

Are you planning to bring your company beyond borders and expand into a new market? An overseas expansion comes with plenty of exciting opportunities, as well as its fair share of challenges. Chief among these are adjusting your processes and applications to a new set of employment laws.

Globalization Partners is here to smooth out the difficulties and help you navigate a seamless expansion. We have teams of legal and HR experts in more than 185 countries to ensure your company stays compliant every step of the way. Among our expansive network is a preexisting subsidiary in Palau.

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If you hire us as your Palau Employer of Record, we'll manage your legal compliance risks, help you hire top talent for your open positions, and handle your employee and payroll needs. Through our convenient digital software, it's easier than ever to connect with your global team from anywhere in the world.

Hiring in Palau

Business in this country centers around international trade, a sector that makes up the majority of the country's gross domestic product (GDP). Imported goods and services

— particularly in machinery, food, and mineral fuels — characterize the nation’s economy, with business partners spanning the globe. Low customs duties and limited trade barriers open the door to streamlined international trade, making this country an excellent place to launch an overseas venture. With an attentive eye on the legal requirements and cultural nuances of this Pacific Island nation, you’ll be well-positioned for a successful global expansion in Palau.

Employment Contracts in Palau

Employment contracts are generally conducted in writing. Standard accepted employment contracts should include the following information:

- Job title
- The duration of the employment contract
- The location of the position
- A schedule including the required weekly hours
- Wages for both regular and overtime work
- Any deductions for the cost of living

Working Hours in Palau

Palau’s labor laws do not stipulate a specific maximum for working hours or overtime payment. While the standard workweek is 40 hours a week, a lack of specific regulations means that you can require employees to work longer shifts without providing overtime compensation. While this approach may not result in legal repercussions, you may experience issues with employee satisfaction and your reputation as a fair employer.

Holidays in Palau

Palau celebrates several public holidays throughout the year. These are considered national vacation days, and you must give employees a paid day off work. The 11 local public holidays include:

- New Year’s Day.
- Youth Day.

- Memorial Day.
- Constitution Day.
- Senior Citizen’s Day.
- Labor Day.
- Independence Day.
- President’s Day.
- United Nations Day.
- Thanksgiving Day.
- Christmas Day.

Vacation Days in Palau

The typical practices for time off differ depending on whether your employees are in the private or public sector. There is no set standard across the country. However, many employers offer paid time off that typically begins accruing after 90 days of continuous employment. Employees must request vacation and gain your approval before claiming leave.

Palau Sick Leave

Employees generally earn sick leave at a rate of four hours per pay period, which may be monthly or biweekly, depending on how you manage your payroll system. To claim paid sick leave for more than three days, employees must obtain and show a report from a certified medical professional. Generally, employees don’t need to provide a written proof of illness for any sick leave claimed for three days or less.

Maternity/Paternity Leave in Palau

Palau currently has limited regulations governing an employee’s eligibility for maternity leave. Currently, maternity leave is guaranteed only for permanent employees of the national government. This leaves female employees who work for public companies, state governments, or the private sector without any guaranteed paid maternity leave.

The National Public Service System Act, established in 1997, provides women with one month

of paid maternity leave, along with an optional additional four months of leave. If female employees decide to claim their extra four months of leave, they must use a combination of either sick and annual leave or accept unpaid leave. During a female employee's maternity absence, you are required to keep her job secure pending her return.

Health impact assessments conducted in 2013 pushed for new legislation requiring all employers to provide up to three months of paid maternity leave, but these recommendations have not been passed into law as of 2020. If you decide to open a subsidiary in-country, you'll need to follow the latest updates on this legislation to ensure you remain legally compliant.

Health Insurance in Palau

Palau has an extensive national medical insurance system that covers more than 95 percent of the country's population. Even the minority of citizens who are not insured will receive government funding in emergency cases. The national health insurance system requires both employers and employees to contribute 2.5 percent each for a total of 5 percent toward the insurance plan. The insurance covers all employees, regardless of nationality, in both the public and private sectors. Retirees are also covered.

Palau Supplementary Benefits

This country doesn't specify any requirements for benefits or bonuses. However, you are free to offer extra compensation as it aligns with your budget, goals, and values.

Termination/Severance in Palau

To terminate an employee before the end of their contract, you're required to complete several steps, including:

- Provide written notice to the employee, as well as a copy of the notice to the Bureau of Labor and Human Resource.
- The written notice should include the worker's name, identification certificate number,

and reasons for the termination.

You must pay your employee for any work completed, whether they are local or nonresident workers.

Paying Taxes in Palau

You are required to deduct social security taxes from your employees' income each quarter. Employees must contribute 7 percent, and you must match this contribution. You should report these payments to the Social Security Administration at the end of each quarter. The maximum taxable wage is \$3,000 per quarter. Failing to report and pay these taxes is a serious offense, resulting in you having to pay 100 percent of the tax due on your own plus interest on any months of unpaid taxes.

Why Globalization Partners

Globalization Partners leads the industry in innovative global PEO services. Our Employer of Record model means you can advance your international expansion without the risks, expense, or timeline of a traditional international business venture. Enjoy full confidence as you proceed with growing your company.

Are you ready to learn more? [Contact our team today.](#)