

Market and Benchmark Insight Report for Spain – 2021

Competitive benefit norms for midmarket employers in Spain

Introduction

SARE is an independent insurance and reinsurance broking company. It was established in 1999 in Bilbao by several professionals from the consulting and insurance broking industries with sound reputations and experience in providing advice and risk management services for corporations and public administrators.

SARE advises national and multinational companies in designing, implementing, and managing competitive employee benefits programs that are customized to each client's needs. SARE is known for its long-term client relationships, which are built on these principles as well as the company's philosophy of world class client service.

We are proud to be an Asinta Partner, and hope this document is of use to you.

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1. Spain's Benefits Landscape

Employee benefits are important in Spain as they help recruit and retain employees and reflect the employers' brand. They vary substantially based on a company's attraction and retention goals, culture, as well as their industry.

Three other factors influence the definition of the benefits' design:

- Industry type
- Salary levels
- Location

1.1 Industry Type

Benefits vary widely according to industry type. For example, generous benefits are common in the financial services, high-tech and professional services sector. However, in the retail, hospitality sectors, food, construction benefits are lower.

Regardless, benefit design should meet the market's competitive standard and match your company's philosophy and culture.

1.2 Salary Levels

Salary levels will impact benefit provision.

Multinational companies in general implement employee benefits for all employees, but the salary level is usually directly related to the benefit level:

- For life and accident insurance, the amount insured is usually **x-times salary**.
- Retirement plans are usually defined contribution schemes of **x% of salary**.

Consequently, the salary level and benefit provisions are directly related.

Please note that in 2021, the average annual base salary in Spain is €24,000. The minimum annual salary determined by law is €13,300.



1.3. Location

Employees' locations influence benefit provisions and salaries. Industrial cities such as Madrid, Barcelona, or Bilbao offer higher paying jobs and more competitive employee benefits programs.

2. Spain's Benefits Menu

Spanish Social Security definition

Social Security responds universally and in solidarity to all individual needs in the face of situations that must be protected. This solidarity is manifested from two points of view:

1. **Solidarity between generations:** the Spanish system as a distribution system, and assumes that younger generations pay contributions so that, with them, the benefits of the elderly or needy are financed.
2. **Inter-territory solidarity:** the Spanish system includes the concept of **single cash** (contributions) collected throughout the country to finance the benefits of all Spaniards.

Spain has a generous Social Security system. However, political reforms and the increasingly understaffed and overcrowded National Health Service, are raising awareness and responsibility for retirement provisions and health insurances onto individuals and employers.



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Health insurance is the most valued and popular employee benefit in Spain, and it seems that it will continue to be, along with life insurance solutions. On the other hand, pension schemes are increasingly offered by companies because they are valued by older employees.

Most of the new pension schemes implemented by employers are defined contribution plans where plan contributions may come only from the employer or sometimes employee contribution is also required in order the company to contribute. There is also the possibility of voluntary individual contributions made by employees if this is accepted by the company.

Despite that, other social benefits are being more and more valued such as meal vouchers, transport ticket, kindergarten costs, and company cars.

2.1 Mandatory Benefits

Social Security Benefits	Comments
Medical Care	<p>Medical and pharmaceutical services including rehabilitation necessary to maintain or restore the health of the beneficiaries (employees and their dependents)</p> <p>Free access to hospitals and medical centers in the National Health System</p> <p>No requirements other than being registered with the Social Security System</p>
Temporary Disability (TD)	<p>Daily allowance to cover the worker's loss of income resulting from sickness or accident and periods of observation for occupational disease</p> <p>Benefit amount:</p> <ul style="list-style-type: none"> • Common illness and non-occupational accident: 60% of the Regulatory Base (*) from the 4th to the 20th day of sick leave and 75% from the 21st day onwards. • Occupational illness or accident at work: 75% of the regulatory base from the day after the day of sick leave <p>(*) Regulatory Base (RB) is a scale used to determine the Social Security benefits to which a worker is entitled. It is an average of the contribution bases and has a maximum and minimum ceiling.</p> <p>Duration:</p> <ul style="list-style-type: none"> • 365 days, extendable for 180 days if a recovery is expected during this period. <p>Requirements:</p> <ul style="list-style-type: none"> • Have covered a contribution period of 180 days in the previous 5 years. • No prior contributions are required in the case of accident (at work or not) and occupational disease.

