
The minimum wage in Spain increases 5.6% in 2020

Spanish Royal Decree 231/2020, of February 4, sets the minimum wage for 2020 at 13,300 euros/year or 950 euros/month

Legal flash: Labor and Employment

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On February 5, the *Official Gazette of the Spanish State* (“BOE”) published **Royal Decree 231/2020**, of February 4, setting the minimum wage (“SMI”) for 2020, effective from January 1 to December 31, 2020.

Companies that pay full-time employees salaries below 13,300 euros per year are obliged to increase them to that amount, as the minimum wage is raised 5.6%, with the aim of amounting in the future to 60% of the average remuneration of Spanish employees



Questions and answers about the new minimum wage for 2020

- > **What is the new minimum wage companies must pay employees in Spain in 2020 and what is the increase?**

The new approved figures are a 5.6% increase over 2019, as shown in the following table

	2019	2020
<i>Daily minimum wage</i>	30 euros	31.66 euros
<i>Monthly minimum wage</i>	900 euros	950 euros
<i>Annual minimum wage</i>	12,600 euros	13,300 euros
<i>Minimum wage/legal workday</i> <i>(for occasional and temporary workers whose services for a single company do not exceed 120 days)</i>	42.60 euros	44.99 euros
<i>Hourly minimum wage</i> <i>(for hourly domestic employees)</i>	7.04 euros	7.43 euros

- > **When will the new 2020 minimum wage take effect?**

From January 1 to December 31, 2020

- > **How much should salaries specified in collective bargaining agreements be raised because of this annual minimum wage update?**

All the 2020 minimum wages and the annual salary (13,300 euros) must be compared to all the current professional salaries specified in collective bargaining agreements, as calculated annually:

- If salaries in the collective bargaining agreement are higher than the 2020 minimum wage, the figure and structure will not be affected, unless the specific wording of the collective bargaining agreement prohibits or limits the compensation and absorption mechanism.

Example:

Base salary (800 euros/month) + complement (175 euros/month) = 875 euros/month
875x14 = 13,650 euros/year > 13,300 euros/year (2020 minimum wage)

In this case, there is no need for increase.



- If salaries in the collective bargaining agreement are lower than the 2020 minimum wage, they will have to be increased up to the minimum wage, without further amendments to the laws or collective bargaining agreements or to the arbitration awards in question other than those necessary to ensure the employees are paid these amounts as calculated annually.

Example:

Base salary (900 euros/month) x 14 = 12,600 euros/year < 13,300 euros/year (2020 minimum wage)

In this case, the company must increase the salary to guarantee the minimum wage

> Should the benchmarks in private employment contracts and agreements specified for any other purpose besides determining salary (e.g., for certain social benefits) be updated according to the 2020 minimum wage?

Not unless the parties use the 2020 minimum wage as a benchmark. If there is no such agreement, the 2020 benchmarks should be as follows:

<i>For private contracts and agreements in force on January 1, 2017</i>	<i>For private contracts and agreements that came into force after January 1, 2017, and that were still in force on January 1, 2018</i>	<i>For private contracts and agreements that came into force after January 1, 2018, and that were still in force on January 1, 2019</i>	<i>For private contracts and agreements that came into force after January 1, 2019, and that were still in force on February 6, 2019</i>
<i>Those specified in Spanish Royal Decree 1171/2015, of December 29 (2016 minimum wage) increased by the same percentage as the increase in the 2020 Spanish multi-purpose public income index ("IPREM")</i>	<i>Those specified in Spanish Royal Decree 742/2016 of December 30 (2017 minimum wage) increased by the same percentage as the increase of the 2020 IPREM</i>	<i>Those specified in Spanish Royal Decree 1077/2017, of December 29, establishing the 2018 minimum wage</i>	<i>Those specified in Spanish Royal Decree 1462/2018, of December 21, establishing the 2019 minimum wage</i>

To date, the update to the Spanish multipurpose public income index is pending publication of the new State Budget Act.



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