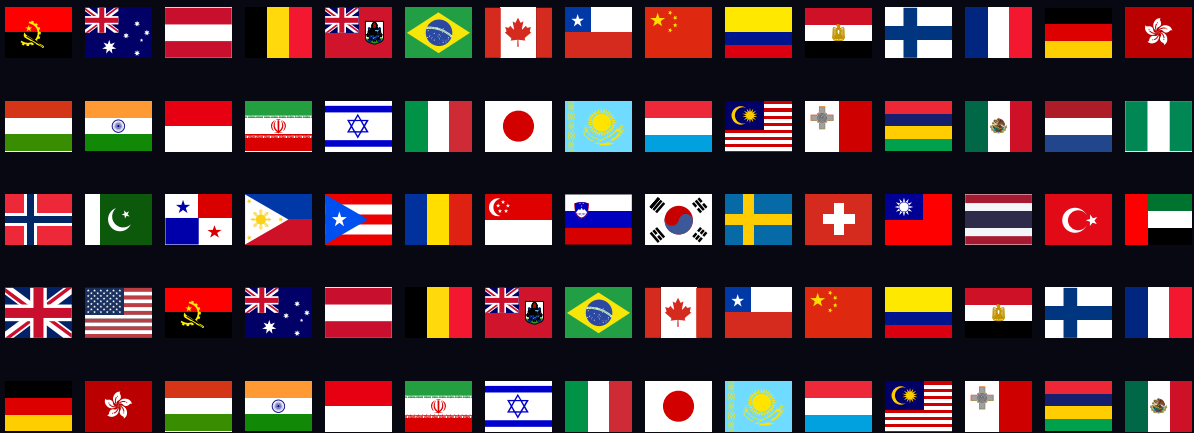


LABOUR & EMPLOYMENT

Panama



Labour & Employment

Consulting editors

Matthew Howse, K Lesli Ligorner, Walter Ahrens, Michael D Schlemmer, Sabine Smith-Vidal

Morgan, Lewis & Bockius LLP

Quick reference guide enabling side-by-side comparison of local insights, including legislation, protected employee categories and enforcement agencies; worker representation; checks on applicants; terms of employment; rules on foreign workers; post-employment restrictive covenants; liability for acts of employees; taxation of employees; employee-created IP; data protection; business transfers; termination of employment; dispute resolution; and recent trends.

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Contributors

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Javier José Vallarino

javierv@icazalaw.com

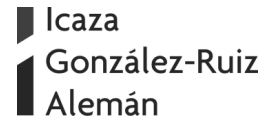
Icaza González-Ruiz & Alemán



Karen Tejeira

karent@icazalaw.com

Icaza González-Ruiz & Alemán



LEGISLATION AND AGENCIES

Primary and secondary legislation

What are the main statutes and regulations relating to employment?

The main statutes and regulations relating to employment law in Panama are:

- the Constitution;
- the Labour Code, supplementary laws and other rules of law with equal or inferior hierarchy;
- international treaties ratified by Panama;
- the applicable collective bargaining agreement (if any); and
- the company's internal employment regulations, jurisprudence, customs and the usage thereof.

Law stated - 08 February 2023

Protected employee categories

Is there any law prohibiting discrimination or harassment in employment? If so, what categories are regulated under the law?

Law No. 7 of 14 February 2018, regulates all matters related to the protection of the honour, dignity, and physical and psychological integrity of individuals who are victims of acts of discrimination. It establishes measures to prevent and prohibit discriminatory acts, such as sexual harassment, bullying and racism.

Law stated - 08 February 2023

Enforcement agencies

What are the primary government agencies or other entities responsible for the enforcement of employment statutes and regulations?

The primary government agency responsible for the enforcement of employment statutes and regulations in Panama is the Ministry of Labour.

Law stated - 08 February 2023

WORKER REPRESENTATION

Legal basis

Is there any legislation mandating or allowing the establishment of employees' representatives in the workplace?

The Constitution recognises the right of association for employers, employees, workers and professionals of all classes for purposes of economic and social activities.

A union under Panamanian law is any permanent association of employees, employers and professionals of any class established for the study, improvement, protection and defence of its common economic and social interests.

In Panama, the employees' unions are:

- trade unions, which comprise persons of the same profession;
- company unions, which comprise persons of several professions, occupations or specialities;
- industrial unions, which comprise persons of several professions, occupations or specialities who work for two or more companies of the same kind; and
- mixed or multi-occupational unions, which comprise persons of diverse or unrelated companies and may be established only when, in a specific city, district, province or region, the number of employees engaged in the same trade is lower than 50.