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<p>Permanent Disability</p>	<p>Benefit to cover the loss of income suffered by a worker when, due to illness or accident, his or her working capacity is reduced or lost</p> <p>Permanent disability may be declared after termination of the temporary disability from which it is derived, or be recognized by the Social Security or Judicial Resolution.</p> <p>Degrees of Permanent Disability:</p> <ul style="list-style-type: none"> • Partial Permanent Disability (PPD) for the usual activity: a reduction of at least 33% in the worker's performance in that activity. • Total Permanent Disability (TPD) for the usual profession: Disables the worker for his/her usual profession but he/she can dedicate him/herself to a different one. • Absolute Permanent Disability (APD) for all work: disqualifies the worker from all professions. • Severe Disability (SD): When the permanently disabled worker needs the assistance of another person for the most essential acts of life. <p>Benefit amount:</p> <ul style="list-style-type: none"> • PPD: a fixed amount of 24 monthly payments of the regulatory base (RB). • TPD: 55% of the RB. It will be increased by 20% from the age of 55 onwards when it is presumed that it will be difficult to obtain employment in an activity other than the usual one. • APD: 100% of the RB. • SD: RB increased by a supplement destined to remunerate the person who takes care of the beneficiary. <p>Requirements:</p> <ul style="list-style-type: none"> • Have a previous contribution period covered, depending on age and degree of incapacity. • No requirements when the disability results from an accident at work or an occupational disease.
<p>Non-disabling Permanent Injuries</p>	<p>Benefit to compensate for permanent injuries caused by an accident at work or occupational disease which resulted in a decrease of the worker's physical integrity, but doesn't imply permanent disability.</p> <p>Benefit amount:</p> <ul style="list-style-type: none"> • One-off economic compensation, determined by the scale established for each type of injury. <p>No requirements other than being registered with the Social Security System.</p>
<p>Pregnancy Risk</p>	<p>Income benefit during the period of suspension of the employment contract due to risk during pregnancy when a change of post is not possible.</p> <p>Benefit amount:</p> <ul style="list-style-type: none"> • 100% of the RB • No requirements other than being registered with the Social Security System.
<p>Risk During Breastfeeding</p>	<p>Income benefit during the period of suspension of the employment contract due to risk during breastfeeding when a change of post is not possible.</p> <p>Benefit amount:</p> <ul style="list-style-type: none"> • 100% of the RB • Ends when the child reaches the age of 9 months. • No requirements other than being registered with the Social Security System.



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<p>Birth and Childcare (formerly maternity and paternity benefits)</p>	<p>Benefits and leave for childbirth, adoption and childcare.</p> <p>Benefit amount: 100% of the RB</p> <p>Beginning of the Benefit: From the date of birth, adoption or the date of starting the leave, if earlier, in the case of a biological mother.</p> <p>Duration FOR EACH PARENT: 16 weeks (extendable depending on the circumstances): 6 compulsory, uninterrupted and full-time weeks, immediately following the date of the beginning of the benefit. The remaining 10 weeks, in weekly periods, accumulated or interrupted, within the 12 months following the date of the beginning of the benefit.</p> <p>Extension cases:</p> <ul style="list-style-type: none"> • Extension by 1 week for each parent for each child, from the second child onwards, in case of multiple birth, adoption or fostering. • Extension by 1 week for each parent in case of disability of the child. • Extension of premature birth and hospitalization for a period of more than 7 days, following childbirth up to a maximum of 13 weeks. <p>Requirements:</p> <ul style="list-style-type: none"> • Workers under 21 years of age, no minimum contribution period is required. • Workers between 21 and 26 years of age, 90 days within the 7 years immediately prior to the start of the leave, or alternatively, 180 days of contributions prior to that date. • Workers over 26 years of age, 180 days within the 7 years immediately prior to the start of the leave or, alternatively, 360 days of contributions prior to that date.
<p>Co-responsibility in Baby Care</p>	<p>Reduction of the working day by half an hour for the care of a baby from the age of nine months to twelve months.</p> <p>This benefit may only be recognized for one of the parents. In the case of multiple births each parent is entitled to a co-responsibility allowance for one child each.</p> <p>Benefit amount:</p> <ul style="list-style-type: none"> • 100% of the RB applying the percentage reduction that the working time is reduced by. • Same requirements as the birth and childcare benefit.
<p>Care of Children Affected by Cancer or Other Serious Illnesses</p>	<p>Allowance to compensate for the loss of income suffered by working parents, or foster parents who reduce their working hours and salary by at least 50% in order to take care of a dependent child effected by cancer or another serious illness as defined by law.</p> <p>This benefit may only be paid to one of the parents.</p> <p>Benefit amount:</p> <ul style="list-style-type: none"> • 100% of the RB applying the percentage reduction that the working time is reduced by • Same requirements as the birth and childcare benefit.



