

## Panama

Exchange rate: US\$1.00 = 1.00 balboa.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First laws:** 1941 and 2010.

**Current laws:** 2005 (social insurance and individual accounts) and 2014 (noncontributory pension).

**Type of program:** Social insurance, individual account, and social assistance system.

#### Coverage

**Social insurance only:** Public- and private-sector employees who were insured and were older than age 35 in January 1, 2006; public- and private-sector employees who were insured and younger than age 35 or who started working between January 1, 2006, and December 31, 2007, and did not choose to participate in the combined social insurance and individual account system.

Voluntary coverage for persons not subject to compulsory coverage.

**Social insurance and individual account (mixed):** Public- and private-sector employees, including citizens working abroad and foreigners working in Panama, who enrolled for the first time after January 1, 2007; public- and private-sector employees who were insured before December 31, 2007, and chose to participate in the mixed system.

**Individual account only:** Self-employed persons aged 35 or younger on January 1, 2007, and had annual gross earnings greater than 9,600 balboas.

Voluntary coverage for persons not subject to compulsory coverage.

**Social assistance:** Needy citizens of Panama.

#### Source of Funds

##### Insured person

**Social insurance only:** 9.25% of gross monthly earnings (7.25% of the thirteenth salary).

There are no maximum earnings used to calculate contributions.

**Social insurance and individual account:** 9.25% of the first 500 balboas of gross monthly earnings to social insurance (7.25% of the thirteenth salary); 9.25% of gross monthly earnings above 500 balboas to the individual account (7.25% of the thirteenth salary).

Of the combined insured person's and employer's contribution to the individual account, 0.93% finances collective old-age insurance, 0.07% funds disability insurance, and 2.5% goes to social insurance.

There are no maximum earnings used to calculate contributions to the individual account.

**Individual account only:** Not applicable.

**Social assistance:** None.

##### Self-employed person

**Social insurance only:** 13.5% of gross declared monthly earnings.

**Social insurance and individual account:** Not applicable.

**Individual account only:** 13.5% of 52% of gross annual earnings.

Of the self-employed person's contribution to the individual account, 0.93% finances collective old-age insurance, 0.07% funds disability insurance, and 2.5% goes to social insurance.

The minimum earnings used to calculate contributions are 9,601 balboas a year.

There are no maximum earnings used to calculate contributions.

**Social assistance:** None.

##### Employer

**Social insurance only:** 4.25% of gross monthly earnings (10.75% of the thirteenth salary).

There are no maximum earnings used to calculate contributions.

**Social insurance and individual account:** 4.25% of the first 500 balboas of gross monthly earnings to social insurance (10.75% of the thirteenth salary); 4.25% of gross monthly earnings greater than 500 balboas to the individual account (10.75% of the thirteenth salary).

Of the combined insured person's and employer's contribution to the individual account, 0.93% finances collective old-age insurance, 0.07% funds disability insurance, and 2.5% goes to social insurance.

**Individual account only:** Not applicable.

**Social assistance:** None.

##### Government

**Social insurance only:** 140 million balboas a year to a reserve fund.

**Social insurance and individual account:** 0.8% of all insured persons' earnings and designated taxes partially fund the administrative costs; an annual subsidy of 20.5 million balboas.

The government's contribution to social insurance also finances sickness and maternity.

*Individual account only:* Not applicable.

*Social assistance:* The total cost.

### Qualifying Conditions

**Old-age pension (social insurance and individual account):** Age 62 (men) or age 57 (women) with at least 240 months of contributions; with at least 120 months of contributions for seasonal agricultural and construction workers; no contribution requirement for self-employed persons.

Employment must cease.

Top-up benefit (individual account): Voluntarily enrolled in the mixed system between 2006 and 2007 and had contributions on earnings above 500 balboas a month in the 12 months before enrolling in the mixed system.

Early pension (social insurance): Age 60 (men) or age 55 (women) with at least 180 months of contributions.

