

How to calculate benefits for domestic employees?

According to Panamanian Laboral Law, every worker should receive their acquired rights, its accumulate and/or proportional rights when the labor relation ends. Regardless of the reason for termination of the employment relationship, domestic employees must receive seniority, accrued vacation, and thirteenth month bonus.

To calculate how much should be paid, it is essential to quantify the weekly wage of the domestic employee. For this, we take the monthly salary and divide it by 4.333.

Here is a simplified way for calculating a domestic acquired rights:

Vacation:

Vacation is a paid annual break of 30 days for every 11 months of continuous services. This calculation should consider the average of the last 11 months or the last base salary, whichever is more favorable for the worker.

To obtain the average, the last 11 wages earned by the worker are added and the result divided by 11

Thirteenth Month Bonus:

This is a special bonus in favor of workers, which consists of the payment of one month of additional salary for the 12 months of the year. This extra month must be paid in three separate instances: April 15, August 15, and December 15.

For its calculation, the salary accrued during the respective period (for example, from April 16 to August 15) is added and divided by 12.

Calculation of the Seniority:

It is a labor benefit to which workers with an indefinite employment contract are entitled to, consisting of 1 week of salary for each year worked.

The average salary earned over the last five years is calculated for the Seniority Premium. Everything accruing in the previous five years is added and divided by 240 (the number of weeks in that period). This average salary is multiplied by the number of years the domestic employee worked, resulting in the Seniority Premium. This benefit is paid only at the time of termination of the employment relationship.



Severance Pay:

For the employer to terminate a domestic service contract without cause, he must pay compensation according to the time of service as follows:

- From 2 weeks to 3 months, the amount is equivalent to 1 week of salary;
- From 2 months to 1 year, the amount is equal to 2 weeks of salary;
- From 1 year to 2 of service, the amount is equal to 1 month's pay;
- From 2 years to 4 years of service, the amount is equal to 2 months of salary;
- From 4 years to 6 years of service, the amount is equal to 3 months of salary;
- From 6 years to 10 years of service, the amount is equal to 4 months of salary;
- From 10 years to 15 years of service, the amount is equivalent to 5 months' salary;
- From 15 years to 20 years of service, the amount is equal to 6 months' compensation; and
- From 20 years of service onwards, the amount is equivalent to 7 months of salary.

Always remember to have a signature of the worker, as evidence of payment of the acquired rights.