

## Panama

Exchange rate: US\$1.00 equals 1 balboa.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1941.

**Current law:** 1954 (social insurance), with 1991, 1992, 2000, and 2004 amendments.

**Type of program:** Social insurance system.

#### Coverage

Employees in public- and private-sector employment and domestic workers.

Voluntary coverage for the self-employed.

All foreign workers are covered except for those working in Panama for less than 2 months under a foreign employment contract.

Exclusions: Agricultural workers employed for less than 3 months annually and family labor.

Occasional and seasonal workers are to be covered under subsequent regulation.

Public-sector employees are covered under the general system as well as a special system.

#### Source of Funds

**Insured person:** 6.75% of gross earnings.

The minimum earnings for contribution purposes are equal to either the monthly minimum pension (175 balboas) paid by the fund or 100 balboas.

There are no maximum earnings for contribution purposes, except for deputies and managerial staff of the Panama Canal who are subject to maximum earnings of 5,000 balboas and 5,326 balboas, respectively.

**Self-employed person:** A voluntary contribution of 9.5% of declared earnings.

The minimum declared earnings for contribution purposes must be more than 300 balboas.

There are no maximum earnings for contribution purposes.

**Employer:** 2.75% of payroll.

The minimum earnings for contribution purposes are equal to either the monthly minimum pension (175 balboas) paid by the fund or 100 balboas.

There are no maximum earnings for contribution purposes, except for deputies and managerial staff of the Panama

Canal who are subject to maximum earnings of 5,000 balboas and 5,326 balboas, respectively.

**Government:** A percentage of contributions (1.04% of payroll for the administration of old-age, disability, and survivor benefits; sickness and maternity benefits; and work injury benefits) and the proceeds of an earmarked tax on alcohol, plus no less than 20.5 million balboas a year.

#### Qualifying Conditions

**Old-age pension:** Age 62 (men) or age 57 (women) with 180 months of contributions. Retirement is necessary.

Early pension: There is no early pension.

Deferred pension: A deferred pension is possible. There is no maximum age of deferral.

The pension is payable abroad.

**Old-age settlement:** At the normal retirement age, the insured does not meet the contribution conditions for a pension.

**Disability pension:** Payable for a loss of 2/3 of earning capacity. The insured must have at least 36 months of contributions, including 18 months during the last 3 years; a total of 180 months of contributions. The pension is payable for 2 years (may be extended) and the assessed degree of disability may be reviewed at any time at the request of the insured or the fund.

The Medical Qualification Commission assesses the degree of disability.

The disability pension is payable abroad.

The disability pension is not commuted to an old-age pension at the normal retirement age.

**Disability grant:** The insured does not meet the qualifying conditions for a full pension but has at least 12 months of contributions, including six contributions in the year before the onset of disability.

**Survivor pension:** The insured met the qualifying conditions for the disability pension or was a pensioner at the time of death.

The survivor pension is payable abroad.

#### Old-Age Benefits

**Old-age pension:** The pension is equal to 60% of the insured's average earnings in the best 7 years of earnings, plus 1.25% of earnings for each 12-month period of contributions above 180 months.

Early pension: There is no early pension.

Deferred pension: An additional 2% of earnings is paid for each 12-month period of contributions after the normal retirement age.

Dependent's supplement (at the normal retirement age): Twenty balboas a month is paid for a wife and 10 balboas

for each child younger than age 18 (no limit if disabled), up to a maximum of 100 balboas.

The minimum monthly pension is 175 balboas.

The maximum monthly pension with 25 years of coverage and average monthly earnings of 1,500 balboas is 1,500 balboas.

The pension plus supplements must not exceed 100% of the insured's average earnings used for the pension calculation.

Benefit adjustment: Pensions are adjusted on an ad hoc basis depending on economic conditions.

**Old-age settlement:** A lump sum is paid equal to 1 month's pension for each 6-month period of contributions.

### **Permanent Disability Benefits**

**Disability pension:** The pension is equal to 60% of the insured's average earnings in the best 7 years of earnings, plus 1.25% of earnings for each 12-month period of contributions above 180 months. If the total contribution period is less than 7 years, the pension is based on 60% of average earnings in the period credited.