<p>Non-financial Allowance for Care of a Child, Foster Child or Other Relatives</p>	<p>Consideration as an effective contribution period of a period of leave of not more than 3 years to care for each child under the age of 12 and not more than two years to care for a relative up to the second degree who is unable to look after him/herself</p> <p>No requirements other than being registered with the Social Security System</p>
<p>Retirement</p>	<p>Monthly pension for life when the worker ceases to work in whole or in part because of old age.</p> <p>Benefit amount:</p> <ul style="list-style-type: none"> • Percentage of the RB which will depend on the number of years of contribution and the retirement age. • The retirement pension is guaranteed minimum amounts, as well as its revaluation at the beginning of each year, according to the CPI forecast for that year. <p>Retirement age:</p> <ul style="list-style-type: none"> • 65 years if there is 38 years and 6 months of contributions or more. • 67 years if there are less than 38 years and 6 months of contributions (transitional period until 2027). <p>Early retirement:</p> <ul style="list-style-type: none"> • It is possible to advance the retirement age under certain contribution conditions. <p>Requirements:</p> <ul style="list-style-type: none"> • Reaching retirement age (ordinary or early retirement age). • Minimum contribution period of 15 years, of which at least 2 must be within the 15 years immediately prior to retirement.

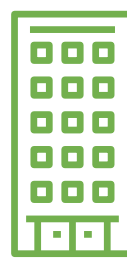


<p>Death</p>	<p>Benefit to compensate for the economic need caused by the death of a worker to their dependents.</p> <p>Type of death benefits:</p> <ul style="list-style-type: none"> • Widow's or widower's pension: life pension for spouse or common-law partner of dead worker who is not remarried. • Orphan's pension: pension for children of the deceased under 26 years old. • Family members' pension: pension for immediate family members who have been living with and are economically dependent on the dead worker for at least 2 years prior to the date of death and have no income. • Family allowance: temporary pension for children over 25 years of age and sisters and brothers over 22 years of age who have been living with and economically dependent on the dead worker for at least 2 years prior to the date of death and have no income. • Death Grant: financial assistance for funeral expenses. • Allowances for accidents at work and occupational diseases: allowances for widow's, widower's and orphan's pension beneficiaries or, if there are none, parents of the deceased worker who are dependents of him/her. <p>Benefit amount:</p> <ul style="list-style-type: none"> • Widow's or widower's pension: 52% of the RB which could be increased to 70% if the beneficiary has family responsibilities and a low-income level. • Orphan's pension: 20% of the RB for each child • Family members' pension: 20% of the RB. If there is no surviving spouse or children entitled to a pension, the amount of the survivor's pension shall be increased by 52% • Family allowance: 20% of the RB for one year. • Death grant: €46,50 • Allowances for accidents at work and occupational diseases: one-time compensation corresponding to six monthly payments of the regulatory base plus an additional monthly payment for each orphan. In the case of parents, 9 or 12 monthly payments if there are one or two beneficiaries. <p>The sum of death and survivors' pensions is limited to 100%.</p> <p>Requirements:</p> <ul style="list-style-type: none"> • 500 contribution days within a continuous period of 5 years immediately prior to death or 15 years over the entire working life • There is no requirement for death resulting from an accident at work or an occupational disease, nor for death grants.
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Benefit	Comments
CBA Liabilities	<p>All companies must comply with the specific sector Collective Bargaining Agreement (CBA) application. Those CBAs may or may not have liabilities included such as workers' compensation insurance, life insurance or retirement/early retirement liabilities. Each company should check if they must comply with any liability, and if so, comply with legislation of application through an insurance if risk benefits. In the case of pension schemes, requirements can be met under life insurances, a qualified pension plan, or a corporate social benefits plan (PPSE).</p> <p>No other benefits are mandatory in Spain.</p>
Holiday Pay	<p>The period of paid annual leave, not replaceable by financial compensation, shall be agreed to in the CBA or in an individual contract. Under no circumstances will the duration be less than thirty calendar days.</p>
Some Paid Leaves Under Workers'	<p>Fifteen calendar days in case of marriage.</p>
Statutes Which Could Be Enhanced Under CBAs	<p>One day per transfer of the usual address.</p> <ul style="list-style-type: none">• For the time required, for the fulfillment of an inexcusable duty of a public and personal nature, including the exercise of active suffrage.• To perform trade union functions or representation of staff in the terms established legally or conventionally.• For the time required for prenatal examinations and delivery preparation techniques and, in cases of adoption, it is intended for adoption or acceptance purposes, for attendance at mandatory information and preparation sessions and for the provision of mandatory psychological and social reports prior to the declaration of suitability, always, in all cases, which must take place within the working day.





