

EMPLOYMENT IN URUGUAY

Regulations of Labor Uruguay has no general regulations for labor contracts. However, there is legislation regulating various aspects of employment such as setting standards for wages and other fringe benefits. There is no single law establishing a basic salary system, but there are a number of separate regulations derived from various sources that do not apply on a general basis. The government periodically adjusts the national minimum wage, a minimum amount that must be paid for an eight-hour working day. At the end of 2004 the minimum wage was approximately 50 US dollars (1300 pesos) per month. In 2003 the government passed a Decree No 45/003/2003 on the Minimum Wage of Domestic Service Workers, which fixes the minimum wages for domestic workers. The Ministry of Labor effectively enforces a legislated minimum monthly wage, which is in effect in both the public and private sectors. The Ministry adjusts the minimum wage whenever it adjusts public sector wages. Minimum wage functions more as an index for calculating wage rates than as a true measure of minimum subsistence levels, and it would not provide a decent standard of living for a worker and family. The vast majority of workers earn more than the minimum wage. The standard workweek is 48 hours in industry and 44 hours in commerce, with a 36-hour break each week. The law stipulates that industrial workers receive overtime compensation for work in excess of 48 hours and that workers are entitled to 20 days of paid vacation after a year of employment. The law protects foreign workers and does not discriminate against them. However, in order to receive official protection, the companies that employ foreign workers must report them as employees. Many workers—both native and foreign—work off the books and thus forfeit certain legal protection. The Ministry of Labor and Social Security enforces legislation regulating health and safety conditions in a generally effective manner. However, some of the regulations cover urban industrial workers more adequately than rural and agricultural workers. Workers have the right to remove themselves from what they consider hazardous or dangerous conditions. Uruguay has ratified a large number of ILO conventions that protect worker rights, and generally adheres to their provisions. The Uruguayan constitution guarantees workers the right to organize and strike, and union leaders are protected by law against dismissal for union activities. Labor unions are independent of government and political party control.

The Social Insurance Scheme Old Age, Disability, and Survivors Regulatory Framework: First laws: Various laws from 1829 to 1934. Current laws: 1995, implemented in 1996; 2000, and 2001. Type of program: Dual social insurance and private insurance system. Coverage Social insurance: Employees and self-employed persons. Private insurance: Employees and self-employed persons with monthly income above 11,188 NP. Voluntary coverage for private insurance for those with monthly income of 11,188 NP or less. Special systems for bank employees, notaries, university graduates, the armed forces, and the police force. Source of Funds Insured person: 15% of earnings. Contributions are split between the social insurance and private insurance programs according to earnings ceilings. For earnings of less than 11,188 NP, 7.5% of earnings goes to

the social insurance fund and 7.5% goes to the individual account; for those with earnings of 11,188 NP or more, 15% of monthly earnings up to a ceiling of 11,188 NP goes to the social insurance program and 15% of monthly earnings for earnings above 11,188 NP up to a ceiling of 33,563 NP goes to the individual account. For disability and survivor insurance under the private insurance program, the insured's accumulated capital is transferred to the insurance company as part of the insurance premium to finance the pension. Employer: 12.5% of payroll for social insurance only. Government: Earmarked proceeds of various taxes help finance deficits of the cost of the pension benefit. The maximum earnings for contribution purposes for social insurance are 11,188 NP. The minimum earnings for contribution purposes for private insurance are 11,188 NP. The maximum earnings for contribution purposes for private insurance are 33,563 NP. Qualifying Conditions Old-age pension Social insurance: Age 60 (men and women) with 35 years of coverage. Additional years of service are credited for hazardous occupations. Private insurance: Age 60 (men and women) with 35 years of coverage; age 65 with no coverage requirement. Old-age pensions are payable abroad. Advanced-age pension (social assistance): Age 70 (men and women) with 15 years of service (residency may be required). Retirement from the current place of employment is necessary. Noncontributory means-tested pension (social assistance): Age 70 (men and women) without the necessary resources to cover basic needs or assessed as totally and permanently disabled and 15 years of residency. Disability pension Social insurance: Incapacity to work in any form of employment and not receiving any other benefit. If the disability is caused by an accident, there are no other qualifying conditions. For a permanent disability pension, 2 years of recognized service including the 6 months prior to the onset of disability; 10 years of coverage if the insured was unemployed at the time of onset. For a partial disability pension, must have at least 3 years of service. Private insurance: For temporary disability, the insured is assessed as incapable of performing his or her current job. For permanent disability, the insured is assessed as incapable of performing any job. Survivor pension Social insurance: Eligible survivors include widows, dependent widowers, orphans up to age 21 (no limit if disabled), and dependent disabled parents. The pension is payable abroad for a limited period only, unless a reciprocal agreement permits otherwise. Private insurance: Eligible survivors include widows, dependent widowers, orphans up to age 21 (no limit if disabled), and dependent disabled parents. Old-Age Benefits Old-age pension Social insurance: 50% of average earnings in the last 10 years with 35 years of service or 50% of average earnings in the last 20 years. The pension is increased by 0.5% for every year of work over 35 years, up to a maximum of 2.5% of earnings, plus 3% for every additional year over age 60, up to a maximum of 30%. The minimum monthly pension at age 60 is 1,231 NP. The maximum monthly pension is 9,230 NP or 7 to 15 times the minimum wage in special cases. The total maximum monthly pension with increments is 82.5% of average earnings. Benefit adjustment: Automatic annual adjustment of pensions according to changes in wages. Private insurance: The accumulated capital in the individual account is equal to the

