

INVESTOR'S **GUIDE**

# Labor Law Guide

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**Uruguay**

# LABOR LAW GUIDE

## INVESTOR'S GUIDE



FERRERE  
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# 1. INTRODUCTION

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The labor relations system in Uruguay stands out for its soundness when it comes to the recognition and respect of employee rights. The system has been recognized and referred to as an example by the International Labor Organization.

It is, at its core, protective of the employee status, which materializes into an extensive legal framework providing for some minimum working conditions that must be observed and cannot be reduced.

Its regulation can be found in the Constitution, Laws and Decrees, etc., as there is no Labor Code as such.

In Uruguay, it is not mandatory to have a written employment contract (except in cases such as teleworking, among others); however, it has become a widespread practice over the last few years. In most cases, the agreement between the parties is sufficient to create an employment relationship. There are several mechanisms in place to determine salary; however, they must be always in line with the resolution applying to the category within the industry group concerned.

Employee rights include, without limitation, scheduling restrictions, leaves of absence, year-end bonus, and severance package. Furthermore, employees are required to be registered with the social security and health insurance program, which covers the risks of disability, old age, retirement, illness, work-related injuries, maternity, unemployment and death.

Additionally, depending on the industry group each company belongs to within the scope of the Salary Councils, special employee benefits or more beneficial working conditions than those provided for under the general legislation may apply.

This guide provides an overview of the labor law in Uruguay and purports to serve as a basic input when making investment decisions in the country.

## 2. LABOR RELATIONS

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### 2.1. Employee-Company Relations

The employment relationships between employees and companies are recognized by the legislation in force. The Constitution itself establishes that work is under the special protection of the law, providing that the law shall recognize workers' independence in terms of their moral and civic consciousness, fair compensation, limited work schedules, weekly rest, and physical hygiene and morality.

The Constitution further recognizes the free enterprise. This refers to every person's right to set up a business, to freely hire employees, to produce products and provide services, among others.

The legislation provides for minimum employee benefits that cannot be waived and must be respected, for they are regarded as a basic level of protection. These minimum standards may be improved through collective bargaining or individual negotiations between employees and companies.

## 2.2. Trade Associations

Trade associations coordinate the different businesses that operate in the different industries with the primary goal of defending their interests. There are multiple trade associations and employers' organizations depending on the different activities they engage in.

In 2016, the Confederation of Trade Associations was established, as an interindustry trade organization that brings together the different trade associations, groups and employers' organizations representing their respective industries with the aim of coordinating, representing, fostering and defending the common and general principles and interests determined by their members.

## 2.3. Labor Unions

The Uruguayan legal system recognizes and allows union plurality. Nevertheless, the union movement is centralized in a nationwide organization called the Inter-union Assembly of Workers (PIT-CNT, Spanish acronym). This central organization brings together most of the industrial unions in Uruguay.

There is a specific legal framework governing collective labor relations.

The tripartite collective bargaining system on an industry level is managed by the Salary Councils for each industry, with the participation of representatives from the Executive Branch (usually the Department of Labor and Social Security - MTSS), the trade associations or groups and the labor unions.

Bipartite bargaining may take place on an industry level between trade associations and

labor unions. In general, if these agreements involve salary adjustments, they are brought before the respective Salary Council for it to vest them with general effectiveness.

## 2.4. Salary Councils

For the operation of the Salary Councils established under Laws 10449 and 18566, economic activities have been grouped into different industries. In turn, each industry group consists of subgroups, and within each subgroup there are usually chapters applying to smaller groups.

These Councils are tripartite collective bargaining bodies made up of representatives of the Government (usually, the MTSS), trade associations and labor unions. For these purposes, the Executive Branch has classified the industries into 24 industry groups and appointed their respective spokespersons, on proposal by the most representative organizations.

For each industry group, there is a different Salary Council operating. Depending on the group a company belongs to, its employees will be subject to the regulations of a specific Salary Council in terms of categories, compensation levels, and other terms and conditions of employment.

