

Panama: Limitations to the reduction of working hours

July 16, 2020

Through Executive Decree No. 101 of July 13, 2020, effective as of July 14, 2020, as a result of a tripartite dialogue carried out between the Ministry of Labor of Panama, Trade Unions, and private companies, the Ministry of Labor has regulated that:

- **The maximum limit to agree to reduce working hours will be 50%** of working hours per month.
- The working hours' reduction agreements **will not extend beyond December 31, 2020**.
- The legal discounts and deductions will be adjusted to the salary that results from the reduction of working hours and according to the percentages authorized by article 161 of the Labor Code.
- During the duration of the agreement to change hours, companies may only hire workers for new positions, for which there were no personnel before the modification agreement.

The reduction of working hours was approved by Executive Decree No. 71 of March 13, 2020, modified by Executive Decree No. 85 of April 2, 2020, through which the text of the Temporary Agreement for the reduction of working hours and the requirements to take advantage of the measure was regulated. However, none of these Executive Decrees established limitations to the reduction agreement.

The legal basis for the reduction of working hours is found in the second paragraph of article 159 of the Labor Code, which establishes that "in cases where for reasons of serious national economic crisis, fortuitous event or force majeure, duly verified by the administrative labor authorities, the source of employment is at risk, working hours may be temporarily reduced or modified, with the consent of the labor union or the employees' workers where it does not exist a labor union, provided that the methods achieve gradual recovery of working hours to pre-crisis levels."

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