The most common types of unions in Panama are company unions and industrial unions.

Law stated - 08 February 2023

Powers of representatives

What are their powers?

Unions have the power to:

- represent their members in disputes, controversies and claims that may arise;
- sue or claim on their members' behalf individually or collectively; and
- intervene in individual or collective conflicts, controversies and claims that may have occurred.

Union leaders and representatives are protected by law against dismissal actions from their employers.

Law stated - 08 February 2023

BACKGROUND INFORMATION ON APPLICANTS

Background checks

Are there any restrictions or prohibitions against background checks on applicants? Does it make a difference if an employer conducts its own checks or hires a third party?

Under Panamanian law, an employer can request a background check on an applicant for labour reasons.

The employer or a third party can request the background check for work purposes on behalf of the applicant, but it will require the applicant's authorisation.

Law stated - 08 February 2023

Medical examinations

Are there any restrictions or prohibitions against requiring a medical examination as a condition of employment?

Panamanian law has not regulated medical examinations as a condition of employment. However, if a company has established these examinations as a condition of employment, there is a high risk that the practice will be considered discriminatory.

Law No. 82 of 2013, which regulates gender violence, establishes that the Ministry of Labour must create policies that

allow access to jobs in terms of recruitment and selection for women, including not requiring a pregnancy test as a condition of employment.

Law stated - 08 February 2023

Drug and alcohol testing

Are there any restrictions or prohibitions against drug and alcohol testing of applicants?

Article 126.9 of the Labour Code establishes that an employee must submit to physical examinations by a licensed medical doctor when seeking employment or during the course thereof if so ordered by their employer or the competent authorities. These examinations are to verify that they do not use drugs prohibited by law, or have any mental disturbance that might endanger their fellow employees' safety or the employer's equipment and facilities.

Panamanian law does not establish restrictions or probations against drug tests. Therefore, an employer may reserve the right not to hire an employee who does not want to submit to such tests.

Law stated - 08 February 2023

HIRING OF EMPLOYEES

Preference and discrimination

Are there any legal requirements to give preference in hiring to, or not to discriminate against, particular people or groups of people?

No preference in hiring has been established by Panamanian law. However, Law No. 42 of 1999 obliges employers to hire disabled employees at a proportion of not less than 2 per cent of their payroll.

Law stated - 08 February 2023

Written contracts

Must there be a written employment contract? If yes, what essential terms are required to be evidenced in writing?

The employment contract shall be in writing and signed upon commencement of an employment relationship. The employment contract shall contain the following:

- personal data, including name, nationality, age, sex, civil status, address and number of the parties;
- if the employer is a juridical person, its name or trade name, address, name of its legal representative and the data recorded in the Public Registry shall be provided;
- dependents of the employee;
- workplace; for example, the place or places where the work or services are required to be performed;
- term; that is, if it is for a fixed period, an indefinite period or a specific piece of work;
- the duration and regular division of the workday;
- the wage, the form thereof, and the day and place of payment;
- the place and date of the signing of the employment contract; and
- the signature of the parties.

Fixed-term contracts

To what extent are fixed-term employment contracts permissible?

Fixed-term contracts are used to formalise temporary work relationships; in other words, they are used when the reason for hiring the employee corresponds to a temporary need in a company.

The term or duration of a fixed-term employment agreement may not be greater than one year. Only in cases of services that require special technical skills may an employment agreement provide for a longer term, which may not exceed three years.

Law stated - 08 February 2023

Probationary period

What is the maximum probationary period permitted by law?

When the rendering of a service demands a particular competence or skill, the employer may include a trial period of up to three months in an employment contract in which any of the parties may terminate the employment relationship without any liability.

A trial period is not valid if it relates to a position that an employee has previously held in the same company.

Law stated - 08 February 2023

Classification as contractor or employee

What are the primary factors that distinguish an independent contractor from an employee?

In Panama, the term 'contractor' refers to a relationship of professional nature. It is understood that individuals who render services as a contractor will not be under exclusivity conditions and will not be subject to legal subordination or economic dependence upon their employer. Therefore, contractors are not subject to a work schedule, required to report daily at the offices of the party that hired them, or required to follow orders or guidelines from the party that benefits from the service provided. Furthermore, contractors are not economically dependent on the party that hired their professional services. Employees, by contrast, render services under legal subordination conditions or economic dependence upon their employer.