Partial pension (social insurance): Age 62 (men) or age 57 (women) with 180 months to 239 months of contributions.

Early partial pension (social insurance): Age 60 (men) or age 55 (women) with 180 months to 239 months of contributions.

Deferred pension (social insurance): The insured is older than the retirement age.

Dependent's supplement (social insurance): Age 62 (men) or age 57 (women) with dependent family members.

The old-age pension is payable abroad.

**Old-age settlement (social insurance and individual account):** Age 62 (men) or age 57 (women) but does not meet the contribution requirements for an old-age pension.

**120 a los 65 pension (social assistance):** Age 65, assessed as needy and not receiving any pension. (Needy includes vulnerable, a social risk, or poor.)

Beneficiaries must undergo periodic medical examinations.

**Disability pension (social insurance and individual account):** Must be assessed with at least a 66.7% loss of earning capacity. Up to age 30 with at least three years of contributions, including at least 18 months in the last three years; aged 31 to 40 with at least four years of contributions, including at least two years in the last four years; aged 41 to the normal retirement age with at least five years of contributions, including at least 30 months in the last five years; or at any age with at least 20 years of contributions.

The pension is paid for up to two years (may be extended).

The assessed degree of disability may be reviewed at any time at the request of the insured or the Social Insurance Fund. The Medical Qualification Commission assesses the degree of disability.

The disability pension is payable abroad.

**Disability grant (social insurance and individual account):** Paid if the insured does not meet the contribution requirements for a disability pension.

**Survivor pension (social insurance):** The deceased received or was entitled to receive an old-age or disability pension or had at least three years of contributions, including at least 18 months in the last three years before the death.

Eligible survivors include a widow(er) and orphans younger than age 18 (no limit if disabled); or if there are no other survivors, the parents.

The survivor pension is payable abroad.

**Survivor grant (social insurance):** The deceased was ineligible for an old-age or disability pension at the time of death.

**Funeral grant (social insurance):** Paid if the deceased had six months of contributions during the 12 months before death.

**Survivor pension (individual account):** Eligible survivors include a widow(er) and orphans younger than age 18 (no limit if disabled); if there are no other survivors, the mother and father; if there is no other family member, the designated heir.

### Old-Age Benefits

**Old-age pension (social insurance):** 60% of the insured's average earnings in the best 10 years of earnings plus 1.25% of earnings for each 12-month period of contributions exceeding 20 years is paid.

For seasonal agricultural and construction workers, 60% of the insured's average earnings in the best 10 years of earnings multiplied by the number of months of contributions divided by 180 months is paid. The maximum insurable earnings for seasonal agricultural and construction workers is 3,500 balboas a year.

Early pension: A reduced pension is the old-age pension multiplied by 0.9128 if taken one year before the normal retirement age or by 0.8342 if taken two years before the normal retirement age.

Partial pension: 60% of the insured's average earnings in the best 10 years of earnings multiplied by the number of months of contributions divided by 20 years is paid.

Early partial pension: A reduced pension is paid equal to the partial pension multiplied by 0.9128 if taken one year before the normal retirement age or by 0.8342 if taken two years before the normal retirement age.

Deferred pension: 2% of earnings is paid for each year of contributions after the normal retirement age.

The minimum monthly pension is 245 balboas.

The minimum monthly old-age pension is increased by 10 balboas a month every 5 years (The government may freeze the benefit level).

The maximum monthly pension for social insurance only is 1,500 balboas (2,000 balboas with 25 years of contributions and an average monthly salary of 2,000 balboas in the 15 highest contribution years or 2,500 balboas with 30 years of contributions and an average monthly salary of 2,500 balboas in the 20 highest contribution years).

The maximum monthly pension for the social insurance component of the mixed system is 500 balboas.

**Old-age pension (individual account):** The insured's account balance divided by an actuarial value linked to life expectancy is paid in programmed withdrawals. If the pensioner lives beyond the estimated life expectancy and the individual account is depleted, collective insurance tops up the account balance.

