

*Overview of*  
**LABOR LEGISLATION**  
*in Costa Rica*



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ABOGADOS Y NOTARIOS

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# Overview

## *LABOR LEGISLATION in Costa Rica*

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Costa Rica provides a strong support to its labor force. The Constitution of 1949 devotes a chapter to Social Rights and Guarantees, which is probably the reason why Costa Rica has achieved through the years a stable social peace. Besides the labor provisions in the Constitution, there are various Laws and decrees governing labor relations in Costa Rica. The Work Code is the principal law in matters of work in the country. The 1943 Work Code protects both workers and employers. The Ministry of Labor is responsible for ensuring compliance. Labor contract and legal obligations are assumed upon commencement of a working relationship. Some of the general provisions of the Work Code are:

Daytime is labor performed between 5 A.M. and 7 P.M., and night work is that performed between 7 P.M. and 5 A.M.

A regular workday is defined as not more than eight hours for daytime work, six hours for night work, or forty-eight hours per week. A mixed workday may in no case exceed seven hours, but shall be regarded as night work if three and a half hours of labor are performed between 7 P.M. and 5 A.M. However, for work which by its nature is not unhealthy or dangerous, a regular workday may be agreed up to ten hours for daytime work or up to eight hours for mixed day and night work, provided a week of work does not exceed forty eight hours. The parties are free to agree upon hours for rest and meals, in accordance with legal provisions and the nature of work.

Every worker is entitled to one day of complete rest after each week or six days of continuous labor. Any employer who does not grant such day of rest is subject to legal penalties and must pay the affected workers double their normal wage rate. However, if both parties agrees an employee may be permitted to work on a day of rest if the work is not difficult, dangerous or unhealthy and is performed in agricultural activities or in industrial enterprises which by their nature require continuity of operation or because of their obvious public or social interest. Remuneration may be at the rate of time and half or double the normal wage.

Employers may exercise the right to lockout and workers to strike, except in public services, in accordance with the law, which prohibits any act of coercion or violence.

Collective labor agreements have the force of law, if exempted according to the law by employers or employers unions and legally organized trade unions. Social Security is established for workers, regulated through a system of compulsory contribution by the State, employers and workers. The benefits granted by this

institution are for medicines, disability, maternity, old age, death and other contingencies established by law.

Either party may terminate an individual working contract for an indefinite period of time without due cause, by giving the other advance notice in accordance with the following:

- (1) After a working relationship of not less than three months and no more than six months, a minimum of one week's notice.
- (2) After more than six months but less than one year of work, a minimum of fifteen days notices.
- (3) After more than one year, one months notice.

Either party may waive the advance notice without affecting the right to an amount equal to wages corresponding to the above payment.

In labor contracts established for an indefinite period, dismissal without due cause forces the employer to pay the workers severance assistance according to the following:

- (1) After working for not less than three nor more than six months, an amount equivalent of ten days wages;
- (2) After continuous work for more than six months but less than a year, the equivalent of twenty days wages;
- (3) After continuous work for over one year, the equivalent of one months wages for each year of service or fraction not less than six months; and
- (4) Such assistance may in no case exceed eight months wages.

Law Number 2412 of 23 October 1959 establishes that all private employers have the obligation to grant their workers an annual payment bonus, known as "aguinaldo" and works as a Christmas bonus, equivalent to one month's salary. Aguinaldo is paid within the first twenty days of December. The reason for the Aguinaldo is to face in some way a part of the expenses and costs generally made in the Christmas season.

Article 13 of the Labor Code limits the number of foreign employees that a company may hire. The Article provides that ninety per cent of the total employees must be nationals and that at least eighty-five per cent of the total payroll must be paid to Costa Rican workers. These totals are variable by ten per cent under qualified conditions during a five-year period prior to approval by the Ministry of Labor. Limitations of foreign employment do not apply to managers, directors, administrators, superintendents and general office heads, provided that there are no more than two foreigners in each company.

Costa Rica has been recognized for their open approach to workers. The Overseas Private Investment Corporation (O.P.I.C.) has encouraged United States investors to go to Costa Rica. Thus, O.P.I.C. will protect investors in Costa Rica with political risk insurance and financial assistance if deemed necessary. Just a few years ago O.P.I.C. opened an office in Costa Rica.

Finally, Costa Rica is an active member of the International Labor Organization.

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