Law stated - 08 February 2023

Temporary agency staffing

Is there any legislation governing temporary staffing through recruitment agencies?

The Labour Code regulates temporary staffing through recruitment agencies, specifically through article 95, which establishes that prior authorisation from the Ministry of Labour allows companies to permit their employees to perform services for other companies that require them temporarily for periods that do not exceed two months.

Companies that utilise an employee's services shall be jointly and severally liable with the company that employs them.

Law stated - 08 February 2023

FOREIGN WORKERS

Visas

Are there any numerical limitations on short-term visas? Are visas available for employees transferring from one corporate entity in one jurisdiction to a related entity in another jurisdiction?

There are no numerical limitations for short-term visas in Panama. However, there are numerical limitations on some visas, such as:

- the permit for foreign personnel hired as experts or technicians within 15 per cent of specialised personnel, which limits the hiring of foreigners to 15 per cent of the national workers registered in a company's payroll; and
- the permit for foreign personnel hired as experts or technicians within 10 per cent of regular personnel, which limits the hiring of foreigners to 10 per cent of the national workers registered in a company's payroll.

Panamanian immigration laws offer a series of residence visas for foreigners coming to render a service in Panama. Each case will need to be reviewed to ensure the best option is secured.

Law stated - 08 February 2023

Spouses

Are spouses of authorised workers entitled to work?

The visa category that an authorised worker has selected determines their spouse's ability to work in Panama. Only some visa categories allow non-Panamanian spouses to work while living in Panama.

Law stated - 08 February 2023

General rules

What are the rules for employing foreign workers and what are the sanctions for employing a foreign worker who does not have a right to work in the jurisdiction?

All foreigners who render services in Panama must obtain authorisation from the Ministry of Labour.

If a foreigner does not have authorisation from the Ministry of Labour (a work permit) and the Ministry of Labour finds out that the company has a foreigner working without a work permit, it may impose a fine on the company of between US\$500 and US\$10,000. The company's licence can be suspended in cases of recidivism.

Law stated - 08 February 2023

Resident labour market test

Is a labour market test required as a precursor to a short or long-term visa?

No.

Law stated - 08 February 2023

TERMS OF EMPLOYMENT

Working hours

Are there any restrictions or limitations on working hours and may an employee opt out of such restrictions or limitations?

The Labour Code divides a day's 24 hours into two periods: a day period (6am until 6pm) and a night period (6pm until 6am).

There are three types of working days, which are:

- day shifts, which are completed fully within the day period within a maximum duration of eight hours;
- mixed shifts, which are completed during both periods (not including more than three hours within the night shift) within a maximum duration of 7.5 hours; and
- night shifts, which include more than three hours during the night period within a maximum duration of seven hours.

Employees may not work more than three hours of overtime in one day nor more than nine hours in one week.

When an employee works overtime in excess of these limits, the excess shall be paid with a 75 per cent additional surcharge.

Law stated - 08 February 2023

Overtime pay – entitlement and calculation

What categories of workers are entitled to overtime pay and how is it calculated?

Overtime, overhours and special shifts are continuations of duties by an employee once their normal shift has ended.

The Labour Code does not discriminate nor exclude any category of employee with regard to the possibility of any overtime worked being paid with the legally required surcharges. Every employee has the right to receive the corresponding surcharges if they work overtime.

Overtime is paid with the following surcharges:

- 25 per cent of salary when carried out during the day period;
- 50 per cent of salary when carried out during the night period or when it is an extension of a mixed shift that started in the day period; and
- 75 per cent of salary when it is an extension of the night period or of a mixed shift that started in the night period.

Law stated - 08 February 2023

Overtime pay – contractual waiver

Can employees contractually waive the right to overtime pay?

No.

Vacation and holidays

Is there any legislation establishing the right to annual vacation and holidays?

The Labour Code regulates annual leave in Panama through article 54, which establishes that every employee is entitled to a period of paid annual leave of 30 calendar days for every 11 months of continuous service at a rate of one day for each day in the service of the employer.

Annual leave days are paid based on the average of the regular and special salaries earned by the employee during the previous 11 months or the last basic salary, whichever is more favourable for the employee.

Regarding holidays, article 46 of the Labour Code establishes the following as mandatory days of rest:

- days of national observance: 9 January and Good Friday; and
- national holidays:
 - 1 January;
 - Tuesdays of Carnivals;
 - 1 May;
 - 3, 5, 10 and 28 November;
 - 8, 20 and 25 December; and
 - the day that the president-elect takes office.

