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## Legal Alert

### Spain Passes Major Employment and Labor Law Amendments that Substantially Favor Company Flexibility, Facilitate Contracting, Decrease Employer Costs, and Curtail Industry Level Collective Bargaining Agreements

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With a current unemployment rate of 22.9% and a projected unemployment for 2012 of up to 26%, the recently elected Spanish government last weekend passed emergency legislation that aims to release companies from traditional Spanish employment and labor law rules that the government considers have proven to be outdated and inflexible and, ultimately, a hindrance to employment in Spain. The amendments, which the government had promised would be substantial, indeed as a whole constitute the most significant amendments to employment and labor law in Spain in decades. Amendments include the following:

- **Less Costly Dismissals and Simplified Procedures:** The law substantially reduces severance costs for unfair dismissal, both for current contracts and future contracts. The definition of good cause for redundancy is clarified, which increases chances of fair redundancy and reduced severance costs. Collective dismissals and suspension of employment contracts are no longer subject to prior administrative approval.
- **Increased Right to Change Work Conditions, Location, and Duties:** The company's power to change employment conditions unilaterally, including the right to change the amount of employees' salary and to change rights established by employment contracts, is substantially increased. The procedure and required reasons for such unilateral changes are simplified, and the required notice to employees is reduced. Employees' job duties and job location can be much more easily changed as well.
- **More Flexibility in Work Time Distribution and Part Time Contracts:** Unless otherwise agreed, up to 5% of employees' work hours can be distributed irregularly, and overtime is now permitted in part time contracts.
- **Favorable Conditions for New Contracts:** Companies with less than 50 employees are now permitted to hire employees subject to a one year probationary period and can enjoy tax deductions and social security discounts for these new hires. Training contracts are regulated more

flexibly and additional social security discounts are established as incentives to hiring.

- **Less Binding Industry Level Collective Bargaining Agreements:** Employers now can enter into company level agreements with its employee representatives to opt out of many key aspects of the industry level collective bargaining agreement and/or to substitute key aspects of the industry level collective bargaining agreement. Collective bargaining agreements are also subject to complete cancellation if not renegotiated within a two year period as from their expiration date.
- **Various Changes to Certain Basic Employment Rights:** Family care reduction in work hours, paid time off for training, recuperation of vacation due to sick leave, and other employee rights are regulated.
- **Other:** Temporary employment agencies are authorized to provide recruitment services. Various special rules on severance compensation, termination and suspension of employment are established for personnel of financial entities and for the public sector.

We trust this information will be of use and remain at your entire disposal for any assistance you may require.

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