AUXADI

WHITE PAPER

A Guide to Payroll Management in LATAM

As every good CFO knows, cash management is essential – and key to the survival and growth of companies. But if we were to ask a director of human resources, they would surely add another point, perhaps even more crucial for organisations: payroll management.

Payroll management impacts not only the remuneration process itself, but also connects with other functions within the human resources team, such as profit management, talent development or attraction and selection. Payroll also has considerations like regulatory compliance, taxes, or treasury, so it's not unusual to find that profiles such as the CFO or legal director also fall within the universe of payroll. In addition, as the control and access to information and the security of the same are basic requirements, the CTO also plays a key role within the payroll flow.

Payroll management becomes an even more critical process when a company operates in more than one country. Adapting to the regulations prevailing in each market, operate in multiple currencies and with several deadlines, consolidating information, approving payments, managing the process in different time zones and dealing with interlocutors of cultures of all kinds and in multiple languages... It can be a very complex situation for the professionals who lead the function.

In the case of LATAM specifically, this complexity may be even greater. Companies undergoing internationalisation can have a tendency to treat Latin America as a single country, when the truth is that the region has a melting pot of governments, laws, cultures, traditions and ways of operating. And if we refer to the context of labour law, the differences are even more noticeable.

As we saw in our special report "Recovery to Rediscovery: Capitalising on a Changed Private Equity Landscape", LATAM is one of the preferred destinations for investment from the United States (91% of fund managers surveyed by Auxadi based in North America said they intended to invest in the region before 2026). It is here where we must continue working to discard old myths and misconceptions about LATAM, as countries closely linked to primary or secondary sectors. Industries such as e-commerce, Fintech or Healthcare are gaining more and more strength and helping to attract foreign investment. But despite its geographic proximity, LATAM can seem far away for companies in the U.S. or EU: particularly when it comes to full compliance with everything related to payroll management.

That is why Auxadi present our payroll management guide in LATAM.

BEFORE YOU BEGIN

Aspects to consider

Before starting to implement an international payroll process, it is important to take into account the following aspects, which can become issues or even pose a threat to the entire payroll flow and, therefore, the activity of the organisation, and even the internationalisation process itself.

Cultural component

The cultural aspect is a basic consideration for internationalization. Beyond the specificities of the legislative level (for example, rules regarding the number of payments or their interval), the person in charge of leading the international payroll process will have to deal with de-localised teams and multiple third parties, and each may have their own cultural differences. It is not unusual for the payroll professional to be lost in a sea of localisms and different terms, like *payrolls, nominals, bonuses, patterns*...

Controlling the cultural component of each country where the payroll process will function is essential.

Technology

Technology plays an indispensable role. Having a technological solution to ensure local compliance avoids unpleasant surprises, in the present and the future. (For example: multinational companies are increasingly exposed to cybersecurity risks; including automation at the beginning, when international payroll is smaller, will greatly ease future growth.)

In addition, having technological solutions adapted and customised to the real needs of those who manage payroll, eases pain points and assures smooth processes.

Control and visibility of information

Closely linked to technology, it is essential that whoever leads your global multi-country payroll process has full control and visibility of information. Although it may seem a no-brainer, it can sometimes be missed during internationalization processes. It's already too late when problems arising from the lack of control of information appear, because you are already present in several countries.

Defining the management model and providing the tools that allow you to have total control, full visibility, and accurate reporting is something that you must keep in mind before beginning the very first process of leaving our borders.

Everything that impacts the payroll process must be aimed at facilitating the process, and that involves providing tools: from dashboards to visibility of KPIs and compliance – all of which should further improve efficiency and control.

Complexity of the process itself

As we have shown, the payroll management process at the international level is complex. Therefore, all measures taken must be aimed at making life easier for those who manage and lead the global flow.

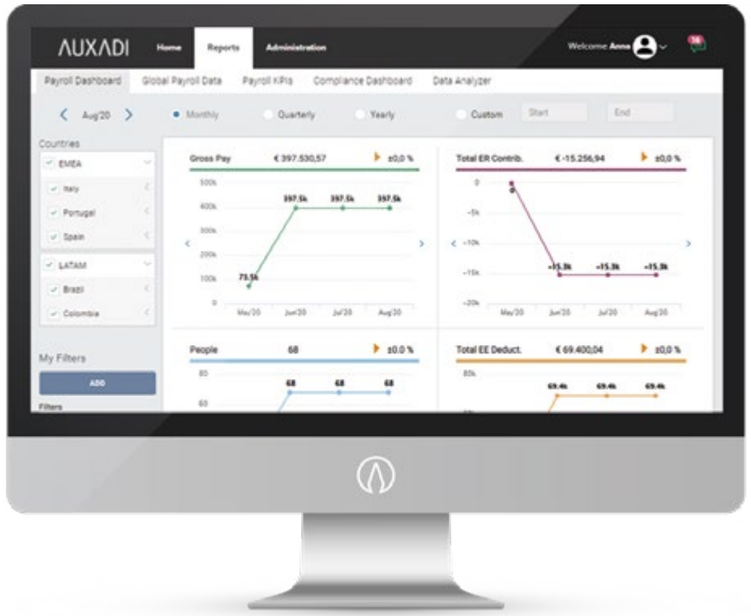
The choice of the model (centralised vs decentralised), the communication channels (email is normal, but does not provide the most secure, efficient and compliant means of communication, which should be considered), the choice of reporting format (local vs global), the approval process (at the local level, at a global level ...), the use of language, etc.

Everything that impacts the payroll process should be aimed at facilitating and making the process more efficient, not the other way around.

The onboarding process

A solution is to have a business partner to accompany you through this significant global management process, one who can also provide local knowledge and visibility, and can grow into other countries with you.