Law stated - 08 February 2023

Sick leave and sick pay

Is there any legislation establishing the right to sick leave or sick pay?

Article 200 of the Labour Code establishes that, from the time that the employment agreement commences, the employee shall begin to accrue leave for inability to work at a rate of 12 hours for every 26 days worked or 144 hours per year.

In other words, the employee will accumulate 18 days of sick leave per year.

Law stated - 08 February 2023

Leave of absence

In what circumstances may an employee take a leave of absence? What is the maximum duration of such leave and does an employee receive pay during the leave?

The leaves of absence that employers are under the obligation to grant employees are set out below.

Employees are entitled to paid leave for partial shifts so that they may go to medical appointments for their own care or that of children under two years of age.

If an employee is chosen to represent Panama or its corresponding social organisations during conventions, conferences, training activities, seminars or national and international competitions related to work or sports, they are entitled to keep earning their salary during the time required by the applicable representation (article 160 of the Labour

Code). In these cases, if the applicable event takes place within Panama but far from the employee's workplace, the period may not exceed three weeks. Abroad, it can last up to two months.

An employee who is the parent of a disabled child is entitled to any amount of time necessary to accompany their child to doctor's appointments and required treatments. Such time is understood to be up to a maximum of 144 hours per year, which is paid (article 17 of Law 42 of 1999, concordant with what is established in article 14 of Executive Decree No. 88 of 2002).

When an employee must be absent from work to appear as a witness or act in any other proceedings before judges or other officers, their employer cannot deny the necessary leave, which is paid (article 823 of the Labour Code).

Employers must grant unpaid leave to any employee who must carry out a mandate or public office for a term of no less than six months but no longer than two years (article 128.6 of the Labour Code).

Employers must grant unpaid leave to directors of labour unions for the performance of any mandate for a term of up to five years (article 128.7 of the Labour Code).

Employers must allow employees to be absent from work in the case of 'serious domestic calamities' that have been duly proven (article 128.26 of the Labour Code). This leave is unpaid. The employer can discount or compensate it with an equal time of service during different hours within the employee's work shift, which does not constitute overtime.

Employees who serve as census workers or table juries during national elections are entitled to paid leave for their training.

Leave for honeymoons, weddings, the birth of children and the death of employees' family members are usually regulated through collective agreements or in the company's internal employment regulations.

Employees are entitled to paid maternity leave for 14 weeks.

Finally, an employee who is the parent of a child with cancer, leukaemia or a terminal illness is entitled to three months of paid leave.

Law stated - 08 February 2023

Mandatory employee benefits

What employee benefits are prescribed by law?

Social security affiliation, which includes professional risk insurance, 13th-month pay and annual leave, are prescribed by Panamanian law, as is any other benefit that the parties may agree on at the beginning or end of the employment relationship.

Law stated - 08 February 2023

Part-time and fixed-term employees

Are there any special rules relating to part-time or fixed-term employees?

The special rules for employees hired through a fixed-term or part-time employment agreement are that:

- the employment agreement may not exceed one year;
- at the end of the contract term, the employee will only receive their pending salary, annual leave and 13th-month pay; and
- if the company decides to dismiss the employee without justified cause for termination, the employee will be entitled to receive an indemnity equal to the wage that they would have received during the remaining period of

the contract.

Law stated - 08 February 2023

Public disclosures

Must employers publish information on pay or other details about employees or the general workforce?

No.

Law stated - 08 February 2023

POST-EMPLOYMENT RESTRICTIVE COVENANTS

Validity and enforceability

To what extent are post-termination covenants not to compete, solicit or deal valid and enforceable?

As the Constitution establishes the right to work for every employee in Panama, these restrictions are not valid or enforceable. Such covenants would create a moral but not legal commitment for the former employees.

Law stated - 08 February 2023

Post-employment payments

Must an employer continue to pay the former employee while they are subject to post-employment restrictive covenants?

No.

Law stated - 08 February 2023

LIABILITY FOR ACTS OF EMPLOYEES

Extent of liability

In which circumstances may an employer be held liable for the acts or conduct of its employees?

An employer can be held liable for the acts or conduct of its employees when they cause damage to third parties while performing their duties for the employer. For example, if a driver who uses the employer's vehicle has a collision and causes injuries to third parties, the employer is liable.

Law stated - 08 February 2023

TAXATION OF EMPLOYEES

Applicable taxes

What employment-related taxes are prescribed by law?

