 80% reduction in electricity tolls for electro-intensive industries, along with flexibility in changing electricity supply contracts.

Labour disputes and industrial action

Although 2023 has been a year of lower intensity in terms of strikes and industrial actions, there have been numerous labour disputes primarily motivated by salary increases in response to rising inflation. The year began with a clear message from the largest unions: the costs of inflation should be shared, urging employers' organizations to negotiate a significant national salary agreement. The CEOE, on its part, publicly expressed openness to negotiations. However, employers' organizations leaders refused to negotiate this salary agreement in 2022, coinciding with the elections for the presidency of the CEOE. In any case, CC.OO. and UGT stated that if there was no negotiation with the employers' organizations, labour conflicts may arise. Finally, social partners negotiated in May the Fifth Cross-sectoral Agreement for Collective Bargaining and Employment (AENC V).

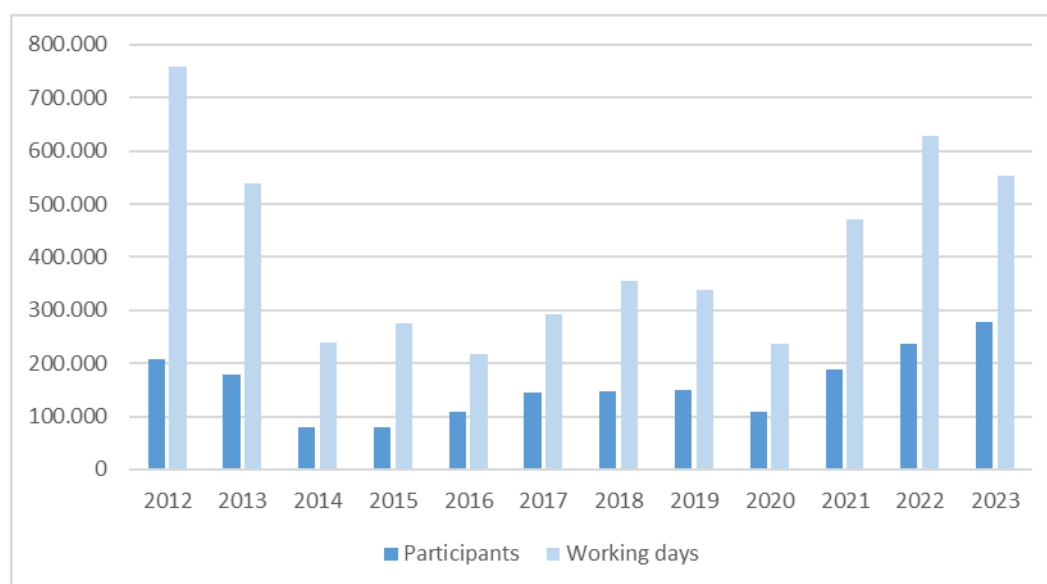
This agreement is one of the reasons for the decrease in strikes in 2023: the framework of salary increases agreed upon in the AENC V has generated certain consensus for workers and employers' representatives at the sectoral and company levels to negotiate agreements with a series of recommendations to settle the antagonistic issue of salary increases. Additionally, this slight decrease in strikes can also be interpreted as the effect of the lower increase in inflation in 2023, somewhat dropping social tensions regarding the loss of purchasing power. Precisely, this stabilization of the inflation rate has allowed employers' organizations to negotiate salary increases with unions with greater certainty regarding costs forecasts in the coming years.

Changes to the right to strike

No substantial changes to the right to strike were observed in Spanish legislation. In any case, it is noteworthy that the UGT union positively assessed the fact that the International Labour Organization (ILO) requested an advisory opinion from the International Court of Justice to confirm that ILO Convention 87 on freedom of association also includes the right to strike (UGT, 2023b).

