

The Importance of Termination Letters.

There are different ways to end an employment relationship, including resignation, dismissal, termination during a probationary period, mutual agreement, death of the worker or employer (provided that it makes the provision of services impossible).

According to the Panamanian Labor Code, dismissal must be in writing and must comply with the formalities indicated by law.

Dismissal can occur in two ways:

- With just cause.
- Without just cause, meaning it can be unilateral. This type of termination can only be applied to workers who have been employed for less than 2 years; in other words, those who do not have job security.

All terminations by dismissal must be in writing. When ending an employment relationship through dismissal citing just cause, the letter must contain the facts attributed to the worker and the date on which they occurred. This is to comply with the provisions of Article 214 of the Labor Code. This formality required by law implies that any verbal dismissal is unjustified.

It is important to note that the law establishes a period of 2 months from the date of the events as the statute of limitations.

The purpose of this limitation period is to ensure that the worker has a clear understanding of the events that led to their dismissal and that past events are not invoked as an excuse to terminate the employment relationship.

There are certain employment relationships protected by law from dismissal, such as those covered by maternity leave, union protection, degenerative illness, and disability. This does not mean that these employment relationships cannot be terminated; however, the employer must request judicial authorization through a request for dismissal.



Employers who fail to comply with the legal formality for drafting the dismissal letter or who do not meet the two-month deadline before the notification date of the termination of employment will have the dismissal considered unjustified by law, and as a consequence, they will be required to pay the worker compensation equivalent to 3.4 weeks of salary for each year worked (for those employment relationships that began after August 12, 1995). In addition, they must pay overdue wages for a maximum of three (3) months and 10% of legal costs when the claim is made before the first instance court + 5% when the procedure is carried out before the second instance on appeal.

Although it is not a legal requirement, it is recommended to accompany the dismissal letter with a breakdown of the amounts that make up the settlement to serve as proof of receipt. In the event of a future claim by the employee, the employer will be able to prove such payment.

At Alcogal, we have an expert team in labor law ready to advise you in the right way.