3. Insured Benefits – Design and Typical Costs

Below are the most popular insured employee benefits in Spain and their typical levels of cover.

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Medical Insurance	<p>Highly valued benefit by employees.</p> <p>MEDICAL ASSISTANCE includes:</p> <ul style="list-style-type: none"> • Non-hospital • Hospital • Dental <p>Non-hospital and hospital medical assistance can be provided under:</p> <ul style="list-style-type: none"> • Provider network of doctors/hospitals by presenting the individual insurance card • Additionally, by reimbursement of medical expenses outside the provider network <p>Additional dental cover under a provider dentist network with fees under market value</p>	<p>Only employees are covered.</p> <p>Providing cover only under provider network of doctors/hospitals</p>	<p>Family members (spouse and children) can be also covered but at employee's expense (or partially paid Er/Ee)</p> <p>Providing cover under provider network of doctors/hospitals plus reimbursement of specific % (80%) of medical expenses if outside the network. Annual limit between €150,000 and €250,000.</p>	<p>All staff and dependants covered at employer's expense.</p> <p>Providing cover only under provider network of doctors/hospitals plus reimbursement of specific % (90%) of medical expenses if outside the network. Annual limit over €250,000.</p>
Life & Disability Insurance	<p>Typically, group life insurance schemes include lump sum benefits in case of:</p> <ul style="list-style-type: none"> • Death by any cause • Death by accident (cumulative to death by any cause) • Absolute or total permanent disability by any cause • Absolute or total permanent disability by accident (cumulative to APD or TPD) <p>Usually amount to a multiple of each employee's salary.</p>	<p>All staff covered.</p> <p>Sum insured equal to 1- or 2- annual salaries.</p>	<p>All staff covered.</p> <p>Sum insured equal to 2 annual salaries.</p>	<p>All staff covered.</p> <p>Sum insured equal to 3 annual salaries.</p>



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Pension Plan	<p>Defined contribution scheme.</p> <p>Funding through tax advantages products: Corporate Social Benefit Plan (Plan de Previsión Social Empresarial -PPSE) or qualified pension plan.</p> <p>Excess over the tax exempted limits through life insurance contract.</p> <p>Pay out via lump sum, annuities, or a mix of the two.</p>	<p>Contribution equals 1% or 2% of each employee's salary.</p> <p>Sometimes employee contribution may also be required in order for the company to contribute.</p>	<p>Contribution equals 3% or 4% of each employee's salary.</p> <p>Sometimes employee contribution may also be required in order for the company to contribute.</p>	<p>Contribution equals 5% or more of each employee's salary.</p> <p>Sometimes employee contribution may also be required in order for the company to contribute.</p>
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3.1 Wider Benefit Provision

In addition to the mandatory benefits, employers will often provide a range of benefits to help recruit and retain employees. The most common benefits are shown below:

Benefit	Market practice
Meal Vouchers	Very common benefit due to its tax advantages to both the employee and the employer (tax-free up to 11€ per day).
Transport Tickets	Valued tax efficient benefit when leaving away from work.
Childcare Vouchers	Tax efficient benefit. Various suppliers are available to administer these schemes.
Training Courses	With tax advantage (except in the Basque Country Autonomous Community) for training courses if related to Company activity.
Voluntary Benefits	Large and mid-sized employers will often provide employees with a range of 'voluntary benefits' that can be provided at discounted prices through the employer.
Flexible Benefits	<p>Employees can select several types of benefits from a menu, most of them being tax efficient. The primary benefits are:</p> <ul style="list-style-type: none"> • Meal vouchers • Transport tickets • Kindergarten • Training courses • Retirement scheme under Life Insurance differing tax treatment for voluntary employee contributions until benefits are paid.
Work from Home	An increasing number of employers have been creating working models that include the possibility of employees working from their home, particularly in the technology sector.
Company Cars	In a work environment where employees travel on business, you may see either company cars provided or a car allowance paid.
Retention Policies	Tax advantaged insurance products for bonuses or variable irregular income to differ and reduce tax impact.