Each Salary Council consists of seven members: three members designated by the Executive Branch, two members designated by employers, and another two by the employees of the respective industry group.

Every company is required to be classified under any of the 24 industry groups available.

## 3. SOCIAL PROTECTION

### 3.1. Social Security<sup>1</sup>

Social security entails benefits in cash and in kind. This set of measures purports to afford protection against certain risks. The social security system covers risks and employer's contributions related to disability, old age, retirement, illness, work-related injuries, maternity, unemployment and death. Registration is mandatory, except for foreign employees working in Free Zones, who may opt out of the social security system and avail themselves of treaties signed by Uruguay.

In Uruguay, social security is funded by employees' individual contributions, employers' contributions, and State contributions.

The social security entity responsible for collecting those funds and providing coverage against social contingencies is Banco de Previsión Social (BPS) within the scope of industry and commerce. This also includes most of the service industry.

Salaries are subject to social security contributions at the following rates:

	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION
<b>Retirement</b>	7.5% (*)	15% (*)
<b>FONASA (National Health Fund)</b>	5%	3%, 4.5% or 6% or 8% <sup>2</sup>
<b>FRL (Worker Retraining Fund)</b>	0.10%	0.10%
<b>FGCL (Wage Claims Guarantee Fund)</b>	0.025%	0

Social security contributions are paid on a monthly basis. Individual contributions must be withheld by the employer and transferred to BPS.

Salary is also subject to the Individual Income Tax (IRPF), withheld by the employer.

\* For employees under the mixed system, the retirement contribution applies up to the salary bracket of \$ 236,309 (as at January 2023).

<sup>1</sup> For more information, please visit: <https://www.gub.uy/ministerio-trabajo-seguridad-social/tematica/consejos-salarios-negociacion-colectiva>

<sup>2</sup> The percentages vary according to the employee's remuneration and family responsibilities (spouse, common-law spouse and/or children).

### 3.2. Additional employer's contributions that may be applicable, depending on each case

**SUPPLEMENTARY MEDICAL CONTRIBUTION (CCM):** In certain cases, a supplementary medical contribution is required, which is the difference between the medical contribution amount by the number of beneficiary employees and the basic contribution paid for the total employees.

**EMPLOYER'S CONTRIBUTION FOR HAZARD PAY:** The hazard pay contribution is an employer's contribution rate applied to certain activities involving risk of life or affecting an employee's physical or mental integrity. These rates may be up to 27.5%.

### 3.3. Retirement Benefits<sup>3</sup>

The social security system of Uruguay, effective since 1996, is based on a mixed system consisting of two mandatory components: a public reformed plan, administered by BPS, based on distribution, which pays a basic benefit; and an individual capitalization plan, administered by the Pension Fund Administrators (AFAP). When an employee retires, their savings are transferred to an insurance company, which sets an annuity.

The common ground for retirement is when an employee reaches the minimum age for retirement and 30 years of work, both for men and women.

Law 20130, which contains the retirement reform approved in 2023, has changed the minimum age for retirement, progressively increasing it from the current 60 years up to 65 years, always requiring 30 years of retirement contributions. This change will apply to those born on or after January 1, 1973. The individuals born in that year will retire at 61 years. Then, those born in 1974 may retire at 62, and so on and so forth until those born in or after 1977, who will be allowed to retire at 65. Additionally, the basic pension amount will be calculated considering the best 20 years worked, against the average of the last ten years or the best 20 years that is considered under the system currently in force.

At present, individuals born before January 1, 1973, may retire when they turn 60 and with 30 years of contributions.

The law also provides for retirement due to disability and old age.

### 3.4. Overview of the Health System

Under the Integrated National Health System (SNIS), the protection of health is a right recognized to every resident of the country. A contribution is paid to the National Health Fund (FONASA).