**Top-up benefit (individual account):** A monthly benefit is paid based on the amount the insured contributed on earnings greater than 500 balboas a month before switching to the mixed system.

**Old-age settlement (social insurance):** A lump sum of one month of the old-age pension is paid for each six-month period of contributions.

**Dependent's supplement:** 20 balboas a month is paid for a wife, female partner, or a husband with a disability; 10 balboas a month for each child younger than age 14 (age 18 if a student, no limit if disabled), up to 100 balboas.

**Benefit adjustment:** Benefits are adjusted on an ad hoc basis according to economic conditions.

**Old-age settlement (individual account):** A lump sum of the account balance is paid.

**120 a los 65 pension (social assistance):** 120 balboas a month is paid.

### **Permanent Disability Benefits**

**Disability pension (social insurance):** 60% of the insured's average earnings in the best 10 years of earnings plus 1.25% of earnings for each year of contributions exceeding 20 years is paid.

The minimum monthly pension is 245 balboas.

The minimum monthly disability pension is increased by 10 balboas a month every five years (The government may freeze the benefit level).

The maximum monthly pension for social insurance only is 1,500 balboas (2,000 balboas with 25 years of contributions and an average monthly salary of 2,000 balboas in the 15 highest contribution years or 2,500 balboas with 30 years of contributions and an average monthly salary of 2,500 balboas in the 20 highest contribution years).

The maximum monthly pension for the social insurance component of the mixed system is 500 balboas.

**Dependent's supplement (social insurance):** 20 balboas a month is paid for a wife, female partner, or a husband with a disability; 10 balboas a month for each child younger than age 14 (age 18 if a student, no limit if disabled), up to 100 balboas.

**Benefit adjustment:** Benefits are adjusted on an ad hoc basis according to economic conditions.

**Disability pension (individual account):** The insured's account balance divided by an actuarial value linked to life expectancy is paid in programmed withdrawals.

If the combined social insurance and individual account disability pension is less than what the insured would have been entitled to under the old social insurance system, collective insurance pays the difference.

**Disability grant (social insurance):** A lump sum of one month of the old-age pension is paid for each six-month period of contributions.

**Disability grant (individual account):** A lump sum of the account balance is paid.

### **Survivor Benefits**

**Spouse's pension (social insurance):** 50% of the old-age or disability pension the deceased received or was entitled to receive is paid to a widow(er).

**Orphan's pension (social insurance):** 20% of the old-age or disability pension the deceased received or was entitled to receive 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 (social insurance):** 30% of the old-age or disability pension the deceased received or was entitled to receive is paid to the deceased's mother or aged father with a disability.

The minimum monthly survivor benefit is 120 balboas a month.

The minimum monthly survivor pension is increased by 10 balboas a month every five years (The government may freeze the benefit level).

All survivor benefits combined must not exceed 100% of the old-age or disability pension the deceased received or was entitled to receive.

**Survivor grant (social insurance):** A lump sum of one month of the old-age or disability pension the deceased received or was entitled to receive is paid for each six-month period of contributions.

**Benefit adjustment:** Benefits are adjusted on an ad hoc basis according to economic conditions.

**Survivor pension (individual account):** The accumulated capital plus interest is paid to eligible survivors in programmed withdrawals.

**Funeral grant (social insurance):** A lump sum of 300 balboas is paid.

### **Administrative Organization**

Social Insurance Fund (<http://www.css.org.pa>), managed by a director general with an advisory board, administers the social insurance and individual account programs.

The Ministry for Social Development (MIDES) (<http://www.mides.gob.pa/>) administers the 120 a los 65 non-contributory pension.

### **Sickness and Maternity**

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#### **Regulatory Framework**

**First law:** 1941.

**Current law:** 2005 (social insurance).

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

#### **Coverage**

Public- and private-sector employees, including household workers; and pensioners.