Dependent's supplement: Twenty balboas a month is paid for a wife and 10 balboas for each child younger than age 18 (no limit if disabled), up to a maximum of 100 balboas.

The minimum monthly pension is 175 balboas.

Benefit adjustment: Pensions are adjusted on an ad hoc basis depending on economic conditions.

**Disability grant:** A lump sum is paid equal to 1 month's pension for each 6-month period of contributions.

### **Survivor Benefits**

**Survivor pension:** 50% of the pension paid or payable to the deceased is paid to a widow aged 57 or older or disabled or caring for a child. A limited pension is paid to other widows for 5 years only. The pension is also payable to a dependent disabled widower.

**Orphan's pension:** 20% of the deceased's pension is paid for each orphan younger than age 14 (age 18 if a student, no limit if disabled); 50% for a full orphan.

**Other dependents (in the absence of the above):** The deceased's mother or aged or disabled father receives 30% of the deceased's pension; eligible brothers and sisters receive 20% of the deceased's pension until age 14.

The minimum pension is equal to 87.50 balboas for a widow, 35 balboas for half orphans, 52.50 for parents in the absence of widow and orphans; 35 balboas for brothers and sisters in the absence of widow, orphans, and parents.

The maximum total survivor pension is 100% of the deceased's pension, up to a maximum of 1,500 balboas.

Benefit adjustment: Pensions are adjusted on an ad hoc basis depending on economic conditions.

**Funeral grant:** A lump sum of 300 balboas.

### **Administrative Organization**

Managed by a board of directors with tripartite representation and a director general with an advisory board for technical advice, the Social Insurance Fund (<http://www.css.org.pa>) administers the program.

### **Sickness and Maternity**

#### **Regulatory Framework**

**First law:** 1941.

**Current law:** 1954 (social insurance), with 1983, 1986, and 1999 amendments.

**Type of program:** Social insurance system. Cash and medical benefits.

#### **Coverage**

Employees in public- and private-sector employment and domestic workers.

Voluntary coverage for the self-employed.

Pensioners are covered for medical benefits.

Exclusions: Agricultural workers employed for less than 3 months annually and family labor.

Temporary workers and seasonal workers will be covered by subsequent regulations.

#### **Source of Funds**

**Insured person:** 0.5% of gross earnings; pensioners contribute 6.75% of the pension.

There are no minimum or maximum earnings for contribution purposes.

**Self-employed person:** A voluntary contribution of 8.5% of declared gross earnings.

There are no minimum or maximum earnings for contribution purposes.

**Employer:** 8% of payroll.

There are no minimum or maximum earnings for contribution purposes.

**Government:** A percentage of contributions (1.04% of payroll for the administration of old-age, disability, and survivor benefits; sickness and maternity benefits; and work injury benefits) and the proceeds of an earmarked tax on alcohol.

#### **Qualifying Conditions**

**Cash sickness benefits:** Must have 6 months of contributions in the last 9 months.

**Cash maternity benefits:** Must have 4 months of contributions in the 8 months before the claim is made and be certified as pregnant.

**Medical benefits:** Currently insured or a pensioner; if the insured becomes unemployed, coverage continues for 3 months after the end of employment (24 months for insured persons with 180 months of contributions).

### **Sickness and Maternity Benefits**

**Sickness benefit:** The benefit is equal to 70% of the insured's average earnings in the previous 2 months. The benefit is payable after a 3-day waiting period for up to 52 weeks for any one incapacity; may be extended for up to 26 additional weeks for the same incapacity with a possible further extension of up to a year with the agreement of the Social Insurance Fund.

There are no minimum or maximum benefits.

**Maternity benefit:** The benefit is equal to 100% of the insured's average earnings in the last 9 months and is payable for up to 6 weeks before and 8 weeks after the expected date of childbirth.

There is no provision of paid parental leave.

### **Workers' Medical Benefits**

Benefits include general and specialist care, surgery, hospitalization, laboratory services, medicines, dental care, and maternity care.

