

Panama: Extension to the suspension of work contracts

April 23, 2020

Through Executive Decree No. 95 of April 21, 2020, the Ministry of Labor of Panama has ordered the automatic extension, for a period of 30 additional calendar days, of the authorization given to suspend the employment contracts of employees of commercial establishments and companies whose closure was ordered by the Ministry of Health, in accordance with the provisions of Executive Decree No. 81 of March 20, 2020, for reasons of force majeure or fortuitous event.

As we have previously informed, the temporary suspension of employment contracts implies that the employee is not obliged to provide services, and therefore the employer is not obliged to pay wages.

Also, Executive Decree No. 95 above mentioned has ordered the following:

- In the case of companies whose closure was not ordered by the Ministry of Health, but which have been forced to request the suspension of employment contracts based on Executive Decree No. 81 of March 20, 2020, the extension to the authorization for said suspensions must be requested electronically to the Ministry of Labor (it is not automatic). The application must be sent at least 5 business days before the first authorization to the suspension expires.

The Ministry of Labor may authorize, deny, or request additional information to anyone who requests the extension. If the authorization to suspend contracts is denied, companies will be obliged to pay wages.

- Employers may grant food vouchers to employees with temporarily suspended employment contracts, without the vouchers being considered salary subject to deductions or labor benefits. The company that chooses to grant this benefit, during the State of National Emergency, may grant it up to a maximum of 5% of its annual income for the 2019 fiscal period.