
LABOR REGULATIONS

The Costa Rican workforce has traditionally been characterized by its capabilities, educations and productivity. Also, health regulations in Costa Rica are comparable to those of more developed countries. Public and private universities, technological institutes and numerous vocational schools provide individuals with all levels of satisfactory training in technical and administrative areas. Labor relations, in general, reflect the country' s peaceful and democratic traditions. Conflicts between a company and its employees are normally resolved through dialogue and mutual respect.

WORKER' S BASIC RIGHTS

The Costa Rican constitution ensures basic rights for workers. Such rights are specifically established in the Constitution, Labor Code and other legal dispositions and regulations. In general, these rights cannot be forfeited. The Ministry of Labor and Social Security, and labor judicatures throughout the country are responsible to ensure conformance with the labor laws.

FOREIGN WORKERS

Foreign physical individuals without residency and/or work permits are not allowed to work in Costa Rica. Local and Foreign businesses in Costa Rica can request special authorization from the Immigration Office in order to bring into the country temporary workers, high ranking executives and/or technicians. In practice, the Costa Rican authorities are flexible to grant work permits to skilled foreign workers.

LABOR CONTRACTS

Labor laws require written employment contracts. Although, the lack of a written contract does not significantly affect any of the parties, nor does it diminish their rights. Employment contracts are private contracts executed between the employer and the employee, and need not to be registered.

EMPLOYMENT TERMINATION

An employer can terminate an employment contract with or without justification. When a termination occurs without cause, the employee has the right to layoff compensation. Justifications for termination are specifically listed in the Labor Code.

LAYOFF COMPENSATION

Layoff compensation consist in:

- Previous Notice: Employer and employee are entitled to a one-month previous notice before termination. In place of an anticipated notice, employer or employee, depending on the case, have the option of paying an equivalent salary amount.
- Termination compensation. When employer terminates without cause, employees have the right to a one-month salary for each year of service and up to eight years. The amount of compensation is calculated based on the average of the last six monthly paid salaries.
- Albeit the cause for termination, employees are entitled to payment of any portion exceeding the obligatory Christmas Bonus, as well as any accumulated vacation days.

CHRISTMAS BONUS

Christmas bonus is an additional salary, which must be paid to all employees after one year of employment. It is paid every year during the first twenty days of December. If an employee has not worked during a full year, bonus shall be pro rated.

VACATIONS

Employees are entitled to paid vacations equivalent to two weeks for every fifty weeks of continuous employment. In the termination of contract of employment, if employee has not used vacation time, they are entitled to payment at a salary rate of one day for each month worked during any given year.

MATERNITY AND ILLNESS PERMITS

Maternity labor licenses grant employees a hiatus permit of one month pre-birth and three months post-birth. Pregnant employees, or those in their nursing period, can be fired only with just cause.

Partial labor disability licenses (i.e. illness), can be granted by the Social Security System, after medical evaluation.

WORKERS' COMPENSATION

All employers must carry an insurance policy with the National Insurance Institute to cover labor risks.

MINIMUM WAGE

There are minimum obligatory wages, in accordance to a general classification of employment activities, which are promulgated by the government executive power. Minimum wages are updated twice a year.

OVERTIME

Labor laws allow work that goes beyond a workday in accordance to statutes, and cannot exceed twelve continuous hours, excepting highly unusual conditions. Overtime wages are equivalent to a corresponding hourly rate, plus 50%. These rules are only applicable to plant workers and administrative employees. There are specific rules for night shifts.

SOCIAL SECURITY

A public institution (Costa Rican Social Security Bureau) manages a national health system, in conjunction with the Ministry of Health. Employer and employee contributions for the national health system are obligatory and are calculated as a percentage of a monthly salary. Contributions are equivalent to 14% of paid salary from employer and 9% of salary from employee.

The system includes two schemes, which are obligatory for all legally established employers and employees: Illness and maternity (medical treatment), disability, old age and death (obligatory pension).

The social security system does not impede employers nor employees to join other, public or private, pension, health or retirement plans.

LABOR RELATIONS

Labor relations in the private sector of Costa Rica have reflected the country's belief in democracy and dialogue. Private sector employees can create a solidarity association, in which operators and administrative employees can participate. This solidarity association intends to improve the employee's wellbeing, and functions as a type of credit union. This association is not a negotiating entity. Its members finance it, which defines member contribution between 3 and 5% of salary check of each member.

WORKER'S PROTECTION LAW

Under the Worker's Protection Law, promulgated on February 2000, each worker must have an individual retirement account and an obligatory individual capitalization account with a public or private pension plan operator.

To finance the obligatory individual pension, the law redefined the destination of some of the existing social security taxes, which are equivalent to 25% of paid employer salary, and 9% of salary paid by each employee. To finance the pension and capitalization accounts, the law created an obligatory contribution of 3% of salary, which must be paid by employers. 50% of this additional contribution will go into individual employee pension accounts, and the other 50% will go to individual employee capitalization accounts.

Accumulated funds in the obligatory pension accounts of the individual can be withdrawn at retirement, handicap illness or death. Accumulated funds in the obligatory individual capitalization accounts, shall be considered as partial advanced severance pay and will be paid to worker in case of employment termination, regardless of termination cause. In case of employment termination without cause, the employer shall be forced to complete severance payment in the amount in accordance to labor laws.

The law also provides employers and employees the possibility to implement an additional voluntary pension or capitalization plan, under the administration of a public or private pension fund operator.

Profits from capital and product investment obtained by obligatory pension and capitalization funds, as well as, voluntary retirement funds are tax-exempt by law.