In this regard, it is also crucial to have a supplier that can control onboarding and that makes it a fluid experience (guaranteeing the continuity of payroll payments and, therefore, of the activity), that has the flexibility to adopt the processes of your company and, at the same time, adds value.



Auxadi for International Payroll

At Auxadi, we base our payroll proposal on three elements that, when combined, facilitate the day-to-day management of payroll, accounting, reporting or taxes – helping make life easier for CFOs, Human Resources Directors, controllers, CEOs and any other member of the C-Suite with direct responsibility for approvals, management, and reporting. Auxadi makes your life easier by providing:

A single point of contact

The number of 3rd Parties who might be involved in multi-country projects can be counted by the score. Depending on the size of the company, a CFO may have to coordinate and collaborate with hundreds of people within their own organisation, and dozens of external vendors.

In this context, a single point of contact (in the form of a Key Account Manager or Client Relationship Leader – a KAM or CRL) greatly facilitates day-to-day management; particularly during instability or global crisis, where immediate response and action is key. From our HUBs in Madrid and Chicago, we have KAM teams in the same time zones as our clients, coordinating their accounts with internationally specialised professionals.

International coverage, local experience

The Coronavirus crisis has shown us that acting globally is more important than ever. Removing dependence on single markets and having a homogeneous international presence reduces the effects on crises in specific countries, as well as being more flexible to adapting internationalisation strategies.

But this implies a thorough knowledge of the particularities of each country. At Auxadi, we have professionals from 25 nationalities, and they are local experts in the countries in which we operate, working from both in our International Desks in Madrid and in our global offices, guaranteeing knowledgeable responses to the needs of our clients.

Consistency in execution

The last key point. Operating in international environments highlights the need for consistency in processes, reporting, policies, and more. It is essential that, regardless of the number of languages spoken or the specifics of the different countries in which you operate, there should be homogeneity in implementation. Here technology can be, again, differential.

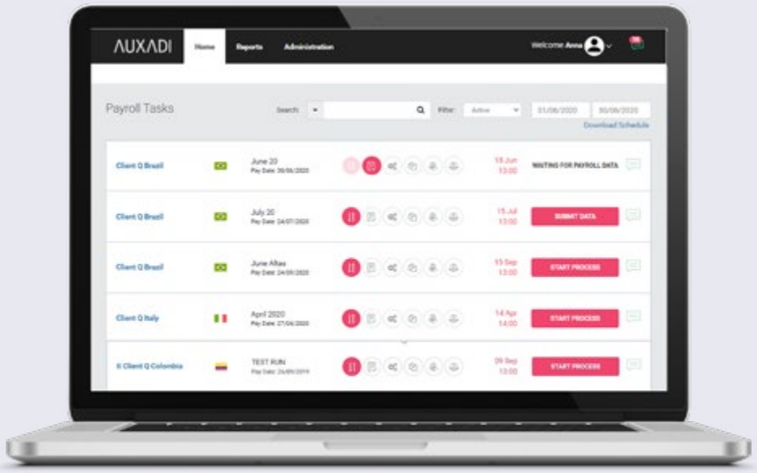
Our combination of People, Processes and Technology allows Auxadi go a step further – guaranteeing the same processes, the same quality, in all the countries in which we operate.

The international payroll management module of Auxadi's Technological Platform

In addition, at Auxadi we have our own unique and purpose-built technology for payroll management, so you can centralise, control, and lead this process at an international level.

Our payroll technology stands out for:

REQUEST A DEMO NOW!



SECURITY OF PROCESSES

We consolidate your international payroll information in all the jurisdictions in which you operate. You'll be able to communicate with your team of experts inside the platform, while controlling every detail of the process.

ENSURES SECURITY

Based on Azure, the payroll module ensures compliance with LOPD regulations and minimizes risks when developing global operations.

ALWAYS ACCESSIBLE

Access and control all your information in a simple and intuitive way. And, most importantly, you can see your data in real time – no more waiting for a response to a request for information.

Specificities in Latin America

Brazil

With a population of 211 million and an area that covers approximately half of South America, Brazil is the fifth largest country in the world by territory, and the sixth most inhabited. And if we add to this a strategic position that facilitates access to the rest of Latin American countries, excellent value in exchange rates and the human capital available in the country, Brazil becomes a very attractive destination for investors.

However, Brazilian labour legislation stands out for its strict regulation and includes measures such as the 8-hour daily workday, minimum wage, third salary at the end of the year, restaurant/meal vouchers, 26-28% of social security costs and the obligation to deposit 8% of the employee's monthly salary into a government account owned by the employee.

These are the main aspects that must be taken into account when managing payroll in Brazil.

Implementation of regulations

Collective Agreement of the Trade Unions. It is mandatory in Brazil that all companies and employees are registered in a union, which are organized by industry and types of service (for example: there is a specific union for lawyers, engineers, those engaged in business development ...).

Registration and termination processes

The affiliation process in Brazil is automatic, once the employee is registered on the eSocial platform. Each new employee must be registered on this platform 24 hours before the start of their employment relationship with the company(i.e. one business day).

Regarding the termination of the employment relationship, it can be given for four reasons (voluntary by the worker, motivated by the employer, by common agreement or by end of contract). The communication of the cancellation must be sent to the eSocial platform up to 10 days after the date of this. The payment of sick leave will be within 10 days after the date of dismissal, with a limit of the 30th day of the month. Leave must be reported by FT to the supplier on the day following the dismissal.

Contract types

Indefinite contract: It is a contract with no end date, with a trial/probation period of 90 days.