The SNIS is administered by the National Office of Health, an agency decentralized from the Department of Public Health (MSP), and comprises workers, users and representatives of the entities providing integrated services.

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<sup>3</sup> For more information, please visit: <https://www.bps.gub.uy/NuevoSistemaPrevisionalComun>



The Office of Health uses the funds collected by FONASA to pay the health contribution set by BPS to health care providers.

## 4. LEGAL FRAMEWORK APPLICABLE TO YOUTH EMPLOYMENT

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Law 19,973<sup>4</sup> lists a [number of instruments designed to encourage the employment of young individuals](#) between 15 and 29 years for them to have their first work experience or for the employment of graduates, improving their employability and promoting the alignment of studies with work.

For this purpose, public and private companies are offered incentives in the form of subsidies, free labor intermediation services and advertising (labeling and brand dissemination).

Hires under this Law may not exceed 20% of an employer's permanent staff. Companies with fewer than 10 employees may hire a maximum of two individuals.

### 4.1. Incentives under this legal framework<sup>5</sup>

**FIRST WORK EXPERIENCE (PEL):** allows employing young individuals between 15 and 24 years with no formal work experience for a term longer than 90 consecutive days. The term of employment must be at least 6 months and no more than 12. The subsidy to be granted will amount to UYU 6,000/month (USD 136) per young employee hired on a full-time basis. If a young woman between 15 and 24 years is hired, the subsidy will raise to UYU 7,500 (USD 192) for full-time hires. In any case other than a full-time arrangement, the subsidy will be prorated based on the hours effectively worked, 20 hours per week being the minimum hours for hiring.

The incentive will be granted for a maximum term of 12 months, subject to continuity of employment.

**PROTECTED YOUTH WORK (TPJ):** allows employing young individuals up to 29 years of age who are unemployed and come from households whose income is below the poverty line, as set by the Office for National Statistics (INE). The term of employment may not be shorter than 6 months or longer than 1 year. A partial subsidy will be granted for the individual's salary of up to 80% of their monthly pay subject to special social security contributions. The subsidy has a cap, set at 80% of the amount equivalent to two national minimum salaries.

**GRADUATE TRAINING (PLE):** aimed at employing young graduates with no previous experience in their professional field. The maximum term of employment is 12 months. The individual must provide proof of having graduated from an approved public or private education center in the technical, business, agricultural or service fields. Companies hiring young individuals under this program will receive a subsidy of 15% of their monthly pay that is subject to special social security contributions. The subsidy is subject to a cap of 15% of the amount equivalent to 2 minimum salaries.

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<sup>4</sup> <https://www.impo.com.uy/bases/leyes/19973-2021>

<sup>5</sup> The exchange rate at 11/24/23 was UYU 39 (USD 1 = UYU 39).

**COMPANY INTERNSHIPS:** for young individuals who are currently studying. Internships may be paid or unpaid and must be related to the field of study. Companies hiring young individuals under this program will receive a subsidy of up to 50% of the employee's salary. The subsidy cap is calculated at 75% of the minimum salary for the employee category, as set for the relevant industry group.

**YOUTH UNEMPLOYMENT SUBSIDY:** under this employment program, the MTSS will offer a temporary subsidy to the companies that hire new employees ranging between 15 and 29 years who have been unemployed for a continued term of more than 12 months, or a discontinued term of more than 15 months over the 24-month period prior to their hiring. They must be hired to work at least 20 hours per week. The subsidy will be granted for 12 months.

Subsidies will be paid in the form of credit to cancel current payables with BPS.

## 5. EMPLOYMENT CONTRACTS<sup>6</sup>

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In Uruguay, it is not mandatory to have a written employment contract, although it has become a widespread practice over the last few years. The existence of an employment relationship entails a personal, financially-compensated rendering of services under the subordination of, or reporting to, or at the disposal of a third party, who organizes, supervises and directs the activity; when these conditions are met, the labor law will apply.