Social security

The Social Security Administration offers to, and manages in favour of, all insured workers the following insurance programmes: illness, maternity, old age, disability, death and occupational hazards.

To pay for these programmes, employers must contribute to the Social Security Administration a monthly amount equivalent to 12.25 per cent of the totality of the salaries paid to their employees within the month in question, while each employee must contribute 9.75 per cent of the total salary received monthly from their employer.

Educational insurance tax

Employees must contribute 1.25 per cent of their total salary earned during a month to the Social Security Administration.

Employers contribute a monthly sum equivalent to 1.5 per cent of the total salaries paid to their employees over the course of a month to the Social Security Administration.

Income tax

Employers are also obliged to deduct the income tax for each employee according to the tariffs set out in the table below.

Annual income	Tax rate
US\$0–US\$11,000	0%
US\$11,001–US\$50,000	15%
US\$50,001+	US\$5,850 on the amount below US\$50,000 and 25% on the amount exceeding US\$50,001

Law stated - 08 February 2023

EMPLOYEE-CREATED IP AND CONFIDENTIAL BUSINESS INFORMATION

Ownership rights

Is there any legislation addressing the parties' rights with respect to employee inventions?

The Labour Code establishes three classes of inventions during the employment relationship that shall be the property of the employer:

- employee inventions the process used in the creation of which belongs to the employer;
- employee inventions the equipment, technology, elements of computer programming, facilities and methods used in the creation of which belong to the employer; and
- employee inventions the procedures used in the creation of which belong to the employer.

The invention of services comprises actions executed by employees hired specifically for researching, studying and

obtaining the invention of such services. Service inventions are the property of the employer, but the inventor shall be entitled to having their name recognised as the author of the invention.

Free inventions are those where the force of the employee's ingeniousness dominates; these inventions shall belong to their makers.

Law stated - 08 February 2023

Trade secrets and confidential information

Is there any legislation protecting trade secrets and other confidential business information?

An employee must abstain from revealing their employer's technical, administrative and commercial secrets to third parties unless prior authorisation is given. If the employee does not comply with this obligation, they may be dismissed with justified cause and will be unable to receive compensation.

Law stated - 08 February 2023

DATA PROTECTION

Rules and employer obligations

Is there any legislation protecting employee privacy or personnel data? If so, what are an employer's obligations under the legislation?

Law No. 81 of 2021 on personal data protection entered into force on 29 March 2021 and requires a company to have the prior, informed and unequivocal consent of an employee to share their personal data, unless an authorised entity requires this information.

Law stated - 08 February 2023

Privacy notices

Do employers need to provide privacy notices or similar information notices to employees and candidates?

No.

Law stated - 08 February 2023

Employee data privacy rights

What data privacy rights can employees exercise against employers?

Through well-founded and legitimate reasons, the owner of the personal data may refuse to provide their data and be subject to a specific treatment, and revoke any previous consent.

Law stated - 08 February 2023

BUSINESS TRANSFERS

Employee protections

Is there any legislation to protect employees in the event of a business transfer?

The Labour Code establishes that the change or substitution of an employer should not affect existing employment relationships in a manner prejudicial to employees.

Without prejudice to the legal obligations between an employer and employee under the Civil Law, the replaced employee shall always be jointly and severally liable with the employer for obligations existing under an agreement or imposed by law that arose prior to the date of the substitution within a period of one year.

Law stated - 08 February 2023

TERMINATION OF EMPLOYMENT

Grounds for termination

May an employer dismiss an employee for any reason or must there be 'cause'? How is cause defined under the applicable statute or regulation?

Mutual agreements or consent

A mutual agreement is valid if it is in writing and does not involve the employee waiving any rights. Non-renounceable rights include the following:

- salary;
- annual leave;
- 13th month pay; and
- in the case of indefinite-term employment relationships, the length of service premium.

An indemnity payment is not an acquired labour right and, consequently, it may be negotiated between the parties. A termination through a mutual agreement that does not include payment of indemnity is completely valid.

Expiration of employment term

A termination is valid if it is due to the expiration of the period agreed or due to the conclusion of the project.

Death

In the case of an employee's death, the employer must entrust to the Labour Courts, through a certificate of guarantee, the labour rights that the employee had accumulated until the moment of their death (article 155 of the Labour Code). There is no obligation to pay any indemnity to the family or heirs of the deceased employee. This payment can be made directly by the employer since it does not require the mediation of a lawyer.