Contract determinado / Fixed term: It is a contract with an end date established from the beginning. The maximum time for this contract is for a period of 2 years, and can be extended once.

Contract intermitente: Permite that the professional develops a non-continuous activity, occurring with an alternation and inactive periods, established in hours, days or months, independent of the type of activity of the employee or the company.

Vacation, specific leave allowances, and benefits

A. VACATION PROCESS

Article130 and CLT (Labour Laws) provide that:

For every 12 months of work, the employee has the right to enjoy 30 days of paid leave, adding the payment of one third of his usual salary. Vacation days must be enjoyed in the first twelve months from the time they become available.

The employee can "sell" 10 days of vacation of the 30 that he is entitled to, and these days are paid under the concept of Pecuniary Payment.

With the latest changes in the Labour Law and in the CLT Article 134, it was established that vacation periods can be divided into three, where one of these three periods cannot be less than 14 days, and the others cannot be less than 5 days.

The start of the holiday must be at least two days prior to national public holidays or Sundays.

A Vacation Payment of 1/3 of the value of the amount holiday days taken is provided for by law as a holiday premium. This payment must be made at least two days before the start of the vacation.

B. SPECIFIC LEAVE ALLOWANCES

Maternity / Paternity: Maternity leave is 120 days, being able to start in the eighth month of pregnancy or from the date of birth of the baby. The leave for paternity is 1 day.

For all other types of leave it is necessary to consult the collective agreement of the category in question, since these cases usually contemplate higher permits.

As for medical leave, for leave of up to 15 days the company pays these days to the employee. From day 16, the payment is processed by the Social Security. For leave exceeding 15 days due to an accident at work, the employee will have one year of stability from the date of return to work.

C. BENEFITS

There are no mandatory benefits by law in Brazil, but some of the most popular are the food check, transportation or contribution to pension plans. Depending on the relevant collective agreement, it may include specific benefits.

The transportation voucher is mandatory by law in case the employee chooses to receive it. In case of enjoyment, the company can deduct up to 6% of the worker's salary as a share in the benefit.

120

Maternity leave is 120 days, being able to start in the eighth month of pregnancy or from the date of birth of the baby. The leave for paternity is 1 day

Chile

In recent decades, Chile has been one of the Latin American economies that has recorded faster growth and at the same time in a continuous and sustainable way over time (approximately 5% per year in the last 30 years) has its causes in various reforms to improve productivity and social development.

Chile is focused on attracting foreign investment and offering guarantees for it, so its labour legislative system stands out for the guarantees it offers.

Implementation of the regulations

Labour regulations in Chile are governed by the **Labor Code.**

Registration and termination processes

The affiliations of workers to the Chilean social security are notified each month at the moment when the social laws of each payroll period are paid through the Previred portal. The affiliation or change from one AFP to another, or changes from the public health system (Fonasa) to a private one (Isapre) is managed directly by the worker.

For its part, the notifications of withdrawal of workers in the social security are informed each month at the moment in which the social laws of each payroll period are paid through the Previred portal.

The causes covering the termination of employment contracts in Chile are set out in articles 159 and 160 of the Labour Code. Some of the causes include:

Article 159: mutual agreement by the two parties, resignation of the worker, death of the worker, expiration of the term or termination of the work or service.

Article 160: conduct of a serious nature, non-concurrence or abandonment, among others.

The grounds set out in these articles do not grant the worker the right to compensation for years of service when the employment contract is terminated. The foregoing does not prevent that, in the case of those causes referred to in article 159 of the aforementioned legal body, the parties may agree to the payment of compensation for the term of employment contract, on a voluntary basis.

Article 161 of the Labour Code stipulates that the employer "may terminate the employment contract on the grounds of the needs of the enterprise, establishment or service, such as those arising from the rationalization or modernization thereof, low productivity, changes in market or economic conditions, which make it necessary to separate one or more workers".

Contract types

Indefinite-term employment contract: It has no defined when it will come to an end, so it gives the employee a more stable situation within the company. The link with it ends with the resignation, dismissal, or death of the worker.

Fixed-term employment contract: Sets a start and end date for the contract. The duration of the fixed-term contract may not exceed one year, but in the case of managers or persons who hold a professional or technical qualification awarded by a state higher education institution recognized by the State, the duration of the contract may not exceed two years.

Contract for project work: The contract for project work is that convention by which the worker is obliged with the respective employer to execute a specific and determined material or intellectual work, at its beginning and its end, whose validity is limited or limited to the duration of that work.

Vacation, specific leave allowances, and benefits

A. VACATION PROCESS

Workers with more than one year of service shall be entitled to an annual holiday of fifteen working days, with the right to full remuneration to be granted in accordance with the formalities established by the regulation.

On the other hand, the Labour Code establishes that the holiday must be continuous, but the excess over ten working days may be divided by common agreement. The dependent, in his capacity as holder of the holiday benefit, is entitled to request that his employer grant him at once the 15 working days established by law for this purpose, unless it has been agreed to split the benefit in the terms established in article 70, paragraph 1, of the Labour Code.

Whatever the ordinary working day that the worker has agreed, that is, whether or not he works on Saturdays, to determine the 15 working days of his annual holiday, only the days that run from Monday to Friday must be counted. Once the holiday is over, the worker must return to his usual work the next day if this corresponds to a day on which he must provide services in accordance with the day agreed in the contract.

B. SPECIFIC LEAVE ALLOWANCES

Maternity and parental leave:

The worker is entitled to maternity leave of 6 weeks (42 days) before childbirth (prenatal) and 12 weeks postnatal (84 days after childbirth). The duration of prenatal care may be altered by early or delayed delivery or termination of pregnancy. The duration of the postnatal may be altered by disease derived from the birth; when the delivery occurs before the start of the 33rd week of gestation, or if the child at birth weighs less than 1,500 grams; in case of births of 2 or more children.

