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LaborNet

Dear All,

Executive Order No. 612/2026: new clarifying provisions for employees' and employers' contributions under Collective Bargaining Agreements

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Effective Date: Issuance date

Executive Summary
The Executive has issued Executive Order No. 612/2026, as a supplement to Act No. 27802 on Labor Modernization and Executive Order No. 407/2026. It establishes clear rules for calculating employee and employer contributions agreed upon under collective bargaining agreements. It is the result of negotiations between the Government and the General Confederation of Labor (CGT), and centers on two main issues: (i) it specifies which salary items make up the basis for calculating contributions under collective bargaining agreements, and (ii) it clarifies the framework and designated use of employer contributions to unions, explicitly excluding them from the 2% cap when used for social or welfare purposes.

1. How to calculate contributions under collective bargaining agreements

This EO adds a paragraph to Section 6bis of EO No. 199/88 (regulating Act No. 14250), identifying which items make up the basis for calculating contributions under Section 9 of such Act.

Calculation is based on the following items:

- The base salary for the employee's specific job category under the applicable collective bargaining agreement; and
- Regular, usual and monthly amounts agreed under collective bargaining agreements.

The following items are expressly excluded from the calculation:

- Rewards and bonuses (including productivity-based bonuses).
- Profit-sharing programs
- Overtime
- 13th-Month Salary (SAC, for its acronym in Spanish);
- Vacation pay;
- Non-salary items
- Any other item that is not paid regularly, usually and on a monthly basis.

Objective: Provide greater legal certainty during the legality assessment before labor authorities approve or ratify collective bargaining agreements.

Relevant context: This basis for calculation has been a major point of conflict between the Government and the CGT. A previous, more restrictive regulation limited the calculation base strictly to base salary, which significantly reduced the agency fees collected by unions. EO No. 612/2026 expands the calculation basis by adding regular salary amounts under collective bargaining agreements, which actually increases unions' potential collection compared to the previous strict baseline used so far, although it continues to exclude any variable or extraordinary items.

2. Employers' contributions for unions

This EO states that contributions agreed by employers under collective bargaining agreements in favor of unions are not governed by the second paragraph of Section 9 of Act No. 14250. Instead, they are governed by Section 9 of Act No. 23551 (Unions) and its regulatory framework.

Purpose and administration of these funds:

These funds must be used exclusively for social, welfare, social security or cultural purposes for the benefit of the workers covered by the respective collective bargaining agreement.

They must be administered through accounts segregated from unions' general assets, in compliance with Section 4 of EO No. 467/88.

3. Practical implications for companies

Calculation of contributions under collective bargaining agreements: Companies must adjust the basis for calculating agency fees and contributions in accordance with this new standard, expressly excluding any variable items (such as rewards, overtime, 13th-month salary, vacation pay, non-salary amounts).

Collective bargaining under way: if a company is currently negotiating or renewing its Collective Bargaining Agreement, it must take into account that employers' contributions for social/welfare purposes agreed with the union may exceed the 2% cap, so the quantitative limit applicable to this type of contributions is, in practice, broader than what Act No. 27802 suggested originally.

Legality assessment before approval: It is worth mentioning that the enforcement authority (Ministry of Human Capital) will apply this criterion for calculation when approving or ratifying collective bargaining agreements. So if any agreement provisions fail to abide by this new standard, their approval may be delayed or even conditioned.

Recommendation: Review the terms of all collective bargaining agreements currently applied by companies to verify the provisions about employees' and employers' contributions comply with this new standard. And please consider the impact that excluding the 2% cap may have on the next labor-management negotiation.

Please feel free to contact us for further information.

Kind regards,