Data on industrial action

The data shows a widespread decrease in industrial actions during 2023. The total number of participants in strikes was 278,183, and the number of days not worked due to strikes was 552,866. This represents an increase of 41,498 participants and a decrease of 75,101 days not worked compared to 2022 (Figure 3). The majority of days not worked due to strikes were concentrated at the company level, being more than triple the number in the sectoral level.

Figure 3: Number of participants and days not worked due to strikes

Source: *Strike and Lockout Statistics (2023)*

Moreover, a common trend of these statistics every year is the concentration of more than 31% of the days not worked due to strikes in two regions: the Basque Country and Navarre. This is due to the solidarity fund model of the Basque and Navarrese unions: they allocate around 25% of members' dues to finance workers participating in industrial actions. In this way, these unions are able to sustain strike calls for longer periods compared to unions in the rest of Spain.

The majority of days not worked due to strikes are concentrated in the services sector (339,133), reflecting its significant contribution to the economy. While the industry, with a considerably lower number of workers than services, accumulated 82,192 strike days, indicative of a greater disposition to employ strikes in the industrial sector.

Collective labour disputes in 2023

Some of the notable collective labour disputes have been focused in sectors with very narrow wage margins, leading to a greater impact on purchasing power due to inflation (e.g., cleaning) and in sectors with a habit of mobilization and collective action, facilitating the activation of pressure mechanisms on employers to negotiate wage increases (e.g., metallurgical industry).

Among the specific most notable labour conflicts in terms of their media presence and their achievements, the cleaning workers in Castilla-La Mancha called for several days of strike in January to demand a fair agreement, affecting the operation of hospitals, nursing homes, and logistics centres in the region. Their demands focused on wage increases in line with the Consumer Price Index. The regional government of Castilla-La Mancha intervened to mediate between employers and unions.

In the industrial sector, the conflict in the metal sector of the province of Bilbao (Basque Country) is one of the most relevant, reaching the point of halting production at the Mercedes-Benz factory. This conflict has also required the mediation of the Basque government. Finally, an agreement was signed after three months of an unlimited strike guaranteeing salary increases, a reduction in working time, and improvements in leave policies.

In the public sector, one of the most notable conflicts was related to legal clerks, called by three professional associations of civil servants (Progressive Union of Legal Administration Officers (UPSJ), Independent Association of Legal Administration Officers (AINLAJ) and the Honorable National College of Legal Administration Officers), who considered the proposed 14.76% salary increase (around €195 more per month) insufficient. These associations called for an indefinite strike that paralyzed the Spanish judicial system for almost two months. Finally, the Ministry of Justice agreed to a monthly increase of €430.

Developments in working time

Changes to legislation

No significant changes have been observed in the legislation of working time at the national level, although the Regional Government Castilla y León has recovered the reduction of the working time to 35 hours per week for public employees (Decree-Law 1/2023). Since 2012, this measure was suspended due to the concatenation of adverse economic situations, maintaining a 37.5-hour working week.

Beyond legislative measures, the National Government opened a call for aid to SMEs (no more than 250 workers) to reduce the weekly working day to four days promoted by the Ministry of Industry, Commerce and Tourism in March 2023. The grants can be up to 200 thousand euro depending on the size of the company (the smaller the company, the higher the percentage of financing). The beneficiary companies must commit to reduce the working day of their employees by at least 10% on a weekly basis and maintain the minimum working day reduction plan for at least two years. As many as 41 companies are currently beneficiaries of this aid.

Bargaining outcomes

The Fifth Agreement for Employment and Collective Bargaining (V AENC) (BOE-A-2023-12870) established recommendations for adopting flexible formulas for organizing working time to the extent allowed by production processes and the services provided, with the necessary guarantees for both companies and workers and respecting legal provisions. Specifically, the social partners agreed on a set of recommendations to be regulated in collective bargaining agreements:

1. The preferential establishing of annual working hours (rather than weekly), in order to facilitate flexible formulas for organizing working time.
2. The implementation of irregular distribution of working hours to reconcile the productive and organizational needs of companies with the work-life balance of workers, articulating systems to compensate for differences resulting from this irregular distribution.
3. The rationalization of working hours, considering the specificities of each sector or company, with the aim of improving productivity and promoting work-life balance.
4. Flexibility in the start and end times of work, when the production and organizational process allows for it.

