

CONSIDERATIONS ON THE PAY SYSTEM AND SOCIAL SECURITY IN SPAIN

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Abstract: In the current context of economic crisis which manifests the world can see a very important role of the pay systems and social security in economic and social life.

Staff wages means establishing a salary entitlements owed to employees and their payment, as established at the end of collective or individual employment contracts. In Spain there are various collective agreements according to geographical areas and activities.

A fair and balanced wage was and will remain a core area of human resource management, which has many implications for the quality of life, mood employees and position the entity is trying to establish a market. In this case we find that salary is perceived differently by the participants in the economic life. In employees conception salary is a main source of income and the entity is an operating cost. For these two concepts can highlight the dual nature of salary, wages in the concept of maximizing employee and employer minimize his conception.

JEL classification: M41, M54

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1. INTRODUCTION

In recent years we can see an evolution in the society at all levels, confirmed by the fundamental changes that have occurred in most domains.

The global economy is at a critical point, caught between large reduction in labor demand and growing inflation.

Wage and social security systems have an important role the in economic and social life. An objective not just easy to follow is to establish fairness at the workplace regarding the report towards the results obtained. Even if the wage system is fair, it is necessary that employees perceive and understand it. In recent years we can see a change in the society at all levels, confirmed the fundamental changes that have occurred in most areas.

Any payroll system must establish a connection between the entity's performance and the revenue of employees, between financial stability of the entity and desire to satisfy some needs of the individuals.

C. Hamner pointed out this, noting that designing of pay systems taking into account the entity's performances is difficult when:¹

- Payment is not perceived as a result of performance;
- Performance evaluations are seen as subjective;

¹ T. G. Milkovich, W. J. Boudreau, *Personnel/Human Resource Management: A Diagnostic Approach*, Plano, Texas, Business Publications, Inc., 1988

- Rewards are not regarded as rewards;
- Organizations fail to take into account other sources of motivation than money.

Wage system can be defined as a set of norms based on which principles, objectives, elements and forms of labor remuneration are established, covering also the means, methods and tools for their achievement by determining the conditions of establishment and award of wages.²

2. COLLECTIVE AGREEMENT

Different collective agreements are legally regulated in Spain, according to geographical areas and activities. This collective agreement is equivalent to the collective contract in Romania and represents the document drawn up following an agreement between employers and employees, through their representatives (employers' organizations and trade unions) as shown in **Figure no. 1**.

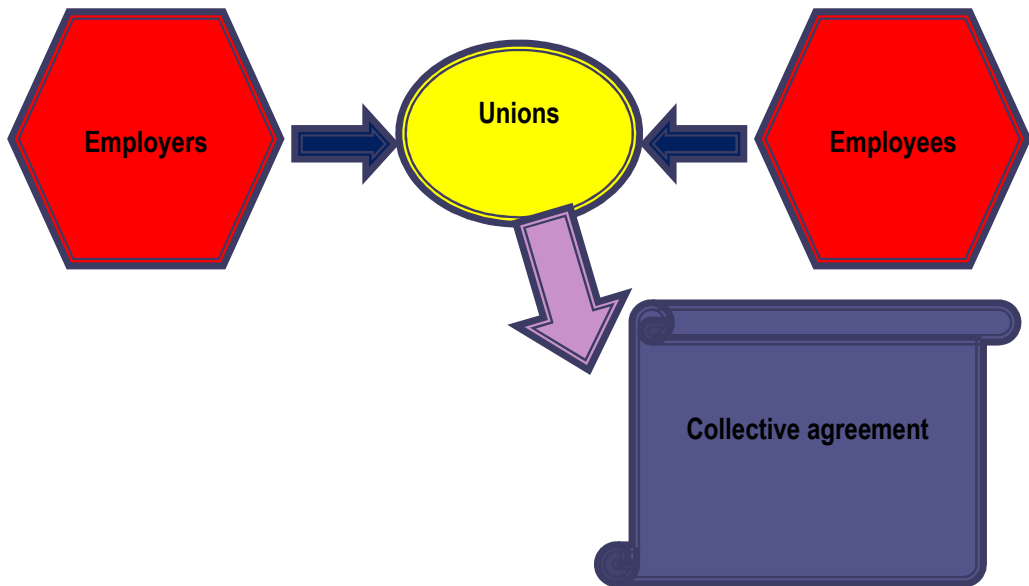


Figure no. 1 – Collective agreement

The collective agreement shall specify:

- wages according to the professional category of the various sectors of activity;
- rights and obligations the employees have in relation to the employer;
- work schedule;
- safety rules.

According to existing regulations in Spain, the following collective agreements can be met:

- Collective Labor Agreement for the agro-zoo technical domain – Cataluna;

² Ghimpu, S., Țiclea, A., *Labor law*, edition revised and enlarged, All Beck Publishing House, Bucharest, 2001, p. 136

- Collective Labor Agreement for carriage of goods – Navarra;
- Collective Labor Agreement in agriculture – Huesca;
- Collective Labor Agreement in agriculture – Huelva;
- Collective Labor Agreement on agro-zoo technical businesses – Malaga;
- Collective Labor Agreement in agriculture – Zaragoza;
- Collective Labour Agreement for work in agriculture – Almeria;
- Collective Labor Agreement in agriculture – Corduba;
- Collective Labor Agreement in agriculture – Andaluzia;
- Collective Agreement on Agriculture – Canaria;
- Collective agreement for the construction industry – Balearic Islands;
- Collective Labor Agreement for the administrative domain – The Autonomous Community of Madrid;
- Collective Labor Agreement for industry, trade and tourism – Segovia;
- Collective Labor Agreement for the agro-zoo technical domain – Teruel;
- Collective Labor Agreement for construction – Toledo.