insured's contributions plus accrued interest, less administrative fees. The insured uses the accumulated capital to purchase an annuity from an insurance company. The annuity varies according to the individual's life expectancy at the time of retirement. Advanced-age pension (social assistance): 50% of average earnings in the last 10 years, plus 1% of earnings for each year of service over 15 years, up to a maximum of 14 years. Noncontributory means-tested pension (social assistance): The value of the pension varies according to need. Benefit adjustment: Automatic annual adjustment of pensions according to changes in wages. Permanent Disability Benefits Disability pension Social insurance: 65% of average earnings in the last 10 years or the actual number of years worked if less than 10 years. The minimum monthly pension is 2,126 NP. The maximum monthly pension is 9,230 NP. Benefit adjustment: Automatic annual adjustment according to changes in wages. Private insurance: A disability pension is equal to 45% of the insured's average indexed salary during the 10 years before the onset of disability. A temporary disability pension is payable for up to 3 years; the permanent pension is payable for life. Noncontributory means-tested pension (social assistance): The value of the pension varies according to need. Benefit adjustment: Automatic annual adjustment according to changes in wages. Survivor Benefits Survivor pension Social insurance: From 66% to 75% of the insured's pension is payable to a widow(er), a divorced spouse, unmarried children under age 21 (no limit if disabled), and disabled parents. Benefit adjustment: Automatic annual adjustment according to changes in wages. Private insurance: If the insured died before retirement, the pension is a percentage of the old-age annuity to which the insured would have been entitled to at the time of death. This annuity must be no lower than 45% of the insured's average indexed salary during the 10 years before death. If the insured died after retirement, the pension is a percentage of the insured's old-age annuity. Widow(er)s and divorced spouses share 70% of the total pension if they have dependents; 60% if there are no dependents. The remainder is split equally among other eligible survivors. Widow(er)s and divorced spouses share 100% of the pension if there are no other eligible survivors. In the absence of a widow(er) or a divorced spouse, 100% of the pension is split equally among other eligible survivors. Funeral grant: The cost of the funeral up to 5,146 NP. Administrative Organization Ministry of Labor and Social Security (MTSS) provides general supervision. Social Security Bank supervises and administers the social insurance program. Pension fund management companies (AFAPs) manage the individual accounts. Central Bank of Uruguay (BCU) oversees pension fund management companies and insurance companies.

Sickness and Maternity Regulatory Framework First laws: 1958 (maternity benefits) and 1960 (sickness benefits for construction workers). Current laws: 1975 (sickness) and 1980 (maternity). Type of program: Social insurance system. Coverage Sickness benefits: All employed persons in the private sector and self-employed persons. Maternity benefits: Employed and self-employed persons and persons not receiving unemployment benefits. (Benefits are provided under Family Allowances, below.) Special system for civil servants. Source of Funds Insured person: 3% of earnings. Employer: 5% of

payroll, plus an additional amount for affiliation with medical service providers. Government: Earmarked proceeds of various taxes help finance maternity benefits and any deficits for sickness benefits. Qualifying Conditions Cash sickness benefits: Three months of contributions or 75 days of contributions in the last 12 months. Cash maternity benefits: See Family Allowances, below. Sickness and Maternity Benefits Sickness benefit: 70% of earnings, payable after a 3-day waiting period for up to 1 year (may be extended for an additional year). The maximum benefit is 3 times the minimum wage. Maternity benefit: See Family Allowances, below. Workers' Medical Benefits Comprehensive medical services are available through special mutual systems. Prenatal and postnatal medical care is provided for insured women under Family Allowances, below. Dependents' Medical Benefits Maternity care for the wife of an insured man and pediatric care for the insured's children up to age 6 (may be extended to age 14) are provided under Family Allowances, below. Administrative Organization: Social Security Bank administers the program.