Debates on duration and organisation

The political parties Más País, Equo, and Compromís proposed a pilot project in 2021 for the Reduction of Working Time and Improvement of Productivity, suggesting an experimental model to enhance the organization of work in companies. This proposal was adopted by the National Government and led to the Ministry of Industry, Commerce, and Tourism's initiative to fund the implementation of a four-day workweek promoted in SMEs. Two years later, these three parties became part of the left-wing coalition SUMAR in the July 2023 national parliament elections, led by the Minister of Work and Social Economy, Yolanda Díaz, who has been working since 2020 to reorganize working time in Spain. To achieve this goal, she commissioned a report from 60 experts

to draft a law on the use of time and rationalization of working hours. Given the early elections, SUMAR incorporated the objective of reducing the working week to 32 hours in 2032, without reducing wages and always negotiated through social dialogue with employers and unions into its electoral program. A first step would be to reduce the working day to a maximum of 37.5 hours in 2024. After the elections, SUMAR signed a coalition agreement with the Socialist Party to achieve that maximum of 37.5 hours per week.

This proposal has triggered various reactions from social actors and other political parties. The PP has rejected this reduction in working hours, proposing flexible working hours as an alternative and criticizing the fact that these decisions do not arise from an agreement between the social actors. The far-right party VOX has declared that this proposal is merely for show and that the truly urgent employment policies are those that reduce unemployment among young people, women, and people over 45 years of age.

As for the social actors, the CEOE has disapproved the pact between PSOE and SUMAR for a 37.5-hour working day, arguing it ignores the role of social dialogue and shows a unilateral and interventionist approach. The CEOE president declared that the regulation of the working day must be addressed at the sectoral and company levels; otherwise, they argue that this proposal will increase costs for companies, along with higher production costs due to inflation and other problems (e.g., financing and an increase in the minimum wage), which will be particularly difficult for SMEs and the self-employed to cope with.

The secretary-general of the CC.OO. union (Working Commissions) generally supports the proposal, stating that it will help create jobs. However, he advocates that the four-day week should not be the only proposal for reducing the working day, asking not to be obsessed with eliminating one day of the workweek because it is not viable in many sectors, and calls for other ways to work fewer hours each day. Additionally, he emphasized that as important as knowing how many hours are worked per week is knowing how the distribution of the working day is decided. The UGT union has taken a similar position, considering that the reduction of the working day will improve the productivity of companies and facilitate the work-life balance. Moreover, the secretary-general of UGT has demanded reaching a maximum working day of 35 hours in the next term.

Other important policy developments

Regulations on employment status and contracts

There have been no structural changes in employment regulation during 2023. However, the Government has legislatively developed the RED Mechanism for Flexibility and Employment Stabilization (originally included in the Labor Reform Act of December 2021) during this year. The instrument is designed to maintain employment in situations of cyclical or sectoral crises, thus avoiding collective dismissal plans. This regulatory development includes benefits in Social Security contributions for companies, as well as training actions and the commitment to maintaining employment linked to these exemptions in contributions. It also stipulates that the Labor Inspection and Social Security will be the competent labour authority to pronounce on the requirements alleged to apply for this assistance. The regulations outline the procedure for applying for this assistance, ensuring the participation of social actors. Additionally, it establishes the fund that will guarantee adequate financing for the social protection of workers covered by this measure and exemptions for companies.

The Ministry of Labor agreed with the CC.OO. and UGT unions on the Statute of People in Non-Labour Training in Companies. This new regulation determines that services not covered by the type of tasks regulated in the document, they will have a labour nature. Therefore, when the activity replaces the functions of an employee or is not linked to the itinerary outlined in the individual training plan, it will be presumed to be labour rather than training in company. The scope of application training in the company linked to degrees in the vocational training system, artistic or sports education in the education system, training specialties of the National Employment System, and university internships.