When designing your benefits, you need to consider your sector, employee census data, and goals. As advisors, we will help you design your benefits that work for you and are within your budgets.

4. Setting Up Policies

Employers often ask us to comment on how policies need to be set up in Spain, and about the possible restrictions that could apply.

4.1 Medical Insurance

- Definition of the plan design: Determine if you are covering medical services through provider network of Doctor/Hospitals only or also providing reimbursement for medical expenses from out of Provider network of Doctors/ Hospitals. If including out-of-network coverage, annual limits and percentage of reimbursement must be selected. Also determine if dental coverage through a dental network will be part of your benefit package.
- Some carriers require groups under 26 (if employees only) or-under 50 insured persons (if employee + dependent number) complete health questionnaire/telequestionnaire. Larger groups do not require the questionnaire.
- Paperwork:
 - Some providers may require the employer to complete and sign a specific form.
 - Depending on the group size, employees must complete and sign a specific form with their personal data and a health questionnaire.
 - For larger groups, it is enough to complete a specific Excel sheet provided by the insurance company with the employees' data (and one for their dependents, if applicable).

4.2 Life & Disability Insurance

- Definition of the plan's design: Determine your coverages (death, disability, accidental death, accidental disability, death due to traffic accident, disability due to traffic accident and other secondary supplemental covers), as well as the sum insured per person (a multiple of salary) and eligibility. Insuring the base salary, and, not bonuses or other remuneration, is the most common.
- Paperwork:
 - Employers must complete and sign a specific form.
 - Employees may need to complete a health questionnaire or do a checkup if provider eligibility conditions require it.
 - Employees may be required to complete and sign a specific form with their personal data and identification to include their beneficiary(ies) in case of death, if this information is different from those indicated under the policy's Beneficiaries Clause.
 - To comply with data protection and money laundering prevention legislation, the employer is required to provide specific formal documents such as the:
 - Company tax ID
 - Company deeds
 - Power deeds and tax ID/passport or person to sign the contracts
 - According to each provider, additional forms may be required



4.3 Pension Scheme

- Definition of the plan's design: Determine employee scope, the amount of the contribution (a percentage of salary), if employee contribution is to be required, the level of employee-employer contribution, how to proceed with contributions over legal tax exempted limits, and frequency of contributions.

Also decide if you want to have a Corporate Pension Plan (different from an insurance product and with its own legislation) or Corporate Social Benefit Plan (PPSE) (insurance product with similar characteristics to Corporate Pension Plan but also differences) or a differed life insurance if only specific groups of employees are part of the scope.

- Paperwork:
 - Employer must complete and sign a specific form.
 - Employees may be required to complete and sign a specific form with their personal data and identification to include their beneficiary(ies) in case of death, if this information is different from those indicated as under the policy's beneficiary's clause.
 - Under same circumstances, to be assessed case by case, the fulfillment of the forms by the employees can be waived.
 - To comply with data protection and money laundering prevention legislation the employer is required to provide specific formal documents such as the:
 - Company tax ID
 - Company deeds
 - Power deeds and tax id/passport or person to sign the contracts
 - According to each provider, additional forms may be required

5. Onboarding and Policy Administration

5.1 Onboarding

In the U.S., great attention is given to the onboarding process and the choices employees have to make. In Spain, there is far less emphasis on this process because for most benefits there is little choice left for the employees and they are automatically enrolled into policies unless they expressly indicate not to participate under any specific scheme.

For employee communication, SARE can support the following approach to meet client needs:

- Staff presentations
- Benefit communication

5.2 Policy Administration

As advisers, SARE provides full policy administration support. This includes any queries raised, ensuring policies are updated and claims managed appropriately.



6. Adviser Remuneration

For life/disability, accident, and health insurances, SARE usually works on a commission basis which is market practice. However, if any client would prefer to work on fee basis, SARE is happy to discuss fee or commission options.

Regarding pension schemes, SARE works on a fee basis previously informed and accepted by the client. Usually, an implementation fee is charged on the plan implementation year, and management fees are paid in December of the following years.

When looking at fees, we consider:

- Time required to set up any new policies / pension schemes.
- The total number of policies/pension schemes to manage.
- Time required to administer the policies/ pension schemes.
- Frequency of predetermined face-to-face client meetings and conference calls.
- Whether there is the need to directly assist your employees.
- The size group (expected claims volumes) under management.

From a legal point of view, commissions, fees, or mix of both is accepted.

7. SARE International Team

Clara Calzada is your primary contact. Whenever needed you can also reach out to Natalia Pombo.



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