Continuing to the postnatal there is an additional leave called postnatal parental: it is a leave of twelve weeks (84 days) to which the worker is entitled, after the postnatal, with payment of subsidy that replaces her remuneration. This leave can be used for half a day, where it increases to 18 weeks (126 days), receiving half of the indicated subsidy and, at least, 50% of the remuneration agreed

in the contract. If both parents are working, the father may take this leave if the mother so chooses, but only after the seventh week. Workers who do not have working hours to comply with are entitled to postnatal parental leave on the same terms and in accordance with what is agreed with their employer. If the worker decides to take postnatal parental leave while working half of the agreed working day for 18 weeks, she must notify her decision by registered mail to the employer with a copy to the Labour Inspectorate, 30 days before the end of her postnatal leave. A worker who has a minor in his/her care because he/she has been judicially granted custody or personal care as a measure of protection of the minor or by virtue of his/her adoption shall also be entitled to postnatal parental leave.

Parental leave for the birth of a child:

The father is entitled to a special paid leave granted by the employer of 5 days in case of birth of a child, which he can use at his choice from the moment of childbirth, and in this case it will be continuously, excluding weekly rest, or distribute it within the first month from the date of birth. This permission is also granted to the parent who is in the process of adoption, and is counted from the notification of the resolution granting personal care or welcomes the adoption of the child, in accordance with the rules of the Adoption Law.

C. BENEFITS

Current labour legislation establishes a series of paid leave for special situations of workers:

- Leave in case of marriage: Any worker who marries or enters into a civil union agreement is entitled to five continuous working days of paid leave, in addition to the annual holiday. It can be used, at the choice of the worker, on the day of the marriage and on the days immediately before or after the day of its celebration. To make use of the benefit, the worker must give thirty days' notice to his employer and present within thirty days of the conclusion of the respective marriage certificate from the Civil Registry and Identification Service. The parties to a civil union agreement have the same right.

- Leave in case of death of the father or mother: In case of death of the father or mother, the worker is entitled to three working days of paid leave, in addition to the annual holiday, regardless of the time of service. This permit must be effective from the respective death and cannot be compensated in money.

- Leave for the death of a child: In the event of the death of a child, the worker is entitled to seven calendar days of paid leave, in addition to the annual holiday, regardless of the time of service. This permit must be effective from the respective death and cannot be compensated in money.

- Leave for the death of a child during the gestation period: In the event of the death of a child during the gestation period, the worker is entitled to three working days of paid leave, in addition to the annual holiday, regardless of the time of service. This permit must be effective from the respective death and cannot be compensated in money.

- Leave for the death of the spouse or civil partner: In case of death of the spouse or civil cohabitant, the worker is entitled to seven consecutive days of paid leave, in addition to the annual holiday, regardless of the time of service. This permit must be effective from the respective death and cannot be compensated in money.

- Permission for workers to attend medical examinations during the day: Workers over forty years of age and workers over fifty, whose employment contracts are for a period exceeding thirty days, shall be entitled to half a day's leave, once a year during the term of the employment relationship, to undergo mammography and prostate examinations, respectively, which may include other preventive medicine benefits, such as the pap smear, in the appropriate public or private health institutions. In the case of contracts concluded for a fixed term, or for the performance of a specific work or task, this right may be exercised from thirty days after the contract of employment is concluded, and at any time during its validity.

D. SICK AND DISABILITY LEAVE

Incapacity allowance laboral. The Incapacity for Work Allowance (SIL) is the amount of money that replaces the worker's remuneration or income while the worker is on authorized medical leave. The allowances are accrued per day, from the first day of the corresponding medical leave if it is more than 10 days, or from the fourth day if it is equal to or less than 10 days, that is, the first 3 days of a medical leave of less than 10 days will not be covered by the health institutions. In the case of leave granted immediately after another licence and for the same diagnosis, they are considered as a single licence for the purpose of determining the number of days of allowance to be paid, as well as for the calculation of the amount of the allowance.

Medical leave. Dependent workers in the private sector must submit medical leave to their employer within two business days from the date of commencement of leave. If the employer is affiliated to a Compensation Fund (CCAF), he has a period of 3 working days, following the date of receipt of the leave, to deliver it to the CCAF. If the employer is not affiliated to a CCAF, he must present the leave at the COMPIN, corresponding to the place where the worker performs his duties, for which he has within 3 working days, following the date of receipt of the leave. If the worker is affiliated to an Isapre, the employer must present the medical leave at the corresponding Health Institution (Isapre), for which he has within 3 working days, following the date of receipt of the leave.

Colombia

The Colombian economy stands out for the stability achieved in recent years, largely due to the legislative reforms implemented with the aim of promoting legal certainty and offering tax incentives to foreign investment. The oil and mining industries remain the main focus of attraction, followed by energy, financial services and professional services. In recent years the country has made an effort to develop incentives around renewable energy or the digital industry.

In Colombia, labour legislation guarantees equal opportunities for domestic and foreign workers, and offers companies the possibility of attracting human talent. These are some of the highlights that affect the professionals who manage the payroll process in the country.

Implementation of the regulations

The employment relationship between companies and employees is governed by the **Substantive Labour Code** and other regulations in force.

Registration and termination processes

The registration process is carried out in the social security and parafiscal areas. For all affiliation processes a copy of the worker's identity document is required and for the EPS and Compensation Fund that of the beneficiaries, if any.

With regard to termination, the different social security and parafiscal entities must be informed about the termination of the contract through the social security form. In this the novelty is recorded including the date of completion.

