



EMPLOYMENT IN COSTA RICA



Costa Rica is located in Central America, north of Panama and south of Nicaragua. Costa Rica is increasingly popular with foreign investors due to its stable political climate; it is regarded as one of the most stable nations in Central America. Costa Rica is known as the Silicon Valley of Latin America due to its increasing focus on exporting technologically manufactured products. Employment in Costa Rica is governed by the Costa Rican labour code. Below is some key information regarding employment in Costa Rica, intended to provide a brief overview of employment law in Costa Rica. It is not intended as substitute for professional legal advice and counsel.



WORKING TIME AND OVERTIME

The maximum number of hours an employee may work in Costa Rica are 48 hours per week for daytime hours, and 36 hours for night work. If an employee works over 48 hours this is considered overtime and will be paid at an additional 50% of the hourly salary. Employees should not work more than 12 hours per day including overtime.

ANNUAL LEAVE

Full-time employees are entitled to one days holiday for each month worked, and two weeks after 50 weeks of employment. Employees are not permitted to carry over annual leave unless there is a written agreement. There are 9 paid public holidays and a further 2 that are optional.

TRIAL PERIOD

Probation periods in Costa Rica are generally 3 months. However, this can vary depending on the industry and role of the employee.

RESIGNATION AND DISMISSAL

The employee may terminate their employment by providing notice in writing. The required notice period will depend on the length of service. An employee who has worked 3 – 6 months will need to provide 1 weeks’ notice, 6 – 12 months will be 2 weeks’ notice, and over 12 months will be 1 months’ notice. Termination processes may vary depending on if any agreements were negotiated when the employee was initially employed. If an employee is terminated without just cause they will be entitled to a severance payment (Prestaciones Laborales) and advanced notice (Preaviso) must also be provided. The advanced notice period is 30 days, if the employee is not required to work the 30 days, then this must be paid in addition to any severance payment. The below table is a guide to severance payments depending on length of service. In addition to severance payments the employee will also be entitled to payment of any accumulated holiday pay and the pro-rated Christmas bonus.

Length of Employment	Severance Pay
3 – 6 months	7 days
6 – 12 months	14 days
1 year	19.5 days
2 years	20 days
3 years	20 days
4 years	21 days
5 years	21.24 days
6 years	21.5 days
7 years	22 days



RESIGNATION AND DISMISSAL

If an employee is terminated with just cause this must be based on one of the grounds set out in Article 81 of the Costa Rican Labour Code. The employer holds the burden of proof, so the cause will need to be well justified. The employer will also need to personally deliver a dismissal letter to the employee clearly outlining the facts behind the dismissal. Employees dismissed with cause will not be entitled to notice or severance payments. They will only be entitled to payment of owed salary, accumulated holiday, and the pro-rated Christmas bonus.

RESTRICTIVE COVENANTS

Non-compete provisions are permitted in Costa Rica if they are reasonable. The employee will need to be paid during any periods of restriction. The terms will need to be assessed on a case by case basis including activities, geographical restrictions, and payment. If no agreement is in place for payment, it is commonly 50% of the standard salary. Non-solicitation provisions are also permitted in Costa Rica.

CONTRACT OF EMPLOYMENT

It is strongly recommended that a written contract of employment is provided outlining employee and employer details, job title, responsibilities, salary, benefits, and termination requirements. The contract must be provided in the local language and any amounts stated in the local currency. There are two main type of employment contracts in Costa Rica, the first being a regular employment agreement which is for an indefinite period of time. The second being a temporary employment agreement, this is established for limited period of time and only under circumstances that require this type of agreement. This can include the temporary replacement of an employee on an extended absence e.g. maternity leave, or for seasonal work. This type of contract should not be longer than 12 months. If this does pass 12 months, the employee will be recognised as a permanent employee in line with Costa Rican employment law.

MATERNITY AND PATERNITY LEAVE

Expectant mothers are entitled to 4 months maternity leave. This is taken 1 month before the expected due date and 3 months after the due date. The cost of maternity leave is split equally between the employer and the CCSS (Costa Rican Social Security Fund). Fathers working in the private sector are not entitled to paternity leave. Fathers working in the public sector are entitled to 8 days paid paternity leave.

SICKNESS LEAVE

An employee is entitled to the first 3 days of sick leave at full pay. This is split between the employer and social security. After 3 days social security will pay 60% of the employee's salary, the employer is not obliged to pay anything after the initial 3 days of sickness. The employee must ensure a medical certificate is submitted to the social security administration within 48 hours of the start of the sick leave to receive payment. Employees are also entitled to 3 days paid bereavement leave.

SOCIAL SECURITY

Social security contributions in Costa Rica are compulsory and are based on an employee's earnings. The Costa Rican Social Security Fund (Caja Costarricense de Seguro Social) is in charge of most of the public health sector. Both the employer and employee have mandatory contributions. The contributions cover items such as maternity benefits, health protection, work accidents, unemployment, child benefits, disabilities, and old age.