Voluntary coverage is available.

#### **Source of Funds**

**Insured person:** 0.5% of gross earnings; 8.75% for the voluntarily insured; pensioners pay 4.65% of the monthly pension.

The minimum earnings used to calculate contributions are the legal monthly minimum wage; 100 balboas for household workers; 300 balboas for pensioners.

The legal monthly minimum wage varies according to industry, region, and company size.

There are no maximum earnings used to calculate contributions.

**Self-employed person:** 8.5% of declared earnings.

The minimum earnings used to calculate contributions are the legal monthly minimum wage; 100 balboas for household workers; 300 balboas for pensioners.

The legal monthly minimum wage varies according to industry, region, and company size.

There are no maximum earnings used to calculate contributions.

**Employer:** 8% of gross payroll.

The minimum earnings used to calculate contributions are the legal monthly minimum wage; 100 balboas for household workers; 300 balboas for pensioners.

The legal monthly minimum wage varies according to industry, region, and company size.

There are no maximum earnings used to calculate contributions.

**Government:** A provision in the law to contribute 10% of the income received from the sale of rights to fiber optic business operations has not yet been implemented.

#### **Qualifying Conditions**

**Cash sickness benefits:** Must have at least six months of contributions in the last nine months before the incapacity began.

**Cash maternity benefits:** Must have at least nine months of contributions in the year before the seventh month of pregnancy.

**Medical benefits:** Must be currently insured or a pensioner; if the insured becomes unemployed, coverage continues for three months after employment ceases (two years for insured persons with at least 20 years of contributions).

#### **Sickness and Maternity Benefits**

**Sickness benefit:** 70% of the insured's average earnings in the two months before the incapacity began is paid from the fourth day of sickness for up to 26 weeks for the same sickness.

There are no minimum or maximum benefits.

**Maternity benefit:** 100% of the insured's average earnings in the last nine months is paid for up to six weeks before and eight weeks after the expected date of childbirth.

There is no paid parental leave.

#### **Workers' Medical Benefits**

Benefits include general and specialist care, surgery, hospitalization, laboratory and X-ray services, medicine, maternity care, dental care, dental prosthesis, and appliances.

#### **Dependents' Medical Benefits**

Medical benefits for dependents are the same as those for the insured.

Eligible dependents include the insured's wife or partner who lives with and is economically dependent on the insured; children younger than age 18 (age 25 if a student, no limit if disabled); and dependent parents.

#### **Administrative Organization**

Social Insurance Fund (<http://www.css.gob.pa>), managed by a director general with an advisory board, administers the program.

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

## Work Injury

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### Regulatory Framework

**First law:** 1916.

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

**Type of program:** Employer-liability system through a public carrier.

### Coverage

Public- and private-sector employees.

Exclusions: Self-employed persons and household workers.

### Source of Funds

**Insured person:** None.

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

**Employer:** The total cost (pays insurance premiums, which vary according to the assessed degree of risk).

**Government:** None.

### Qualifying Conditions

**Work injury benefits:** There is no minimum qualifying period. Accidents that occur while commuting to and from work are covered.

### Temporary Disability Benefits

100% of the insured's average earnings in the last two months before the disability began is paid for the first two months; thereafter, 60% is paid until recovery or certification of permanent disability.

### Permanent Disability Benefits

For a total (100%) disability, 60% of the insured's average earnings in the last 12 months before the disability began is paid.

The minimum monthly pension is 240 balboas.

The minimum monthly permanent disability pension is increased by 10 balboas a month every five years (The government may freeze the benefit level).

The maximum monthly pension is 1,500 balboas.

**Partial disability:** For an assessed degree of disability of at least 35%, a percentage of the full permanent disability pension is paid according to the assessed degree of disability.

For an assessed degree of disability of less than 35%, a lump sum of three years of the full permanent disability pension is paid.

The Medical Assessment Commission assesses the disability.

