



## PANAMA'S LABOR LAW 101

### A guide For New or Potential Employers

This is an overview of some of the unique features in Panama Labor Law designed to help the new employer. This could be one employing a maid, a driver or a new business operating in Panama. This is not a comprehensive guide and should not be construed as legal advice.

**Panamas Thirteen Month:** This one is a winner for most North Americans and people from the EU. In Panama the workers get paid 13 months for every twelve, really. The pay is given to them every three months, one week at a time. When calculating wages take this into account. The thirteenth month pay is given on a certain schedule and if the person has not worked the full ninety days they still will get a pro-rated portion of their thirteenth month pay.

**Panama Vacation Pay :** After 11 continuous months of employment the Panama employee is entitled to one months paid vacation. If you are doing your math the get paid 14 months for every twelve worked. If you want your employee to work on the vacation period it is optional for them and you would be obligated to pay them double. You have no obligation to give them their vacation pay at the six month mark.

**Panama Holidays:** As you can see there are a lot of holidays. From November to February there are many holidays and you need to plan for them before they are upon you. You can ask employees if they wish to work and pay them double pay for the holiday time worked.

- New Year's Day (Jan 1st)
- Day of Mourning (Jan 9)
- Carnival (In February)
- Good Friday, Labor Day (May 1)
- Revolution Day (Oct 11th)
- National Anthem Day (Nov 1)
- All Souls' Day, Independence Day (Nov 3rd)
- Flag Day (Nov.4th)
- Uprising of Los Santos (Nov 10)
- Independence from Spain (Nov.28)
- Mother's Day (Dec 8th)
- Christmas (Dec. 25th).

In Panama City, Foundation of Panama City (Aug 15 or 16) is a public holiday. Colón has an additional Independence Day on Nov 5.



**Employee Taxes:** Figure on 11% your contribution and 7% as their contribution for the whole package of retirement and government medical. This is quite low. There is no workman's compensation insurance, no unemployment insurance, no disability insurance and no extra insurances so the amount of employer contribution is really dramatically low.

**Maternity Leave:** This is a real complex area and you will need legal counsel if confronted by this from a pregnant employee. There can be extensive leave during and after the pregnancy. If the doctor says it is a high risk pregnancy the worker may wind up sitting home with full pay. If you insist she works you may wind up paying for her medical expenses such as the delivery, special care etc. Do not fire someone because they are pregnant. Do send the worker for independent testing of the pregnancy where a photo ID would be required of the person to be tested. In a word talk to your lawyer, stay calm, be nice and see legal counsel immediately so you do not make a mistake.

**Labor Complaints:** There is a labor board of a sort the employees can complain to without a need for a lawyer. The board tends to lean heavily towards the employee. Best defense is to know the law, have your lawyer prepare detailed written contracts for all employees and keep communication open between you and your lawyer. Don't fire anyone without talking to your lawyer first. If you have good contracts you should be fine. In Panama one can document bad things the employee did like on such and such a date came in two hours late, was absent without notice, never had a doctors note but said was sick, broke a certain piece of equipment, etc. You document a file, give warning and then terminate, just like back home. With domestic help you probably want to work more in a friendly mode so as to avoid ill will in the home, but it will go best if you are firm, not mad, not angry but firm.

**Domestic Help (Maids) in Panama:** In Panama wages are low compared to North America, Australia, and the EU. Maids earn \$140 to \$225 a month plus their room and board. A Panamanian will get away paying the lower figure but a foreigner will be more in the \$200+ range. That is the way things are. A driver will be about \$300 - \$350 a month for a five and a half day work week. Drivers normally do not live in but they can. When the woman of the house goes shopping on the weekly run she will often bring the maid and driver so she sort of supervises and writes the check. Some of the larger homes and condos are 5000 sq. ft up to 10,000 sq. ft. One maid can not take care of the home. It is common to see two or three maids. Often they share a bedroom, sometimes they will be cousins, sisters etc. Perhaps one maid will do the cooking and another will do the cleaning. If you have 7000 sq feet of floors to mop a day, five bathrooms that need to be cleaned, dishes to wash, laundry, drying and ironing, plus meal preparation some go to a third maid especially if there are children to be looked after as well. It is nice if the maids can have staggered days off so there is always at least one maid on. Also it is good to rotate their vacations for the same reason. If there are a few children many will hire a Nanny who just takes care of the children. She will see the children are dressed in the morning and make it on time to the school bus for pickup. A Nanny will make wages similar to a maid perhaps a bit more. Maids live in the small maid's room with their own self-contained full bathroom. They are usually provided with a fan, a bed, a dresser, and a TV. Some people provide cable TV, most do not. Some give the maid a DVD player, the vast majority do not. When the maid's duties are done usually around 7 or 8 in the evening she goes to her room and you do not see her again until the morning. They are very respectful of your privacy.

**Office Workers in Panama:** A real bi-lingual executive assistant that can run office software, send faxes in both languages and knows their way around an international company is going to command \$350 to \$600 depending on the skill set required, number of languages spoken, etc. A webmaster or web mistress can get wages of \$600 or more, same for a website designer. A bilingual telephone sales person can earn up to \$1500 a month if they are good and know a certain industry well. A bilingual person who knows banking procedures can get \$600 to \$700 a month. Executive pay in Panama would begin at the \$1000 dollar mark. A department head might make twice this. The head of a government agency may make \$3000 a month. If you had relatives that were in a nursing home you could get them an apartment in Panama and hire a maid and a live-in driver for them at maybe \$600 or so a month. They would never be alone, there meals would be prepared for them, someone would drive them, do the shopping and the cleaning. Sure beats a nursing home not only in quality of life but also economics with a good nursing home in North America running



\$7,000 to \$9,000 a month. In a nursing home they would have a room not a three bedroom apartment with a balcony. They would be in a climate that is warm all year round. They could even have a dog and the maid would walk it, a cat is also possible. They'd be safe and cared for. If they slipped in the bathtub they could get help right away. Doctors in Panama make house calls for \$25.00 to \$45.00 You could hire a doctor right out of medical school for \$1000 a month if you wanted to so they would have full time medical attention which is overkill but it drives the point home.

**Summary :** The employee rights are on the side of the employee but the benefits are very modest cost wise and the overall labor cost is very low. The work ethic is high. These people will give you an honest day's work. The Panamanian is better suited for customer service versus hard selling if you are in the phone room business. Panama doesn't have all these workplace rules that are found in other countries. It is these rules that drive employers out and Panama seems to understand these things. Unemployment is 8%, but most of the unemployed have very limited skills. Work closely with your lawyer, have any and all employees even a maid sign a written contract, treat them nice and fairly and you should be happy. Always be firm in terms of what is expected and treat the employees like you would want to be treated and they will respect you and give you an honest day's work.

*Our deepest gratitude to [panama-law.org](http://panama-law.org) for this very comprehensive guide to Panama's labor law maze.*