There are two types of employment relationships:

- » **INDEFINITE:** where no specific length is established.
- » **TEMPORARY:** seasonal work, replacements or specific jobs may be undertaken under this type of contract, which must be made in writing and establish a specific term.

In any of these cases, employees may be hired on a monthly basis, as wage employees or at a piece rate. On expiration of a fixed-term contract, if the employee continues working, the relationship might turn into a permanent one, that is, indefinite employment. The same will apply on expiration of the contract term, i.e., the relationship will continue as if it had been indefinite from its inception.

There are 3 [contracts with trial period](#) regulated in Uruguay:

1. Pursuant to Law 19973, a contract may provide for a trial period, which will vary depending on the term of employment of the contract types set forth therein (45, 60 and 90 days).
2. Construction contracts, subject to a special regime.
3. Domestic work.

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<sup>6</sup> This section refers to the general system. Please note that special regimes and/or exceptions may apply depending on the industry.

Generally speaking, case law has held that where dismissal takes place within the first 90 days of work, an employee who is on a trial period is not entitled to severance payment.

The employer status is not personal, which means that it may be filled in by another employer without the contract being altered, e.g., when the company is sold to another businessman.

## 5.1. Employment of College Professionals

Professionals holding a college degree may be hired as employees of a company or as independent contractors. If hired as employees, the general labor regime will apply in full. If hired as independent contractors, certain conditions as specified in the applicable laws (Law 18083<sup>7</sup> and Decree 241/007<sup>8</sup>) must be met.

## 5.2. Outsourcing

Laws 18.099<sup>9</sup> and 18.251<sup>10</sup> define the responsibility of the main company in case of outsourcing.

Law 18251 defines subcontracting, intermediation and workforce supply.

- » Subcontracting: where an employer, under a contractual agreement, is commissioned to execute works or services, at its sole risk and expense, and with its own employees, for a natural or artificial third party, called the owner or main company, when said works or services form part of its organization or its usual or specific business, whether as a main or accessory activity (maintenance, cleaning, security or surveillance), conducted within or outside its premises.
- » Intermediary: a businessman who hires or takes part in the hiring of workers for them to provide services to a third party. They do not deliver the services or projects directly to the public, but to another owner or main businessman.
- » Workforce supplier: a company providing services consisting in employing workers and put them at the disposal of a natural or artificial third party (user-company), who will determine their duties and oversee execution.

The main company will be responsible for labor and social security obligations when using subcontractors, intermediaries or workforce suppliers.

In principle, they are jointly and severally liable. However, if the main company monitors fulfillment of its labor and social security obligations by the subcontractor, intermediary or supplier, it will become vicarious liability.

7 <https://www.impocom.uy/bases/leyes/18083-2006>

8 <https://www.impocom.uy/bases/decretos/241-2007/1>

9 <https://www.impocom.uy/bases/leyes/18099-2007>

10 <https://www.impocom.uy/bases/leyes/18251-2008>

### 5.3. Migrant Workers

For foreign workers to conduct an activity in Uruguay, they are required to have a regular immigration status, i.e., not being in Uruguay as tourists, but having at least a residence application in process before the National Office of Migration.

There are different permits to enter the country. For more information on entry requirements, please see the [Entry Requirements Chapter](#)<sup>11</sup>.

Uruguay has joined the international movement providing social security protection to local workers who travel abroad. In this context, multiple bilateral and multilateral social security agreements have been entered into applying to individuals who are or have been subject to the legislation of one or more Member States or have delivered services there<sup>12</sup>.

Migrants are covered against the risks of disability, old age and survival, and the equal treatment principle is applied under the same conditions as with our nationals.

### 5.4. Employment of Foreign Workers in Free Zones<sup>13</sup>

Companies using Free Zones are allowed to hire foreign workers; however, for the purpose of maintaining the regime tax benefits, foreign workers cannot account for more than 25% of their total workers.