Finally, the Government regulated the mandatory contribution of interns. In this way, unpaid internships count as time worked for retirement purposes from January 2024. In this regard, university students undertaking internships to obtain official degrees in bachelor's, master's, and doctoral programs must be included in Social Security system as employees. The same applies to individuals undertaking vocational training internships.

Policies to reduce the gender pay-gap

The Government has strengthened some measures to reduce the gender gap in social contributions to pensions. On the one hand, the economic supplement to reduce the gender gap in pensions was increased by an additional 10% above the CPI for 2024 and 2025. On the other hand, the coverage of contribution gaps (that is, periods in the labour trajectory without contributions to the social security system) is improved (particularly focused on women with trajectories in informal jobs), ensuring coverage for up to five years (previously four) of contribution gaps with 100% of the minimum base.

Another measure that indirectly may help reduce the gender pay gap is the Organic Law Project on Gender-Equal Representation and Balanced Presence of Women and Men. This Government initiative aims to ensure that listed companies and public-interest entities with more than 250 employees (also with a turnover of more than 50 million euros or assets exceeding 43 million) have boards of directors with no less than 40% women among the total members.

Health and safety regulations and policies

The CC.OO. and UGT unions, employers' and business organizations CEOE and CEPYME, the Ministry of Labor and Social Economy, the National Institute for Safety and Health at Work (INSST), and the representation of Regional Governments signed in February the XVII Spanish Strategy for Occupational Health and Safety 2023-2027. With the aim of ensuring the improvement of OHS and trying to anticipate and manage potential threats and risks, the strategy establishes several priority objectives, being particularly new the aim to manage changes resulting from new forms of work organization, demographic evolution, and climate change. Therefore, the strategy sets the future support for companies to identify and assess risks arising from digitization and new forms of employment, such as monitoring the OHS conditions of people engaged in delivery activities. In addition, for the first time, this strategy pays special attention to mental health with specific plans to identify, assess and prevent psychosocial risks in activities with a higher prevalence of mental illnesses, among other actions. The strategy establishes that companies demonstrating good practices in managing emotional health and preventing mental illnesses will also be recognized.

Work-life balance related policies

Beyond the policies and proposals to reduce working hours mentioned before, the policies and debate about flexible working hours is less relevant on the public agenda, but which is gaining prominence particularly in relation on its potential benefits for work-life balance. In this regard, the Ministry of Work and Social Economy addressed this debate during 2023 mainly arguing the need to regulate a Working Time Act establishing flexible working hours measures agreed between employees and employers to improve adaptability to unforeseen events or specific needs, both for companies and workers. The Minister of Work clarified that the agreed flexibility on working time should not mean greater availability of employees without a prior agreement and without equitable measures that also give greater autonomy to workers. For his part, the secretary general of the CC.OO. union urged to pay attention to flexitime measures rather than other proposals like the four-day working week, arguing that there is little point in working 37 or 39 hours if the time of entry or exit or the digital disconnection is decided unilaterally by the employer.

Life-long learning and skills development

The Government has reformed the Vocational Training Law, being the new system implemented since September. The regulation expands the offering to include over 9,000 training programs of various durations and types (referred to as degrees). These range from "micro-trainings" (Degree A) to vocational training degrees and specialized courses or master's programs in Vocational Training (Degree D and E, respectively). All of these are now part of modules with validity and recognition within the Vocational Training system.

Moreover, the reform includes the design of integrated pathways where cycles of different degrees and offers of double international certification can be combined. The law establishes the dual nature of the new Vocational Training in both the educational institution and the company during periods of longer duration. It also streamlines the certification of professional competencies and establishes a professional guidance strategy to support students and workers throughout their professional lives. Additionally, it introduces new profiles into the Vocational Training system, such as business

experts, who can provide teaching; senior business experts, who can join teaching teams; and business prospectors, who will facilitate contact between the institution and local businesses.