Medical services are normally provided directly through the facilities of the Social Insurance Fund or are provided by the Ministry of Health, with the cost reimbursed. In special cases, including those in which the Fund or Ministry have no facilities, the cost of private care obtained in the country or abroad may be reimbursed in part or in full, with the authorization of the Fund.

There is no limit to duration if the medical service is necessary.

### **Dependents' Medical Benefits**

Benefits include general and specialist care, surgery, hospitalization, laboratory services, medicines, and dental care. Benefits are provided to the insured's wife and children younger than age 18 (age 25 if a student or disabled), a dependent mother, a disabled father, or parents older than age 60.

### **Administrative Organization**

Managed by a board of directors with tripartite representation and a director general with an advisory board for technical advice, the Social Insurance Fund (<http://www.css.org.pa>) administers the program.

Social Insurance Fund operates its own hospitals and other medical facilities in larger cities.

Ministry of Health (<http://www.minsa.gob.pa>) is responsible for national health policy.

## **Work Injury**

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### **Regulatory Framework**

**First law:** 1916.

**Current law:** 1970 (occupational risks).

**Type of program:** Employer-liability system, involving compulsory insurance with a public carrier.

### **Coverage**

Employees in public- and private-sector employment.

### **Source of Funds**

**Insured person:** None.

**Self-employed person:** Not applicable.

**Employer:** Total cost met through the payment of insurance premiums. The cost of premiums varies with the assessed degree of risk. The average premium is 1.7% of payroll.

**Government:** None.

### **Qualifying Conditions**

**Work injury benefits:** There is no minimum qualifying period.

### **Temporary Disability Benefits**

No statutory benefits are provided.

### **Permanent Disability Benefits**

**Permanent disability pension:** If the insured is 100% disabled, the pension is equal to 60% of his or her earnings.

The minimum monthly pension is 175 balboas.

The maximum monthly pension is 1,000 balboas.

**Partial disability:** A percentage of the full pension is paid according to the assessed degree of disability. The pension may be increased if the assessed degree of disability is greater than 35%; may be paid as a lump sum if the assessed degree of disability is 35% or less.

The Medical Qualification Commission assesses the degree of disability.

The pension may be replaced by the old-age pension at age 62 (men) or age 57 (women) if the insured meets the qualifying conditions for the old-age pension.

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The pension is payable abroad.

Benefit adjustment: Benefits are reviewed every 2 years.

### **Workers' Medical Benefits**

Benefits include general and specialist care, surgery, medicines, hospitalization, and appliances.

### **Survivor Benefits**

**Survivor pension:** A widow or a disabled widower receives a pension equal to 25% of the deceased's earnings for life; 30% if the survivor is the sole beneficiary or is disabled.

**Orphan's pension:** The pension for one orphan younger than age 18 is equal to 15% of the deceased's earnings; for two orphans, 25%; for three orphans, 35%; for four or more orphans, 40%. A sole full orphan receives 30% of the deceased's earnings; for two or more full orphans, 15% of the deceased's earnings each.

**Other dependents in the absence of other survivors (in order of priority):** The deceased's mother receives between 20% and 30% of the deceased's earnings. The pension is payable for 10 years. Brothers or sisters younger than age 18 (no limit if disabled) and other aged or disabled or older relatives, including great grandparents, receive 10% each, up to a maximum of 30%. The pension is payable for 6 years.

The maximum total survivor pension is 75% of the deceased's earnings; otherwise, the pensions are reduced proportionately.

The pension is payable abroad.

**Funeral grant:** 300 balboas.

### **Administrative Organization**

Managed by a board of directors with tripartite representation and a director general with an advisory board for technical advice, the Social Insurance Fund (<http://www.css.org.pa>) administers the program.

Social Insurance Fund operates its own hospitals and other medical facilities in larger cities.

Ministry of Health (<http://www.minsa.gob.pa>) is responsible for national health policy.

### **Unemployment**

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#### **Regulatory Framework**

No statutory benefits are provided.

Under the 1972 Labor Code, employers are required to provide workers with a severance payment at the end of the labor contract.