An employer's death that inevitably leads to the termination of the working relationship occurs in the following cases:

- when a person is hired to take care of a sick person, who subsequently dies;
- when a domestic employee works in a home inhabited by a single person who subsequently dies; or
- when a secretary works for a professional who practises independently and in a private capacity (eg, doctor,

lawyer, architect), and the professional dies.

In these cases, there is also no obligation to pay any indemnity to the employee.

Resignation

To be valid, the employee's resignation must be in writing and ratified or sealed by the Ministry of Labour. Any resignation not duly ratified by the Ministry of Labour is neither valid nor effective.

An employee has the obligation to notify the employer of their decision to resign with at least 15 days' notice. An employee who does not give the employer this notice period must pay the employer the equivalent of a week's salary, which can be deducted directly from their length of service premium.

Employer's unilateral decision

Termination during the employee's test period is regulated as follows:

- the test period may not exceed three months;
- the clause establishing the test period must be clearly expressed in a written work contract;
- the test period only applies to jobs or positions that require certain abilities or special skills;
- it not valid to establish a test period when rehiring an employee for a position that they had already held within the company;
- when dismissing an employee during the test period, it is not necessary to pay the employee an indemnity, only their acquired labour rights; and
- neither maternity leave nor organised labour rights can be claimed during the test period.

Termination within the first two years of service is regulated as follows:

- only applies to indefinite-term employment relationships;
- the employer is under the obligation to pay an indemnity;
- the employer is under the obligation to give the employee 30 days' notice or carry out the dismissal immediately and pay the amount corresponding to this period (ie, one month's salary); and
- the notice period shall count as the payment period following the notice of dismissal.

Dismissal based on a justified cause

Justified causes for dismissal are established in article 213 of the Labour Code and may be of a disciplinary, non-attributable or financial nature.

The main causes for dismissal of a disciplinary nature are:

- carrying out actions that imply disloyal competition;
- providing a false doctor's certificate to justify absences;
- sleeping during work hours;
- stamping another employee's punch card;
- constant shortages of money; and

- making collections of payments and neither reporting nor delivering the money to the company.

Unjustified absences include:

- three consecutive or alternate days within one month;
- two Mondays within one month; and
- six Mondays within one year.

For the purposes of this cause of dismissal, Mondays shall be considered as the day immediately following a national holiday or day of mourning (eg, Ash Wednesday).

The matter of when a doctor's certificate should be presented to the company to justify an absence is resolved by a company's internal employment regulations.

However, in the absence of internal employment regulations, the Labour Courts have determined that an employee returning to work has until the day following the day on which they receive the corresponding period's salary within which to justify their absence.

Not every non-compliance of orders justifies the employee's dismissal; a distinction must be made between pure disobedience, which would only justify a disciplinary sanction, and serious disobedience, which would justify the employee's dismissal.

To fully establish the grounds for dismissal, it is necessary that:

- the orders are given by the employer in a clear manner;
- the orders relate to the work contracted;
- there is no justification for any non-compliance with the orders;
- the non-compliance causes damages to the employer; or
- there is immoral or delinquent behaviour (including sexual harassment) by the employee.

It is not necessary for the criminal authorities to first determine the perpetration of a crime for the employer to apply this cause if the employee:

- shows up for work under the effects of alcohol or illegal drugs on more than one occasion within the same year; and
- carries out violent acts, or threatens or insults their employer or co-workers.

It is important that there is no provocation. Prior provocation weakens the grounds for dismissal in the following cases:

- causing material damages to the employer's equipment, tools, products, basic materials and facilities; and
- when an exempt employee carries out acts or omissions that lead to the loss of trust by the employer.

A loss of trust must be duly supported by objective acts or omissions. Also, the loss of trust must be tightly linked to other grounds for dismissal.

Law stated - 08 February 2023

Notice requirements

Must notice of termination be given prior to dismissal? May an employer provide pay in lieu of notice?

Notice of termination must be given to employees that have less than two years of service at the company and this prior notice should be one month before the date of termination.

It is permitted to pay one month of salary instead of giving prior notice.

Law stated - 08 February 2023

Dismissal without notice

In which circumstances may an employer dismiss an employee without notice or payment in lieu of notice?

An employer may dismiss an employee without notice or payment in lieu of notice when there is a justified cause of termination.

Law stated - 08 February 2023

Severance pay

Is there any legislation establishing the right to severance pay upon termination of employment? How is severance pay calculated?