It should be noted that obtaining a residence permit does not affect the foreigner status; therefore, unless they get legal citizenship, a foreign employee with legal residence will continue to be included in the 25% limit calculation.

However, under special circumstances<sup>14</sup>, they may apply for an increase of this limit before the authorities.

<sup>11</sup> <https://www.uruguayxxi.gub.uy/en/invest/investors-guide/entry-requirements/>

<sup>12</sup> For more information, please visit: <https://www.bps.gub.uy/12610/convenios-internacionales.html>

<sup>13</sup> <https://www.impo.com.uy/bases/leyes/15921-1987>

<sup>14</sup> The special circumstances may depend on the special characteristics of the activity to be conducted, in cases of beginning or expansion of operations, reasons of general interest, etc.

## 6. SALARIES<sup>15</sup>

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### 6.1. Salary Payment Methods

Salary must be paid in cash, and payment fully in kind is prohibited. Paying salaries in Uruguayan pesos is not a requirement; however, even if paid in dollars, they may need to be adjusted to a level above the dollar fluctuation, should the latter be lower than the salary adjustment percentage.

There are two types of payment: the basic component consisting of an amount of money, and marginal components (payments in cash or in kind in addition to the basic component, e.g., commissions, meal allowances, travel expenses).

Salary may be determined based on the time worked (fixed pay methods based on hours, days or months of work), on production (variable pay method, such as piecework pay, commissions, equity compensation), or on a mixed system.

An employee's salary may be paid in cash or via bank accounts or with electronic money, as agreed between the employee and the company.

Under the applicable laws, certain withholdings may be levied on employees' earnings. Laws 17,829<sup>16</sup> and 19,210<sup>17</sup> (art. 32) specify which withholdings are allowed and their order of priority.

### 6.2. Salary Protection

Salary is accorded special protection by law..

- » Salary may not be attached or assigned in any way other than within the limits specified under the national laws. Salary must be protected against attachment or assignment to such an extent as to ensure the support of the employee and their family.
- » No discount is allowed other than those expressly authorized by law, and subject to the legally-established conditions and limits.
- » There are certain deadlines for payment of salary:
  - » Monthly-paid employees: within the first 5 business days and never after the first 10 consecutive days of the following month.
  - » Biweekly-paid employees: within 5 business days from the end of the two-week period.
  - » Weekly-paid employees: at the end of the respective week.

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<sup>15</sup> This section refers to the general system. Please note that special regimes and/or exceptions may apply depending on the industry.

<sup>16</sup> <https://www.impo.com.uy/bases/leyes/17829-2004>

<sup>17</sup> <https://www.impo.com.uy/bases/leyes/19210-2014>

- » The employer is required to issue a pay stub with a detail of the items and amounts paid. It may be issued in electronic format with the same content as the paper pay stub.

### 6.3. Salary Determination Methods

Salary Councils (created under Law 10,449<sup>18</sup>) are tripartite bodies that, through social dialogue, establish minimum salaries, categories and other benefits.

Minimum salaries and salary adjustments are determined by the Salary Councils. These will be later incorporated into a collective bargaining agreement, binding on every business operating in that industry.

### 6.4. National Minimum Salary

The national minimum salary is determined by the Executive Branch and, effective from January 1, 2023, it amounts to UYU 22,268, which equals USD 587 (five hundred and eighty-seven American dollars).<sup>19</sup> It should be noted that, as minimum salaries are determined by industry and subindustry under the authority of the Salary Councils, in most cases minimum salaries are established by collective bargaining and are higher than the national minimum salary.

### 6.5. Year-end Bonus

This benefit consists of a twelfth of the annual earnings in cash received by an employee, in the context of an employment relationship.

Payment of the year-end bonus is divided into two times: one twelfth of the earnings between December 1 and May 31, which is paid during June; and one twelfth of the earnings between June 1 and November 30, paid before December 20 of each year.