Work Injury Regulatory Framework: First law: 1914. Current law: 1989. Type of program: Compulsory insurance with a public carrier. Coverage Public- and private-sector employees. Source of Funds Insured person: None. Employer: Total cost, met through contributions varying with the assessed degree of risk. For agricultural workers, assessments are made according to the land area the employer has under cultivation. Government: None. Qualifying Conditions Work injury benefits: There is no minimum qualifying period. Temporary Disability Benefits 66.6% of earnings, payable after a 4-day waiting period. The benefit for the waiting period is paid retroactively. Permanent Disability Benefits Permanent disability pension: For an assessed degree of disability of between 10% and 100%, the pension is proportional to the assessed degree of disability. Workers' Medical Benefits Benefits include medical and surgical care, hospitalization, medicines, and appliances. Survivor Benefits Survivor pension: 50% of the insured's earnings, payable to a spouse or a common-law wife. Orphan's pension: Between 20% and 100% of the insured's earnings for dependent orphans under age 16 (no limit if disabled). Administrative Organization: State Insurance Bank administers the program.

Unemployment Regulatory Framework: First law: 1934. Current laws: 1981 and 2001. Type of program: Social insurance system. Coverage Employees in industry and commerce, bank employees, and agricultural workers. Exclusion: Domestic workers. Source of Funds Insured person: None. Employer: None. Government: Earmarked proceeds of various taxes help finance benefits. Qualifying Conditions Unemployment benefits: During the 12-month period prior to unemployment, workers who are paid monthly must have had 6 months (workers paid on a daily basis, 150 days) of work; workers who are paid at irregular intervals must have earned the equivalent of 6 times the minimum wage. Unemployment may be due to the reduction or suspension of employment but must not be due to dismissal for disciplinary reasons. Unemployment Benefits 50% of average earnings or 12 days' average earnings in the 6 months

prior to the start of unemployment. Dependents' supplement: An additional 20% of the benefit. The minimum benefit is 50% of the national minimum wage. The maximum benefit is 8 times the minimum national monthly wage. Administrative Organization: Social Security Bank administers the program. Ministry of Labor and Social Security provides general supervision.

Family Allowances Regulatory Framework: First law: 1943. Current laws: 1980, 1995, 1999 (families with low income), 2001 (special paid leave), and 2002 (multiple-child pregnancy). Type of program: Social insurance system. Coverage Employed persons, domestic workers, unemployment benefit recipients, newspaper vendors, small rural products vendors, and pensioners. Special scheme for civil servants. Source of Funds Insured person: None. Employer: None. Government: Earmarked proceeds of various taxes help finance benefits. Qualifying Conditions Family allowances: Child must be under age 14 (age 18 if a student, no limit if disabled). The benefit is paid from the day the mother is confirmed as being pregnant. Cash maternity benefits: The benefit is paid on the expected date of childbirth. Prenatal multiple-child pregnancy allowance: In cases of multiple-child pregnancy, the benefit is paid from the day the mother is confirmed as being pregnant. The benefit is equal to 3 times the amount for a single-child pregnancy. Special paid leave: Paid to a salaried worker who adopts a child. Low-income family allowance: Paid for children or dependents up to age 18; persons who have exhausted coverage under the unemployment scheme and are still unemployed; or for families in which a woman is the sole breadwinner. Family Allowance Benefits Family allowances: The standard rate is not less than 16% of the monthly minimum wage for those whose incomes are less than 6 times the national minimum wage; 8% for those with incomes between 6 times and 10 times the national minimum wage. For a family with children resulting from a multiple-child pregnancy, the allowance is paid at the rate of three times the standard rate until the children reach age 5, at twice the amount until the children reach age 12, and at the standard rate until the children are age 18. The benefit is paid every 2 months. Cash maternity benefit: 100% of average earnings in the preceding 6 months, payable for the period from 6 weeks before until 6 weeks after the expected date of childbirth. The benefit is paid on the expected date of childbirth. Prenatal multiple-child pregnancy allowance: In cases of multiple-child pregnancy, the prenatal allowance is paid at three times the standard child allowance rate for every child, starting from the day when the mother is confirmed as being pregnant. Special paid leave: Private-sector workers receive benefits equivalent to the cash maternity benefit for a period of 6 weeks; civil servants receive 100% of salary during the leave period. Low-income family allowance: 16% of the minimum wage per month; 32% if disabled. Pediatric care for children up to age 6 and dental care for children up to age 9. Administrative Organization: Social Security Bank administers the program.

Annual Holiday with Pay Law provides for the paid annual vacations: 20 days after a full year of work. An additional day is added after the fifth year of work, every four years.

Termination of Employment The Law provides compensation for unjustified dismissal of workers in the equivalent of one month salary for each year (or fraction) of service. The compensation is capped at a maximum of six monthly salaries.