There are five reasons to terminate the employment relationship:

a. voluntary.

b. The worker submits a waiver. It does not require notice.

c. No just cause. Decision of the company, must indemnify.

d. Mutual agreement. Mutual decision usually includes payment agreement.

e. Termination of contract. When the agreed date in the fixed-term contract or for apprentices is met.

Termination without just cause must include compensation, the number of days are calculated as follows (thebasis for settling them is the average of the salary payments of the lastyear):

	First year	Next years
Wage less than 10 legal minimum wages in force	30 days	20 days
Wage greater than 10 legal minimum wages in force	20 days	15 days

Contract types

The existing contract typologies are:

- **Indefinite term.** It does not have a set termination date.
- **Fixed term.** Has a definite start and end date
- **By work or labor.** Its duration is set by duration of the work for which it is hired not by the time.
- **Training contract (apprenticeship).** For students who do internships in companies.

Vacation, specific leave allowances, and benefits

A. VACATION PROCESS

For each year worked you are entitled to 15 days of vacation per year. Of these can be paid 7 days and enjoyed 8. At least a year should be enjoyed 6 days and the others can be accumulated. The basis for its settlement is the salary and other salary concepts of the last year.

B. SPECIFIC LEAVE ALLOWANCES

Maternity Leave. Currently there are 126 days, paid by the EPS at 100% of the IBC. The number of days may change according to delivery.

Paternity Leave. The number of days may change according to delivery. It is paid by the EPS at 100% of the IBC.

C. BENEFITS

Transport subsidy. Mobilization assistance for workers earning up to two legal minimum wages in force

D. SICK AND DISABILITY LEAVE

The payment of disabilities is directly related to compliance with the affiliations and requirements established by each entity.

a. **General illness disability.** The first 2 days are paid by the company and the rest by the EPS. THE EPS pays 66.66% of the IBC, the company can pay the rest to complete 100% to the worker.

b. **ARL disability.** The first day is paid by the company and the rest by the ARL. It is paid at 100% of the IBC.

Costa Rica

Costa Rica, one of Latin America's favourite destinations for foreign investment. The country is recognised for the quality of its human capital, its economic sustainability, the dynamism of its business sector and for a climate of peace and stability for more than sixty years. Its enviable location, which gives access to the Caribbean and Pacific coasts, access to raw materials and an efficient transport and logistics system, make this enclave a perfect place for all kinds of industries. It's no coincidence that Costa Rica is considered the gateway connecting the United States and LATAM.

Implementation of the regulations

Costa Rica's Labour Code is the legal reference for most labour matters. According to this Code, "an employer-employee relationship exists when there is an exchange of services for money and the employer exercises direction and control over the duties of the employee."

Registration and termination processes

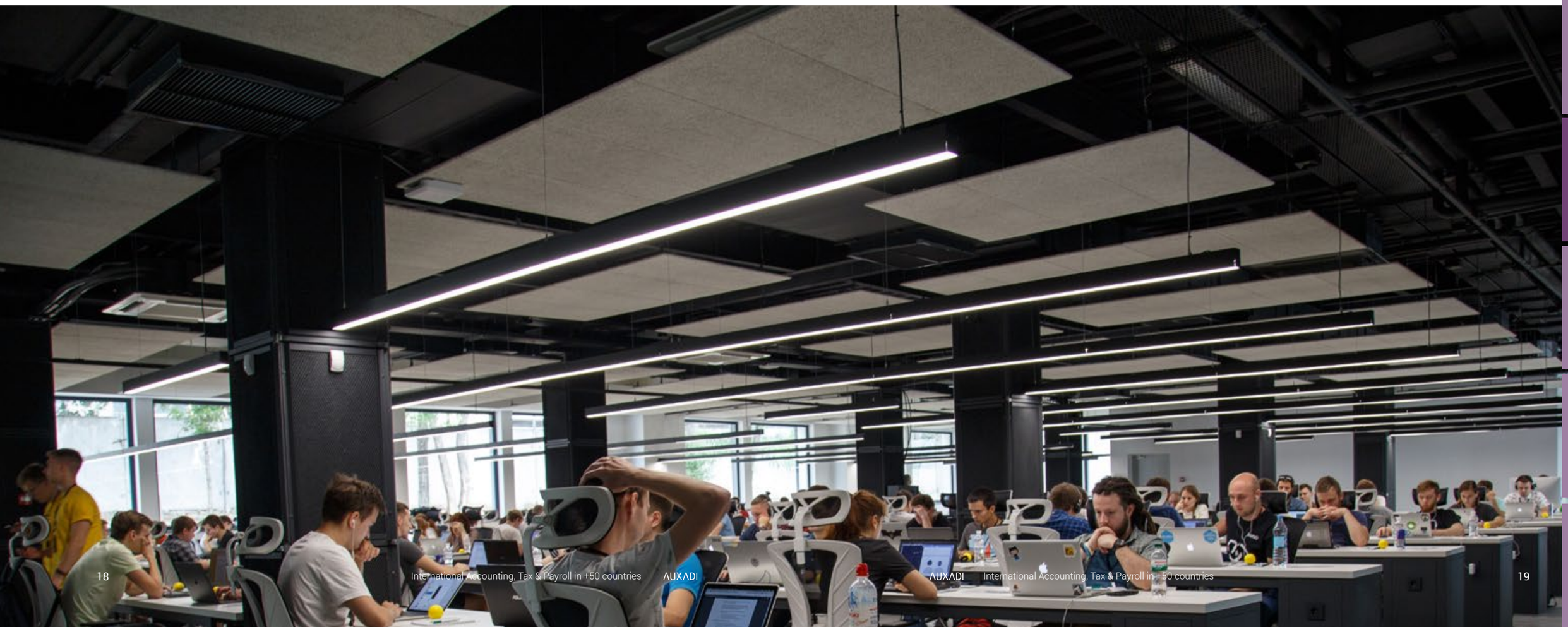
Registration: To become an employer under Costa Rican law, it is necessary to register as an employer with the Costa Rican Social Security Fund (CCSS). The employer must contribute to the social security fund on behalf of its employees by means of a fixed percentage of the employees' salary.

