

Panama's Labor Law: Evolution and Current Challenges

May 1st is a national holiday in Panama, commemorating Labor Day. It was established to recognize the significant historical efforts made in the late 19th century to secure legal recognition of the standard eight-hour workday, at a time when no legal framework existed to regulate paid employment.

The recognition of the eight-hour workday marked a turning point, enabling the achievement of other important milestones on which the Labor Law has been built.

The development of Panama's labor system includes several notable milestones that have significantly shaped the country's social and economic landscape. Law No. 6 of 1914 established the eight-hour workday; Law No. 8 of 1931 introduced, for the first time, the right to paid annual leave; in 1941, the Social Security Fund was created, establishing the pension system administered by this public institution; in 1947, the first Labor Code entered into force, along with the creation of the Ministry of Labor, Social Welfare and Public Health, and the specialized labor courts; in 1971, the thirteenth month bonus was introduced; and in 1972, a new Labor Code came into effect.

Labor Law is one of the most dynamic branches of the legal system. It is used in offices, factories, remote workspaces, construction sites, and even on-board vessels and aircrafts operating within national and international jurisdictions. The law establishes the rights and obligations of both employers and employees across all these settings, establishing the minimum conditions under which work is performed.

Today, with the advancement of technology, Labor Law continues to expand its boundaries, creating new challenges for the State. One such example is remote work, which demonstrated its relevance during the global crisis caused by the COVID-19 pandemic. Panama responded promptly by regulating remote work through Law No. 126 of 2020 and Executive Decree No. 133 of 2020. An important aspect that remains pending legal regulation is the employee's right to digital disconnection once the standard working day has concluded.



Another current issue is how the law should address the phenomenon known as the “gig economy,” particularly the work performed by individuals who provide services through digital platforms using their own vehicles—most notably in ride-hailing and food delivery services. The recent unsuccessful attempt by the Panamanian State to regulate this type of work highlights a clear reality: these services are essential to daily life. Any future regulation should not restrict delivery but such platforms or reduce the standards of quality and safety in service delivery, but rather focus on establishing minimum conditions for individuals who rely on these activities as a source of income, as well as defining the rights and obligations of both the platforms and service providers, even if they are not classified as traditional employees.

All the above demonstrates that Labor Law is, indeed, a dynamic system in constant evolution.



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