The indemnity payment does not constitute part of the acquired labour rights of every employee and must be paid only when the following occurs:

- a Labour Court declares the employee's dismissal as unjustified;
- a Labour Court declares the employee's resignation as justified;
- in the case of dismissals due to financial reasons, with the Ministry of Labour's prior authorisation – in these cases, even when the Ministry of Labour authorises the dismissals, as an exception the employer must pay the indemnity;
- in the case of dismissals based on article 212 of the Labour Code (employees with less than two years in service); and
- terminations through mutual agreement when the complete or partial indemnity payment is negotiated.

Method of calculating the indemnity payment

The indemnity payment in Panama is calculated by taking into consideration the employee's time of service and their average salary earned during the previous six months of work.

Article 225 of the Labour Code expressly establishes that the indemnity payment must be calculated according to its provisions. For employment relationships that started before 2 April 1972, the rates in the table below apply. These payments are not cumulative.

Years of service	Payment
0-1	1 week's salary per 3 months' service (1 week minimum)
1-2	1 week's salary per 2 months' service
2-5	3 months' salary
5-10	4 months' salary
10-15	5 months' salary
15-20	6 months' salary
20+	7 months' salary

For employment relationships that started after 2 April 1972, the rates in the table below apply. These rates specifically apply to all persons who started their employment relationship before 14 August 1995. The payments below are cumulative.

Years of service	Payment
0-1	1 week's salary for every 3 months' service (1 week minimum)
1-2	1 additional week's salary for every 2 months' service
2-10	3 additional weeks' salary for each completed year of service
10+	1 additional week for each completed year of service

For employment relationships that started after 14 August 1995, the rates in the table below apply.

Years of service	Payment
0-10	3.4 weeks' salary for each completed or partially completed year of service
10+	1 additional week's salary for each completed or partially completed year of service

Pursuant to what is established in article 149 of the Labour Code, the indemnity payment is based on the average salary earned by the employee during the final six months of service or during the last 30 days, whichever is more favourable to the employee.

As an example using work relationships that started after 14 August 1995, the employee earned an average salary of US \$1,500 per month and worked for three years, six months and 15 days.

'US\$1,500.00 ÷ 4.333 (weeks in a month) = US\$346.18 (weekly salary)

Indemnity for three years: US\$346.18 × 3.4 weeks × three years = US\$3,531.03

Indemnity for six months: (US\$346.18 × 3.4 weeks) ÷ (12 months × six months) = US\$588.51

Indemnity for 15 days: (US\$346.18 × 3.4 weeks) ÷ (365 days of the year × 15 days) = US\$48.37

Total indemnity: US\$3,351.03 + US\$588.51 + US\$48.37 = US\$3,987.91'

Finally, it is important to mention that, in the case of early terminations of contracts for fixed periods or for concluded projects (ie, temporary hiring), the indemnity will be equal to the contract's remaining salary, as established by article 227 of the Labour Code.

Law stated - 08 February 2023

Procedure

Are there any procedural requirements for dismissing an employee?

No, unless the company is dismissing an employee who has special protection.

Law stated - 08 February 2023

Employee protections

In what circumstances are employees protected from dismissal?

Panamanian labour legislation protects certain employees from dismissal. The most common special protections from dismissal under Panamanian law are set out below.

Maternity privileges

Every pregnant employee is protected by maternity privileges, which constitute legal protection against dismissal.

This legal protection against dismissal protects the employee during the whole pregnancy, during pre-birth and post-birth maternity leave, and for up to one additional year after the employee returns to work after giving birth.

There is also special protection available for employees whose spouse is pregnant and cannot work, or who dies during childbirth.

Special protection of employees with disabilities

This protection establishes a jurisdictional or legal protection against dismissal that covers all workers with proven disabilities, as well as employees who are parents or guardians of persons with disabilities.

Electoral protection

This protection is granted in favour of candidates for elected office and elected delegates, and starts from the moment of the nomination until two months after the closing of the electoral process.

Special protection of negotiation, strike and arbitration

Article 441 of the Labour Code regulates this special protection, which may run in succession covering the period of direct negotiation of a collective labour agreement (bargaining forum). Over the course of the compulsory conciliation procedure prior to the strike and the time available to workers to declare it, during the strike or during the arbitration, the employees will have special protection against dismissal.

Union immunity

This protection shall be applicable to:

- members of unions being formed;
- board members of employees' unions;
- federations and confederations of central unions;
- substitutes for directors of unions; and
- representatives of unions.