Each time a new employee is hired, the updated form must be submitted to the CCSS. Payments of social security contributions for each employee and withholdings made by the employer must be deposited monthly with the CCSS.

The registration of employers and employees must be done within eight days after hiring.

In addition to registration with the CCSS, each employer must file a registration with the National Insurance Institute (INS) to obtain insurance for all employees, to protect them against occupational hazards.

Termination: Before an employer can fire an employee without cause, the employer must notify the person. Otherwise, additional obligations will be triggered. The length of notice required depends on the amount of time the employee has worked for that particular employer.



Notice should be given one week in advance if the employee has worked for more than three months, but less than six months. Two weeks' notice must be given if the employee has worked for more than six months, but less than a year. One month's notice must be given if the employee has worked for the employer for more than one year.

The employer has the option of giving notice or paying the employee a sum of money equal to the salary that would have been earned during the notice period.

Employees who decide to resign must also give advance notice, using the same time periods as above. During the notice period, the employee is entitled to one paid day off per week to look for a new job.

Contract types

There are three basic work shifts in Costa Rica:

Daytime: It takes place between 5:00 am and 7:00 pm and cannot exceed 8 hours per day and 48 hours per week.

Night: It takes place between 7:00 pm and 5:00 am and cannot exceed 6 hours per day and 36 hours per week.

Mixed: Takes place during the hours of the day shift and the hours of the night shift. It cannot exceed 7 hours per day and 42 hours per week. If the mixed shift is more than 3.5 hours during the night shift hours, it is legally considered a night shift.

Vacation, specific leave allowances, and benefits

A. VACATION PROCESS

There are eleven official public holidays in Costa Rica. The holidays with compulsory payment are on 1 January, 11 April, Thursday and Friday of Holy Week (Easter), 1 May, 25 July, 2 August, 15 August, 15 September, and 25 December.

The company may also designate vacation at its discretion. If a worker works on a holiday or on his day off, the employer will have to pay him twice his usual salary as overtime.

The worker is entitled to a minimum of two weeks of paid leave for every 50 weeks of continuous employment with the company. If an employee is laid off before accumulating 50 weeks of employment, he or she is entitled to one day of vacation for each month worked. If a worker has accrued vacation time and he or she resigns or is fired, the company must pay that employee the monetary equivalent of the accrued vacation time.

The employer can establish when employees can take their vacation time, but this must be done within fifteen weeks of the day on which the fifty weeks of continuous employment are reached.

The employer also has the ability to replace the legally required minimum vacation time with an alternative system that results in increased employee benefits.

B. SPECIFIC LEAVE ALLOWANCES

Maternity leave: Pregnant women are entitled to a mandatory period of paid leave of four months (120 days), including one month before delivery and three months after childbirth. Maternity leave can be extended for a further three months for medical reasons. The Company must pay maternity leave at a rate of 50% of the normal salary for 4 months, while Social Security covers the remaining 50%.

Voting leave: The Labour Code obliges employers to grant workers the time necessary, without reduction in salary, to vote in elections and referendums. Employers must also allow workers permission to appear as witnesses or act in any other judicial proceeding without lowering their wages, provided that the workers show, in advance, the respective summons or summons order.

Medical leave: Workers have permission for medical leave. Although it is not obligatory for employers pay the hours the person was cared for, it is up to the employer to pay the corresponding time of absence because the worker is being cared for by social security.

Family leave: Any active employed person who is designated responsible for caring for a terminally ill patient or a seriously ill minor person will enjoy leave and subsidy, as long as the worker is registered under CCSS procedures and compliant with CCSS law.

Other specific types of leave are at the discretion of the employer, but some of the most common are: marriage, death of a family member, and moving home.

C. BENEFITS

Mandatory bonus of the thirteenth month: Costa Rican law establishes that all employees will receive, during the first days of December, the equivalent of a month's salary as a bonus of the thirteenth month. This benefit is calculated based on the average salary earned by the employee during the twelve months prior to 1 December. The employer must provide for this payment by reserving 8.33% of the employee's monthly salary.

D. SICK LEAVE

The company must pay sick leave to its employees during the first 3 days of leave at a rate of 50% of their normal wages. From the fourth day, the Costa Rican Social Security Fund pays sick leave at 60% of the normal wage.

If an employee is incapacitated due to an accident in the workplace, the INS covers 60% of the salary of the injured worker from the first day the employee is absent from work.

Ecuador

Ecuador has carried out fiscal reforms to attract investment, with opportunities in the mining, oil and gas, agribusiness and public-private infrastructure sectors. The Ecuadorian Constitution covers, protects and promotes private investment, recognizing equal conditions for domestic and foreign investors, defining the rights of investors and providing freedom of production and marketing.

Since 2017, Ecuador's growth has been steady and positive. Today the country has one of the lowest income tax rates in Latin America. In addition, the State now has a favourable investment environment through opening zones and new incentives for investors (e.g. by making it possible to make deductions for job creation in certain areas).

That is why knowing the labour system of Ecuador is essential for those who want to operate in the region.

Implementation of the regulations

IESS: Ecuadorian Social Security Institute. It is the decentralized public entity that has as its non-delegable purpose the provision of compulsory general insurance throughout the national territory. All persons who receive income from the execution of a work or the provision of a physical or intellectual service with an employment relationship must be affiliated to the Compulsory General Insurance.