3. SALARY

Salary (Salario) is the sum of money due the employee for the rendering of a particular activity. For each professional category is established a basic salary.

Employee's salary shall not be situated below the minimum inter-professional wage set by the Spanish government for the current year for full-time work. Minimum wage in Spain is amended annually and is published in a royal decree.

Minimum wage has undergone several changes over the last five years, as follows:

- in 2008 it was set at 20 euros per day, namely to 600 euros per month;
- in 2009 it was set at 20,80 euros per day, namely to 624 euros per month;
- in 2010 it was set at 21,11 euros per day, namely to 633,30 euros per month;
- in 2011 it was set at 21,38 euros per day, namely to 641,40 euros per month;
- in 2012 its value was set at 21.37 euros per day or 641 euros per month.

These developments of the minimum wage in the last five years are shown schematically in **Figure no. 2**.

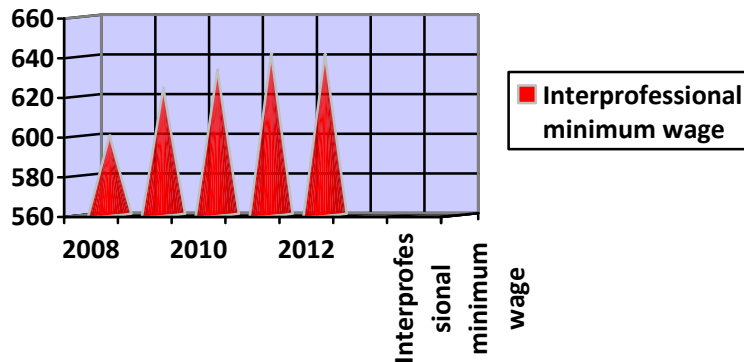


Figure no. 2 –Interprofessional minim wage

At least 2 additional salaries may be granted each year, a wage at Christmas and one in another month previously established in the collective agreement.

Salary components are:

- salary (Sueldo) correlated with Group (level of education);
- salary for every three years of service (seniority) in a particular class;
- extraordinary salary twice a year, similar to "holiday bonuses";
- supplement for level is correlated with the level assigned to the position held by Civil Servants;

Government has established the interval between job levels that can be correlated with each class;

- specific supplement to reward special conditions, paying special attention to technical difficulty, dedication, responsibility, incompatibility, special risks or difficulty;
- supplement for performance rewards outstanding performance, great activity and interest or initiative;
- "gratificaciones" (unique bonuses) for extraordinary services performed outside of normal working hours.

4. SOCIAL SECURITY IN SPAIN

In 1963 appeared the Basic Law on Social Security, whose main objective was the implementation of a single integrated model of social protection. The social security system in Spain is based on Article 41 of the Constitution from 1978.

To encourage transparency a new management system was introduced, provided by the following organizations:

- National Social Security Institute - to manage healthcare services;
- National Institute of Social Services - to manage social services management;
- General Treasury of the Social Security System –a single safety box, designed in accordance with the principle of financial solidarity.

In order to ensure financial stability and social security benefits, the Pact of Toledo was signed in 1995.

Social security system in Spain is governed by the General Law of Social Security no. 26/20.12.1990, amended and supplemented. Any person wishing to get employed in Spain must submit an application to the Provincial or the Social Security General Fund Administrations to be registered in the social security system. With the enrollment in the social security system in Spain, for each employee is issued a registration certificate containing particulars of this individual and his family, as well as a registration number and he is required to pay contributions arising from the employment contract scheme corresponding to his field of activity.

Social security system in Spain covers the following:

- maternity benefits;
- work accidents;
- industrial accidents;
- unemployment benefits;
- disability benefits;
- death benefits;
- survivor's pension.

Contributions to the Spanish social security system are paid according to the rules applicable as such:

- in general conditions (regimén general) – employees and employers are required to contribute to Social Security General System. The employer pays an amount each month for each employee, including probationary period and an amount of money is deducted from employee's salary which will allow him to enjoy a range of services like: health care, drugs, unemployment , aid in case of temporary disability;
- in special conditions (regiménes especiales) – employees in households have contributory conditions with particular characteristics and the obligation to contribute belongs to entirely to the individual.

Persons who are able and willing to work but lose their jobs or working time is reduced regardless of their will qualify for unemployment benefits if they become unemployed. Employees must have a minimum contribution internship at the Spanish social security system of 360 days in the last 6 (six) years to qualify for unemployment benefits. Minimum period during which unemployment benefits can be received is 4 (four) months and the maximum period is 2 (two) years.

5. CONCLUSIONS

Wage policy is a set of guidelines, based on studies and assessments conducted, designed for distributing amounts from the budget to reward employees in a certain period of time, depending on the merits of each one. It requires social protection measures aimed at:

- making labor market more dynamic;
- promoting a set of concrete measures in the domain of health and safety at work;
- integration of disadvantaged groups in the labor process.

To design an effective payroll system, many companies allocate a lot of financial and human resources, but also a great deal of time. On the one hand, employers seek to hire the best trained personnel and on the other hand, the employees, through their representatives – the trade unions, seek to enforce salary incentives and better working conditions on the employers.

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