

Employment Law Updates in Latam

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Employment Law
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Argentina | Labor Reform: Law No. 27.802

As part of the National Government's initial legislative agenda following the ruling party's victory in the 2025 midterm elections, Law No. 27,802 introduces a comprehensive reform of Argentina's labor framework. The law was approved by Congress on February 27, 2026, and enacted on March 6, 2026. Key provisions are outlined below:

Severance compensation: The reform introduces amendments to several aspects of the severance regime applicable upon termination of employment. Notably, non-monthly payments —such as the Annual Supplementary Salary ("SAC"), vacation pay, and non-recurring bonuses— are excluded from the calculation basis. Severance will be calculated based on the employee's highest monthly, normal, and customary remuneration accrued during the last year of service, or over the duration of employment if shorter. For these purposes, "customary" refers to compensation elements accrued for at least six months within the relevant calendar year.

Remote Work: Law No. 27,555 on Remote Work, as well as the corresponding provisions under the Employment Contract Law No. 20,744 ("LCT"), will be repealed effective January 1, 2027. This repeal eliminates the specific regulatory framework governing remote work arrangements.

Labor Assistance Fund and social security contributions: The reform establishes Labor Assistance Funds ("FAL") aimed at covering severance-related obligations. Employers will be required to make monthly contributions equivalent to 1% of payroll (for large companies) or 2.5% (for small and medium-sized enterprises, "SMEs"), calculated on the basis used for social security contributions. These funds will be managed by entities authorized by the National Securities Commission.

Working time, working time bank, and rest periods: The reform introduces a "working time bank," allowing the voluntary execution of written agreements to implement compensatory schemes for overtime. Under this system, longer working hours on a given day may be offset against shorter hours on another, provided that the statutory weekly maximum is not exceeded. Collective bargaining agreements may establish an average maximum working time, subject to compliance with minimum rest periods of 12 hours between working days and 35 consecutive hours per week.

Employee benefits and compensatory nature: Section 103 bis of the Employment Contract Law (LCT) is amended to define employer-provided benefits as non-remunerative, non-monetary in nature, and neither cumulative nor replaceable with cash payments.

Subcontracting, economic groups, and liability: The reform revises the rules applicable to subcontracting and the delegation of activities. The principal employer must verify certain requirements with respect to contractors and subcontractors, the fulfillment of which may limit or exclude the principal's joint and several liability for any non-compliance by the contractor. Furthermore, joint and several liability among companies within the same economic group will only arise in cases involving fraudulent conduct.

Essential services and labor disputes: The reform updates the definition of essential services and establishes minimum service levels during industrial action. Regulatory authorities have begun adapting their sector-specific regulations accordingly; for example, in the aviation sector, a minimum service level of no less than 75% is required for essential services.

Editorial

Guest Country: Argentina

Key considerations regarding the Labor Assistance Fund (FAL)

The Labor Assistance Fund (“FAL”), created under Law No. 27,802, is a capitalization-based system designed to support the fulfillment of obligations that are typically more burdensome for employers —such as notice of termination, payment in lieu of notice, severance compensation, and termination due to death or disability— without altering the employer’s primary liability vis-à-vis the employee. Its entry into force is scheduled for June 1, 2026, with the possibility of a deferral of up to six months in connection with its implementing regulations. If properly implemented, this framework may be particularly beneficial for small and medium-sized enterprises (“SMEs”), which are most affected by the burden of employer social security contributions, by providing financial predictability and immediate relief in labor-related costs.

Operational framework: Each employer must establish an individual, segregated account, which is non-transferable and protected from attachment, to be managed by entities authorized by the National Securities Commission (“CNV”). Mandatory monthly contributions are calculated based on the payroll used for social security purposes and are, in principle, set at 1% for large companies and 2.5% for SMEs. Fund administrators may charge up to 1% in fees and expenses. The FAL does not replace the severance regime; rather, it operates as a funding mechanism for its fulfillment, at the employer’s discretion and subject to minimum conditions (including at least six prior contributions and a minimum employee tenure of 12 months). As a counterbalance, employers will benefit from a reduction in employer social security contributions equivalent to their contributions to the FAL.

Tax treatment: Income and returns generated from FAL investments are exempt from Income Tax for the employer and —except for administrative fees— the amounts related to the FAL are not subject to Value Added Tax (“VAT”).

Limitations and safeguards: FAL does not apply to construction workers or domestic workers, nor does it cover unregistered employees. It is also not applicable where the employer has not made the minimum of six contributions or where the employee has not reached 12 months of service.

Next steps: Further regulation is required from the Executive Branch and the National Securities Commission (“CNV”) to define, among other aspects, the legal structure of the funds and the available investment options. The determination of these criteria will be key to maximizing returns while minimizing the risk of mismatches between liquidity needs and investment horizons.

Key considerations: The implementing regulations to be issued by the Executive Branch and the CNV will be critical, as they will ultimately determine whether the FAL framework proves effective in practice. That said, from an employer’s perspective —and considering the underlying legislative intent— if properly implemented, the FAL may contribute to enhancing predictability and reducing volatility associated with the fulfillment of extraordinary labor obligations, without undermining employees’ rights or exceeding the limits established by law.



Ignacio Meggiolaro
Partner
Andersen Argentina



Francisco Christensen
Associate
Andersen Argentina

Information provided by:

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