HEALTHCARE AND INSURANCE

Costa Rica's healthcare system is run by the Costa Rican Social Security Fund (CCSS) (Caja Costarricense de Seguro Social). When registered with the CCSS, employees will have access to free services such as doctors' appointments, inpatient care, outpatient, maternity services, surgery, medications, dental care, optical care, emergency services. Costa Rica's healthcare system is very highly regarded in Latin America, ranking amongst one of the highest in the Americas.



HEALTHCARE AND INSURANCE CONT...

Approximately 30% of Costa Ricans population have private health insurance, it is very common for foreign workers to opt for private insurance. It is a lot easier to access English speaking staff in private hospitals and the wait times are considerably shorter.

EMPLOYMENT OF FOREIGN NATIONALS



Foreign nationals will need a visa to work in Costa Rica. The process of obtaining this can be long. The employer will firstly need to prove that the applicant has unique skills that can't be provided by a Costa Rican. The workforce in Costa Rica is well educated, so this can be a challenge. Once this has been proven, the applicant will need to apply for a provisional visa that is needed to enter Costa Rica. Not all countries require a visa to enter Costa Rica, these nationals will still need to register with the Costa Rican consulate in their home country. Once the applicant has arrived in Costa Rica the process for applying for a work permit must begin. Firstly, they must register their fingerprints with the Ministry of Public Security, Ministerio Seguridad

Pública. The applicant will need to submit their application to the Immigration Department, the Dirección General de Migración y Extranjería where this will be reviewed. It is important to consider that all relevant documentation must be prepared before arrival in Costa Rica, all documents will need to be translated to Spanish and notarised. Applicants will need to start the process of applying for the work permit with plenty of time ahead of any intended start date in their new job in Costa Rica. It can take between 3 – 8 months for a work permit to be processed. Please see below documentation required, it is important to note this list is not exhaustive.

- Completed application form
- Birth Certificate
- Copies of every page of a valid passport
- 2 x passport photos
- A letter with reasons for application including applicants details
- Statement from the employer for job details
- The employers legal constitution and registrations documents
- Receipt of consular inscription
- Receipt of fingerprint registration issued by the Ministry of Public Security
- Proof of insurance
- Proof of applicants financial income
- A police certificate clearance from the applicants home country or country of residence
- A certificate of the Costa Rican social security institution for the employing company



SALARY AND SALARY TAXES

MINIMUM WAGE

There is no set minimum wage in Costa Rica. Pay rates are generally agreed upon directly with the employer and is stated on the contract of employment or through a collective bargaining agreement. As a general guide pay rates per day should not fall below the following according to skill level of the employee. The below are in Costa Rican Colon CRC.

- Unskilled Worker – 10,875.11 CRC
- Skilled Worker – 12,043.60 CRC
- Specialised Worker – 14,205.12 CRC
- General Skilled Worker - 367,058.74 CRC
- General Highly Skilled Worker - 412,202.85 CRC
- Technical University Graduate - 696,873.72 CRC



INCOME TAX

It is the employer's responsibility to ensure taxes are paid from salaries before payments are made to employees. The general personal income tax rates are listed below as guidance.

Earnings Per Month	Percentage of Tax
0 – 863,000 CRC	0%
863,001 – 1,267,000 CRC	10%
1,267,001 – 2,223,000 CRC	15%
2,223,001 – 4,445,000 CRC	20%
4,445,001 + CRC	25%



SALARY PAYMENTS

Salaries in Costa Rica are generally paid on a monthly basis, manual employees must be paid every 15 days. A 13th month salary payment (Aguinaldo) is mandatory. This must be paid within the first 20 days of December.

SOCIAL SECURITY CONTRIBUTIONS

Social security contributions are the responsibility of the employer to deduct from an employee's salary before payment, and for the employer to ensure all employees are registered. Both the employer and employee are subject to contributions. Below is a guide on approximate contribution rates for employers and employees. However, these can vary. Employer contributions are generally 26.5% and employees 10.5% of salary.

	Employer Percentage	Employee Percentage
Health/Medical & Maternity	9.25%	5.5%
Family Assignations	5%	N/A
Basic Pension Scheme	5.25%	N/A
Banco Popular Employer Fee	0.25%	N/A
INA	1.5%	N/A
Complementary Pension Fund	2%	N/A
Labour Capitalisation Fund	1.5%	N/A
National Insurance Institute (INS)	1%	N/A
Social Aid (IMAS)	0.5%	N/A
Contribution from Banco Popular Employer	0.25%	N/A
Disability, Old Age & Death Benefits	N/A	4%
Workmens Savings Banks	N/A	1%



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