### 6.6. Vacation Pay

Vacation pay is an amount paid to an employee to make their leave more enjoyable and must be paid before the start of their vacation. The amount of this benefit is equal to 100% of the leave net pay and is calculated proportionately to the vacation days to be taken by the employee.

<sup>18</sup> <https://www.impo.com.uy/bases/leyes/10449-1943>

<sup>19</sup> The exchange rate at 11/24/23 was UYU 39 (USD 1 = UYU 39).

## 7. WORK SCHEDULE<sup>20</sup>

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### 7.1. Work schedule

Regulations establish the maximum work schedule and the (intermediate and weekly) rest periods that must be given to employees, depending on whether it is a commercial or an industrial facility.

The work schedule is set at 8 hours per day and 44 hours per week in case of commercial facilities and offices. The work schedule for industrial facilities is 8 hours per day and 48 hours per week (excluding the administrative staff of the industry, who also have a limit of 44 hours per week).

Since the law does not expressly impose a limit to the work schedule of the service industry, and in general these services differ from the industrial activity, they are deemed similar to commerce, hence subject to the same work schedule.

### 7.2. Overtime

Overtime is the number of hours worked by an employee in excess of their daily work schedule.

Any overtime done on business days is paid at 100% of the employee's hourly rate of pay. If not on business days -holidays and rest periods when the employee is not regularly scheduled to work-, overtime is paid at 150% of the employee's hourly rate of pay.

Employees may not work more than 8 overtime hours per week.

It should be noted that, pursuant to Decree 611/80<sup>21</sup>, certain employees do not have a limited work schedule; therefore, they are not eligible for overtime pay. This employee category includes, without limitation, high-level staff of commercial, industrial and service facilities, professionals holding a college degree and highly specialized qualified staff, itinerant sellers, etc.

### 7.3. Rest Periods

**INTERMEDIATE REST:** In the case of commercial facilities (also applicable to services, as explained in the previous section), employees are required to take a break during their work shift and no later than the fourth hour of work. If the work shift is continued, the break will be half an hour; it is considered time worked; therefore, it is paid. If, by contrast, the work shift is discontinued, the break is two hours and thirty minutes, with the possibility of reducing it to one hour by written agreement between employer and employee. In this case, the break is not considered time worked, and therefore, is unpaid.

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<sup>20</sup> This section refers to the general system. Please note that special regimes and/or exceptions may apply depending on the industry.

<sup>21</sup> <http://www.impo.com.uy/bases/decretos/611-1980/1>

**WEEKLY REST:** Every employee must take a weekly rest. For companies operating in the commercial industry and office jobs, the weekly rest period is thirty-six consecutive hours (one day and a half). By agreement between the company and its employees, the working hours of the half shift of the sixth day may be redistributed over the remaining days of the week, without exceeding the daily limit of 9 hours of effective work. Thus, the weekly rest period may be extended up to two consecutive days.

If an employee works during their rest day, that day will be paid at 100% of their regular daily rate of pay. In lieu of pay, the employee may opt to take compensatory time off during another day of the following week.

## 7.4. Night Shift Work

Night shift work is any work performed between 10 p.m. and 6 a.m. of the following day. If an employee works during that period for at least five consecutive hours, they are entitled to a 20% extra rate of their nominal salary, calculated based on the basic salary.

This rule sets the minimum conditions for night shift work. In several industries, there are agreements in place setting out the conditions and compensation to be paid to employees for night shift hours. In those cases, the regulations being more beneficial to the employee will apply.

## 7.5. Holidays

There is no prohibition to work on holidays.

By law, there are five paid holidays when employees do not work and are still paid as if they did. These holidays are: January 1, May 1, July 18, August 25, and December 25.

Should an employee work on any of these days, they must be paid twice their salary. The days when the National Population and Housing Census is conducted, and March 1, when the presidential inauguration takes place (every 5 years), are also paid holidays.