Other topics

The Royal Decree-Law 1/2023 has redesigned the system of incentives for business hiring. With this reform, hiring incentives focus on permanent contracts with individuals of priority attention (e.g. long-term unemployed), as well as the transformation of certain temporary contracts into permanent ones. The regulation also simplifies and standardizes the requirements for benefiting companies. For instance, for contracts financed through bonuses, the employer must keep the hired employee in the Social Security register for at least three years from the start of the incentivized contract. Additionally, the new regulation consolidates aspects related to the amounts of social security contribution bonuses. In the case of bonuses aimed at promoting employment, a bonus amount is established for each complete calendar month, along with the formula to calculate the bonus amount when the employee is not enrolled for the entire month.

The Royal Decree-Law 1/2023 also regulated the first special unemployment benefit for the cultural and artistic sector. Individuals engaged in artistic activities, as well as technical and auxiliary personnel in the sector, who can prove legal unemployment status for certain period are eligible for this benefit.

Commentary and outlook

The tumultuous political context in Spain during 2023 was a backdrop for significant developments in the fields of industrial relations and employment policy, albeit with a somewhat diminished regulatory impetus due to the focus on the electoral campaign. The year witnessed the consolidation of a series of policies that the government had been implementing since 2019 to make the economy and labour market more resilient. Successive increases in the minimum wage have reinforced the economic capacity of the most vulnerable workers. Furthermore, the changes to the Labour Market Act approved in December 2021 altered the structural use of temporary contracts by employers, introducing a form of adjustment compatible with sustaining demand, which facilitated maintaining employment during the inflation crisis in 2023. Finally, the measure to limit gas prices (the so-called Iberian exception) successfully offset the most severe inflationary effects of the war in Ukraine.

These measures, among others, have contributed to a positive trend in employment and the economy. Specifically, the inflation rate decreased from 8.4% in 2022 to 3.5% in 2023, while food inflation dropped from 11.6% in 2022 to 9% in 2023. Employment not only recovered to pre-COVID levels but also grew by over 1.4 million people on a seasonally adjusted basis, reaching a historic peak in employment and active population in the third quarter.

Nevertheless, inflation and its impact on real wages remained pivotal in policy considerations. After several months of negotiations, the social partners signed the fifth peak cross-sectoral agreement for collective bargaining and employment in May 2023. This agreement, serving as a crucial mechanism for coordinating collective bargaining, outlined a three-year path for wage increases: 4% in 2023, 3% in 2024, and 3% in 2025. If actual inflation surpasses 4% in 2023, an additional 1% increase will be implemented in 2024 and 2025. Such clauses are not new: in 2023, 45% of workers covered by collective agreements already had revision clauses to allow wage increases in the case of real inflation exceeding forecasts.

Moreover, the Spanish government extended some key measures responding to the consequences of the war in Ukraine. These include the continuation of reduced value added tax (VAT) on basic food items, assistance for public transport fare discounts and the suspension of evictions for vulnerable families. Other noteworthy measures are the expansion of incentives for delayed retirement, reform of the vocational training system, a minimum of 40% women in the management bodies of public organisations and large companies, mandatory social security contributions for interns, the introduction of the first special unemployment benefit for the cultural and artistic sector, and reforms to the hiring incentive system. Additionally, the regulatory development of the flexibility and employment stabilisation mechanism was approved (the reformed instrument to avoid collective lay-off plans during cyclical or sectoral crises). The only discordant note sounded was the rejection by parliament of unemployment benefit reform, put forward by the Ministry of Labour, Migration and Social Security, necessitating further debates and renegotiation in 2024. Critically, this proposed law was not subjected to prior consultation through social dialogue mechanisms, prompting criticism from the social partners.

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