The term of this special protection will vary.

Special protection of an employee who has reported inconsistencies in the payment of the company's social security contributions

An employee who reports their employer for failure to register with, or for omissions or breaches of their employer's obligations to, the Social Security Administration shall benefit from 18 months of protection as of the date on which the employee filed their complaint.

Special protection for employees who are suffering from chronic, involute or degenerative diseases that cause partial disability at work

Employees who have such an illness have special protection against dismissal.

Law stated - 08 February 2023

Mass terminations and collective dismissals

Are there special rules for mass terminations or collective dismissals?

The Labour Code contemplates mass or collective dismissals, mainly for cases of termination of employment with cause for financial reasons.

Collective dismissals require the authorisation of the Ministry of Labour.

Law stated - 08 February 2023

Class and collective actions

Are class or collective actions allowed or may employees only assert labour and employment claims on an individual basis?

Employee unions are allowed to assert labour claims against employers.

Law stated - 08 February 2023

Mandatory retirement age

Does the law in your jurisdiction allow employers to impose a mandatory retirement age? If so, at what age and under what limitations?

Panamanian law does not permit the imposition of mandatory retirement on employees.

Law stated - 08 February 2023

DISPUTE RESOLUTION

Arbitration

May the parties agree to private arbitration of employment disputes?

Parties can agree to arbitration, but most disputes must be resolved in a Labour Court.

Law stated - 08 February 2023

Employee waiver of rights

May an employee agree to waive statutory and contractual rights to potential employment claims?

Acquired labour rights may not be waived. Employees can negotiate indemnities under certain circumstances.

Law stated - 08 February 2023

Limitation period

What are the limitation periods for bringing employment claims?

An employee has two months within which to sue their employer for unjustified dismissal, starting from the dismissal date.

Regarding the claim of salaries and other labour benefits, the time limit is one year starting from the date of termination of the labour relationship.

The right to a claim for overtime expires five years after the date on which the right of payment arose, except when dealing with employees in a position of trust, in which case the limitation term is three months only.

Law stated - 08 February 2023

UPDATE AND TRENDS

Key developments and emerging trends


Are there any emerging trends or hot topics in labour and employment regulation in your jurisdiction? Are there current proposals to change the legislation?

No updates at this time.

Law stated - 08 February 2023

Jurisdictions

	Angola	FTL Advogados
	Australia	People + Culture Strategies
	Austria	Schindler Attorneys
	Belgium	Van Olmen & Wynant
	Bermuda	MJM Barristers & Attorneys
	Brazil	Cescon, Barriau, Flesch & Barreto Advogados
	Canada	KPMG Law
	Chile	SCR Abogados
	China	Morgan, Lewis & Bockius LLP
	Colombia	Holland & Knight LLP
	Egypt	Eldib Advocates
	Finland	Kalliolaw Asianajotoimisto Oy
	France	Morgan, Lewis & Bockius LLP
	Germany	Morgan, Lewis & Bockius LLP
	Hong Kong	Morgan, Lewis & Bockius LLP
	Hungary	VJT & Partners
	India	AZB & Partners
	Indonesia	SSEK Law Firm
	Iran	Dadflamingo
	Israel	Barnea Jaffa Lande
	Italy	Zambelli & Partners
	Japan	TMI Associates
	Kazakhstan	Morgan, Lewis & Bockius LLP
	Luxembourg	Castegnaro
	Malaysia	SKRINE

	Mauritius	Orison Legal
	Mexico	Morgan, Lewis & Bockius LLP
	Netherlands	CLINT Littler
	Nigeria	Bloomfield Law
	Norway	Homble Olsby Littler
	Pakistan	Axis Law Chambers
	Panama	Icaza González-Ruiz & Alemán
	Philippines	SyCip Salazar Hernandez & Gatmaitan
	Puerto Rico	Morgan, Lewis & Bockius LLP
	Romania	Muşat & Asociații
	Singapore	Morgan Lewis Stamford LLC
	Slovenia	Law firm Šafar & Partners
	South Korea	JIPYONG LLC
	Sweden	Advokatfirman Cederquist KB
	Switzerland	Wenger Plattner
	Taiwan	Brain Trust International Law Firm
	Thailand	Pisut & Partners
	Turkey	Bozoğlu Izgi Attorney Partnership
	United Arab Emirates	Morgan, Lewis & Bockius LLP
	United Kingdom	Morgan, Lewis & Bockius LLP
	USA	Morgan, Lewis & Bockius LLP