On the other hand, January 6, Carnival Monday and Tuesday, April 19, May 18, June 19, October 12, November 2, and the Tourism Week are the so-called simple or common holidays. In these cases, monthly-paid employees will be paid their regular salary, whether or not they worked on a common holiday. This is because these employees are paid a certain amount per month (30 days), which includes payment of all holidays and rest periods.



## 8. LEAVES OF ABSENCE<sup>22</sup>

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### 8.1. Vacation Leave

Every employee is entitled to take paid annual leave. Vacation days are calculated proportionately to the time worked from January 1 to December 31 of each year and are used in the following year.

In principle, for every full year of work, employees are entitled to 20 days off work.

Any employee who starts working after January 1 will be entitled to a leave, but for a number of days that is proportional to the time worked.

An employee acquires the right to an additional day of leave for every four years of seniority, starting from the fifth year. That is to say, in the 5th year, they accrue an additional day; in the 8th year, another day; and so on.

Vacation days must be used on a continuous basis, and they do not include holidays or Sundays.

The general legal system allows employers and their employees, through bargaining agreements, to agree on two exceptions to the general regime:

- » **DIVISION OF THE LEAVE:** they may agree to divide the leave into two 10-day periods, which must be also taken on a continuous basis.
- » **CALCULATION OF HOLIDAYS:** they may agree to consider the so-called “days in red” as part of the leave.

In our country, there is an obligation to take the leave within the relevant year. It may not be postponed or replaced by money. Only in the event of termination of the employment contract by decision of either party will the employee be paid for any accrued vacation days.

### 8.2. Special Leaves of Absence

The Uruguayan law provides for other leaves of absence under special circumstances:

**SICK LEAVE:** in case of illness, BPS will pay the employer a subsidy in lieu of the sick employee's salary and provide medical assistance. Sick pay is paid from the fourth day of illness, unless the employee is in hospital, in which case it will be paid from the first day and for no longer than one year, which may be extended for an additional year.

**WORKPLACE INJURY OR OCCUPATIONAL ILLNESS LEAVE:** in the event of a work-related injury, BPS will pay a subsidy during the period of disability and provide medical assistance.

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<sup>22</sup> This section refers to the general system. Please note that special regimes and/or exceptions may apply depending on the industry.

**STUDY LEAVE:** This benefit is available to employees who have worked for at least 6 months and are taking courses in basic secondary education centers, higher professional technical education centers, colleges, teacher training centers and others being similar in nature, whether public or private, approved by the Department of Education and Culture. The length of a study leave will depend on the number of weekly working hours of the employee concerned: 6 days for employees working for up to 36 hours; 9 days for employees working between 36 and 48 hours; and 12 days for employees working 48 hours. This leave is granted in maximum blocks of 3 days per test or exam, including that day.

**MARRIAGE LEAVE:** The marriage leave is granted for 3 days, one of these days being the date the marriage is held. Furthermore, there are other special leaves, such as the leave for mothers or fathers of children with a severe disability, for parents with disabled children, for family members with a disability or a terminal illness, for disabled employees, for bereavement, violence, blood donation, among others.

### 8.3. Special Leaves of Absence

**MATERNITY LEAVE:** Pregnant employees are entitled to a 14-week maternity leave, to be distributed over the period prior to giving birth (at least 15 days) and the period afterwards, as prescribed by the physician in each case. This special leave is paid to the employee by BPS.

**PATERNITY LEAVE:** Employees are eligible for a special paid paternity leave, comprising the day of birth and the two following days, and are required to submit proof of this circumstance no later than 20 business days. They are also eligible for a special leave of 10 consecutive days during which they will be paid a subsidy by BPS. To that end, they are required to give due notice of the probable date of birth to their employer at least two weeks in advance. They must also give due notice to BPS for the purpose of receiving the subsidy.