Registration and termination processes

When there is an entry or exit of an employee in Ecuador, it must be reported to these two control entities:

	Entry of a new collaborator	Termination of a collaborator
SOCIAL SECURITY IESS	The employer is required to register the worker or servants as a social security member from the first day of employment, and to register their employee within the first fifteen days (Notice of Entry).	It is a procedure by which the employer notifies the IESS that a worker has stopped working for a company this notice will be part of the worker's work history.
MINISTRY OF LABOUR	The Ministry of Labour, through the Single Labour System (SUT), allows the recording of the worker's data and his/her employment contract, in order to report and keep up-to-date the information of its workers who are employed in the private sector under the regulations of the Labour Code.	There are two more common ways to end an employment relationship which are:

Contract types

The Ecuadorian Labour Code establishes a variety of employment contracts that shape the employment relationship between the employer and the employee. In the business field, the most important are the following:

- Individual contract of indefinite-term employment
- Casual, occasional, seasonal employment contract

Vacation, specific leave allowances, and benefits

A. VACATION PROCESS

Workers who have completed one year of work for the same employer are entitled to leave. In the event of the termination of the contractual relationship before the end of one year, the worker must be paid the part proportional to the holidays not taken.

Every worker shall be entitled to an uninterrupted period of 15 days' leave each year, including non-working days. Those who have submitted services for more than five years to the same employer shall additionally enjoy one day of vacation for each of the surplus years.

B. SPECIFIC LEAVE ALLOWANCES

Sickness benefit: The IESS pays from the fourth day of disability caused by non-occupational disease and for a maximum of 185 days.

Maternity: Members are entitled to maternity benefit for a total of 12 weeks: 2 weeks before childbirth (prenatal rest), and 10 weeks after childbirth.

Paternity: Workers after the birth of their child in Article 152 of the Labour Code mentionsthat the employer must grant the working father leave with remuneration of ten days for the birth of his child, when the birth is by normal birth; in cases of multiple births or by caesarean section, the leave is extended by an additional five days, the leave could be extended in special cases established by law.

C. BENEFITS

Any worker who serves for more than one year with the same employer has the right to be paid by the employer a sum equivalent to one month's salary or salary for each full year following the first of his or her services. The payment is made proportionally on a monthly basis and results from obtaining 8.33% of the monthly remuneration of contribution to the social security of the employee. These sums will constitute your reserve fund or capitalized work.

Participation of workers in the profits of the company: the employer or company will recognize for the benefit of its employees (also casual) fifteen percent (15%) of net profits (accounting income for the employer's financial year. In Ecuador the financial year runs from January 1 to December 31).

Thirteenth or Christmas Bonus (13th Remuneration). Workers have the right to have their employers pay them monthly the value corresponding to one twelfth of the remuneration they receive during the calendar year (known as a Christmas bonus).

Fourteenth or School Voucher (14th Remuneration). Monthly bonus equivalent to one-twelfth of the unified salary or basic salary for employees in general (known as a school bonus).

México

Mexico is the second largest economy in Latin America and one of the most important and stable on the continent. Over the past 30 years, the country has implemented measures to encourage international trade and attract more investment, but there are no specific tax incentives for foreign investment.

However, labour law can be a real puzzle for those who have to deal with it, especially in relation to payroll and personnel management. 2021 brought quite a few changes, and more are expected as Mexico updates more of it's Labour Laws.

Mexico has low labour costs compared to the qualifications of its human capital; the minimum wage for 2021 is 141.72 pesos per day (about $7.20 a day). Overtime is doubled and may not exceed 9 hours per week.

Knowing the keys for payroll management is essential for those who wish to operate in the country.

Implementation of the regulations

Labour relations in Mexico are regulated by various legal systems that allow employers and their employees to know, identify, and apply their rights and obligations as stipulated in the labour contract, generating an adequate work environment and, in turn, avoiding future conflicts.

Labour legislation in Mexico is federalised, unified by provision of article 123 of the Constitution, by virtue of the fact that it is the Congress of the Union, which has the power to issue labour laws.

Article 123 of the Constitution consists of 2 sections:

- Section A governs labour relations between workers, day labourers, domestic servants, craftsmen and, in a general way, any employment contract. The Federal Labour Act governs the relations covered by this section.
- Section B governs labour relations between the powers of the Union and its employees. This is the Federal Law on Workers in the Service of the State, which regulates Article 123 of the Constitution, is applicable.

Labour law is the set of legal rules that regulate; the relations between the worker and the employer; the employment contract; working conditions (working hours, wages, rest days, holidays, among others); the forms of termination of the employment relationship; and social security.

In summary, the laws that regulate labour in Mexico are:

- The Political Constitution of the United Mexican States
- The Federal Labour Law

- Regulations of the Law
- treaties

Registration and termination processes

Registration: As an employer, in order to register workers for Social Security, it is necessary to meet a series of requirements (such as being constituted as a company, having proof of address or obtaining a digital signature). The employee must have his/her IMSS (Mexican Social Security Institute) membership form.

Termination: The de-registration must be made within five working days of the termination of the employee/s, and indicate the reason for the dismissal. If notification made after the five working days, the IMSS contribution will remain in effect until the date of notification of the withdrawal.

Contract types

The amendment to the Federal Labour Law that entered into force on 1 December 2012 establishes the types of contracts permitted between a company and its employees. Article 35 provides that labour relations may be:

- Contract for an indefinite period
- Trial period contract
- Contract for initial training
- Contract by employment relationship by season
- Contract for work or specific time when the nature of the work so requires

Holidays, work permits and benefits

A. VACATION PROCESS

Workers who have more than one year of service shall enjoy an annual period of paid leave, which may not be less than six working days, and which shall be increased by two working days, up to twelve, for each subsequent year of service. After the fourth year, the holiday period will increase by two days for every five years of service (Art. 76 LFT).