The permanent disability pension is paid for life after age 60 (men) or age 55 (women).

The pension is payable abroad.

### Workers' Medical Benefits

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

### Survivor Benefits

**Spouse's pension:** 25% of the deceased's earnings (30% if the sole beneficiary or if disabled) is paid to the widow or female partner.

**Orphan's pension:** 15% of the deceased's earnings is paid for one orphan younger than age 18 (no age limit if disabled); 25% for two orphans; 35% for three orphans; and 40% for four or more orphans. If there is no widow(er), 20% of the deceased's earnings is paid for one orphan; 15% each for two or more full orphans. If there is more than one eligible orphan, the pension is split equally among them.

**Other dependent's pension:** If there are no other survivors, 20% to 30% of the deceased's earnings is paid to the mother for up to 10 years; 10% to a father who is aged 60 or older or disabled. Brothers or sisters of the deceased who are younger than age 18 (no limit if disabled) receive the same amount as an orphan would have received.

All survivor benefits combined must not exceed 75% of the deceased's earnings.

The pension is payable abroad.

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

### Administrative Organization

Social Insurance Fund (<http://www.css.gob.pa>), managed by a director general with an advisory board, administers the program.

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

## Unemployment

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### Regulatory Framework

No statutory benefits are provided.

The 1995 Labor Code requires employers with more than five employees to set up a severance fund administered by a bank, private insurer, or for an investment company. Contributions to the severance funds are compulsory for employers and voluntary for employees.

## Family Allowances

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### Regulatory Framework

**First laws:** 2007 (social assistance), 2009 (noncontributory pension), and 2010 (education allowances).

**Current laws:** 2012 (social assistance for disabled people), 2014 (noncontributory pension), and 2014 (education allowances).

### Coverage

**Beca Universal (universal):** Citizens of Panama.

**Angel Guardian (social assistance):** Extremely poor families with an income below the cost of the basic food basket (302.16 balboas a month in Panama City and San Miguelito and 277.43 balboas a month in the rest of the country in 2015).

**Red de Oportunidades (social assistance):** Extremely poor families with an income below the cost of the basic food basket (302.16 balboas a month in Panama City and San Miguelito and 277.43 balboas a month in the rest of the country in 2015).

### Source of Funds

**Insured person:** None.

**Self-employed person:** None.

**Employer:** None.

**Government:** The total cost.

### Qualifying Conditions

**Beca Universal (universal):** Paid for children attending primary, middle, and secondary school. Students in primary school must have passed the previous school year. Students in secondary school (ages 12 to 15) must pass all subjects to receive the monthly benefit.

Students in all levels must have a grade point average of at least 3.0, undergo medical check-ups; and receive all required vaccinations.

**Angel Guardian (social assistance):** Paid to severely disabled and extremely poor persons who need constant attendance.

**Red de Oportunidades (social assistance):** Paid to extremely poor families with children under age 18 who meet certain health and education-related conditions or have family members aged 60 to 64 or disabled.

Children younger than age 5 and pregnant and nursing women must undergo prescribed medical examinations and meet the vaccination requirements. Children aged 5 to 17 must be enrolled in school and register at least an 85% attendance.

### Family Allowance Benefits

**Beca Universal (universal):** 30 balboas a month (270 balboas a year) is paid for a student aged 6 to 11 attending primary school; 40 balboas a month (360 balboas a year) for a student aged 12 to 15 attending middle school; 50 balboas a month (450 balboas a year) for a student aged 15 to 18 attending secondary school.

**Angel Guardian (social assistance):** 80 balboas a month is paid.

**Red de Oportunidades (social assistance):** 50 balboas a month is paid.

### Administrative Organization

The Institute for Training and Human Resources (IFARHU) (<http://www.ifarhu.gob.pa/>) administers the Beca Universal program.

The Ministry for Social Development (MIDES) (<http://www.mides.gob.pa/>) administers the Red de Oportunidades and Angel Guardian social assistance programs.