**LEAVE FOR ANTENATAL CHECKS:** This leave allows pregnant employees and their spouse, domestic partner or partner to take up to 4 paid hours off work per month for checks and related doctor appointments. The employee must give at least two days' notice to her employer and submit a certificate with the attending physician's seal and signature. The 4 hours per month may be increased if the attending physician issues a medical certificate prescribing the pregnant employee additional checks..

### 8.4. Child Care Leave

Half their work schedule for the child's father or mother, up to 6 months from the end of the maternity leave. This benefit may be used interchangeably by the father and mother and alternating each other.

### 8.5. Adoption Leave

In case of adoption, the leave will consist of 6 consecutive weeks (for the father or the mother) from the child's incorporation into the family, and of a reduced work schedule (up to its half) for 6 months. The other parent may take a leave of ten working days. This subsidy is funded by BPS.

### 8.6. Pap Smear or Mammography Leave

Female employees are entitled to take a special paid leave of one day to submit to Papanicolaou smears and/or breast x-ray examinations, submitting an appropriate certificate.

### 8.7. Labor Union Leave

The Law provides for a paid labor union leave, as regulated in the collective bargaining agreements of each industry.

## 9. DISMISSAL<sup>23</sup>

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Dismissal (unilateral act by the employer terminating the employment relationship) is free. Consequently, a company may dismiss an employee at any time, without cause, although it may not be for discriminatory or abusive reasons.

### 9.1. Severance Payment

Pursuant to Law 10,489, in the event of dismissal of a permanent employee, the employer is required to pay a severance package, calculated based on the employee's seniority and considering their last pay as a basis<sup>24</sup>.

Employees hired for an indefinite term are legally entitled to severance pay in the event of dismissal. Employees hired for a fixed term (on a seasonal, piecework, fixed-term or trial basis, etc.) are not eligible for severance pay.

Severance pay is calculated considering the employee's seniority and salary, subject to a limit of 6 monthly payments for monthly-paid employees.

Monthly-paid employees are entitled to one monthly pay per year or fraction of seniority at the company, subject to the aforesaid limit.

For employees receiving a daily wage (wage employees), severance pay is calculated based on the daily shifts worked, subject to a maximum of 150 shifts.

The company will be released from this obligation if the employee has committed misconduct.

Legal severance pay is not subject to special social security contributions, as it is not considered salary in nature. It is not subject to the Individual Income Tax (IRPF) either, provided an amount equal to the legal minimum is paid.

### 9.2. Special Cases of Dismissal

The legislation provides for special severance packages when dismissal takes place concurrent with a common disease, occupational disease, workplace injury, pregnancy, sexual harassment, as a reprimand after a report filed with BPS, disabled employees, and victims of gender-based violence, among others. In these cases, severance pay is higher than under the general regime.

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<sup>23</sup> En el presente apartado referimos al régimen general. Tener presente que pueden existir regímenes especiales y/o excepciones dependiendo del sector de actividad.

<sup>24</sup> <https://www.impo.com.uy/bases/leyes/10489-1944>



## WHO WE ARE

We are the agency responsible for the promotion of exports, investment, and country brand. We work to enhance the export capacity and competitiveness of Uruguayan companies, promote the country as an attractive destination for productive investments, and promote the country brand Uruguay in the world.

Together with other institutions, we work to promote the productive and innovative economic development of the country, with sustainability, social equity, and environmental and territorial balance.



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Macro and sectorial information. Periodically, Uruguay XXI prepares reports on Uruguay and the various sectors of the economy.

Tailor-made information. We prepare personalized information to answer your specific inquiries, such as macroeconomic data, labor market information, tax and legal aspects, investment incentive programs, location, and costs.

Contact with the main actors. We generate contacts with government entities, industrial actors, financial institutions, R&D centers, and potential partners, among others.

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Support in establishment and expansion. We facilitate your establishment in the country and support you to achieve the growth of your business in Uruguay.

# INVESTOR'S GUIDE



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