



Doing Business in Dominican Republic

Labor Law in Dominican Republic

Labor & Employment in the Dominican Republic is regulated by the provisions of Law No.16-92, dated May 29th of 1992, which enacted the Labor Code, to establish the rights and obligations of employers and workers and promote the means to reconcile their interests.

Among the topics covered in the labor code are minimum wages, maximum hours of work, overtime hours and wages, rest and meal periods, statutory holidays, vacation periods and vacation pay, termination and severance pay and leaves of absence.

Labor Contract

The labor contract is defined as that by which one person is obliged to render a personal service to another, in exchange for consideration, under the dependency and immediate direction of the latter.

Since a written labor contract is not required for all types of contracts, the terms and conditions of the labor contract, as well as the facts related to its execution or amendment may be proven by all means.

Moreover, the existence of the labor contract is presumed in all personal work relationship, until proven otherwise. Therefore, certain measure should be adopted by enterprises that contract independent services with individuals.

Required payments to employees

(i) Christmas Bonus: All employees are entitled to receive, no later than December 20, an extra month's salary, which is not taxable, sizable nor assignable. The amount may not exceed five week's minimum wages. In practice, many employers pay a full extra salary even if the employee makes more than five times the minimum wage. It is a 1/12 part of the total salaries receive by the employee during the year.

(ii) Annual Vacations Compensation: After workers have completed one year's employment, they are entitled to 14 labor days vacations which, depending on the employee's seniority, shall be paid according to the following manner:

- 14 days salary, after 1 to 5 years of employment.
- 18 days salary, after 5 years or more of employment.

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(iii) Participation in the Annual Benefits of the Employer: A 10% of the annual benefits of the employer should be distributed, proportionately, as bonuses to the workers of the company. However, the bonus is limited to a maximum of 45 days of ordinary salary for workers with less than 3 years with the company and 60 days of ordinary salary for those with more than 3 years with the company. Exempted from the payment of this bonus are industrial, forestry and mining companies during the first three years of operation. Free Zone companies, agricultural companies (with capital less than 1MM Pesos), and nonprofit entities are fully exempted.

Termination of the Labor Contract

The labor contract may be terminated without liability for the parties if this occurs before the three months from the beginning of the contract. Otherwise, the employer shall make severance payments.

After three months of employment, the labor contracts may be terminated with or without cause.

An employer is not required to give notice or pay in lieu of notice if the termination is for sufficient cause (Cause). Cause is a high standard, and includes willful misconduct or serious disobedience. Unless employers have sufficient cause to terminate an employee without notice, they must provide required notice of termination,

Employees that are terminated for Cause (“*despido*”), or resign without cause (“*desahucio por el trabajador*”) are entitled to receive payment for the corresponding portion for the year of the Christmas salary, the unused vacations and the yearly bonus.

Employees that are dismissed without Cause (“*desahucio por el empleador*”), or that resign with cause (“*dimisión*”) are entitled to receive all five severance components, that is, advance notice, strict severance, and the corresponding portion for the year of Christmas salary, the unused vacations and the yearly bonus.

The types of employment-related legislation with which employers operating in the Dominican Republic should be familiar include:

- Salary income tax withholding.
- Employment fringe benefits tax.
- Social security contributions.
- Contributions for technical professional development (INFOTEP).
- Labor safety and health regulation.

Questions about this information can be directed to Our Team at 809.472.2222 (info@aclaw.com).

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