B. SPECIFIC LEAVE ALLOWANCES

Maternity leave: Pregnant workers have the right to six weeks leave, before and after childbirth. In the event that the children are born with any type of disability or require hospital medical attention, the postnatal rest may be up to eight weeks, upon presentation of the corresponding certificate.

Adoption leave: In the event of adoption, female workers have the right not to attend their work, with a break of six weeks leave with pay granted after the day they receive the infant for the purpose of caring for the child.

Lactation period: The law specifies two extraordinary half-hour rests per day at a place designated by the company, during which mothers have the right to rest to feed their children after birth. It can also be an agreement with the worker to reduce their working day by one hour.

Paternity leave: Leave for five working days is granted due to the birth of their child or in the case of the adoption of an infant.

C. BENEFITS

These benefits are guaranteed by the Federal Labour Law as minimum privileges to which a worker is entitled, whatever their job:

Salary: economic remuneration that the employer must pay to the worker for his work. That is, it is the amount of money that the worker receives from the employer as payment for his work (Art. 82 LFT)

Working day: Working day is the time during which the worker is at the employer's disposal to lend his work (Art. 58 LFT)

Breaks: For every six days of work, the worker shall enjoy at least one day of rest with full pay (Art. 69 LFT)

Holiday premium: Workers shall be entitled to a premium of not less than 25% on the wages due to them during the holiday period (Art. 80 LFT)

'Aguinaldo': Established annual gratification that obliges companies to grant this benefit to their workers, the equivalent of at least fifteen days' salary (Art.87 LFT)

Training: On-the-job training that allows the worker to raise their standard of living, job competence and productivity, in accordance with the plans and programs formulated, by common agreement, by the employer and the union, or the majority of its workers (Art. 153-A LFT).

Profit sharing: From April 1 to May 30 in the case of companies (May 1 to June 29 in the case of natural persons) workers have the right to receive a part of the profits obtained by their employer for services or productive activity the previous year.

Other benefits: In order to increase the economic, social, and cultural wellbeing of workers, some companies provide benefits in addition to those established by law, which are part of the social security.

Among these additional benefits are:

- Medical expenses insurance
- Pantry and gasoline vouchers
- Savings funds
- Productivity bonuses
- Additional rest days
- Parking
- Scholarships
- Social or sports club
- Business discounts
- Personal loans
- Medical examinations

Perú

Peru is an economically stable country, thanks to the trade and monetary policy reforms made 20 years ago which have made Peru one of the most economically developed countries in the region. With relatively high growth, public debt below 35% and an average inflation rate expected to be between 1% and 3%, the Peruvian economy is on track to achieve solid growth in the medium term. Exports are the biggest contribution to the country's economy.

The Peruvian labour system is quite protectionist. For example, the country's companies cannot operate with more than 20% foreign personnel, nor can the combined total remuneration of foreign workers exceed 30% of total payroll.

Knowing the keys to payroll management is essential to successful operations within Peru.

Implementation of the regulations

Current regulations provide:

- Freedom of association
- Freedom of work. Prohibition of slavery and forced labour.
- Equality before the Law and Elimination of Discrimination and Promotion of Equal Opportunities
- Right to a minimum income or satisfactory and equitable remuneration.
- Right to Social Security

Registration and termination processes

Registration: The T-Register is an electronic form which records labour, social security and other supplementary information on employers, employees, pensioners, trainees, workers of third-party companies and workers' beneficiaries. The worker is to be registered on the same day of entry into the company.

Termination: Among the types of acceptable terminations are redundancies, redundancies with incentive, dismissal, collective cessation, retirement, termination of the project or service, mutual dissent, death, extension or liquidation of the employer.

With regard to compensation, for arbitrary dismissal, the calculation of compensation if the worker is on an indefinite contract is 1.5% of salary for time of service. In the case of dismissal with a fixed-term contract, the compensation is 1.5% of the salary for the time remaining until the end of the contract.

Contract types

- Typical employment contract: indefinite duration and full-time
- Atypical employment contract: unlimited duration (fixed term) or part-time, including:
  - Contract for market needs (5 years)
  - Contract for business reconversion (2 years)
  - Contract of accidental nature: Occasional contract 6 months a year, Substitution contract (leave documents, medical breaks, vacations, among others).
  - Emergency contracts
  - Work or service contract (8 years)
  - Intermittent contract
  - Seasonal contract

Vacation, specific leave allowances, and benefits

A. VACATION PROCESS

The worker is entitled to 30 calendar days of vacation for each full year of services. The worker has the right to take his leave within 12 months of the right being created.

Should the employment terminate, the days of rest granted in advance to the worker are compensated with the truncated vacation days acquired at the date of cessation.

The holiday allowance consists of three remunerations: one for the work done, another for the holiday break acquired and not enjoyed, and a remuneration for not having enjoyed the rest.

B. SPECIFIC LEAVE ALLOWANCES

Paternity: The worker has the right to enjoy 10 calendar days once the child is born.

Maternity allowance: Maternity allowance is the money to which insured pregnant women are entitled to compensate for the time they will not work for their maternity leave, after childbirth and during the first months of caring for the newborn. This is granted to the mother for a period of 98 days, paid by the employer.

C. BENEFITS

- Time of Service Compensation (CTS)
- Gratification / Bonuses
- Truncated Gratification
- Social security
- Profit share if employers exceed 20 workers per year

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