

Newsletter Third Edition | January 2021 |

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Welcome to the third edition of our Newsletter. In this edition, we will delve into “The Measures Taken by the Jordanian Government in Relation to Employees’ Wages from the Start of the Coronavirus Pandemic and until the Issuance of Communiqué No. 18 (30/12/2020)”.

“The approach that the Jordanian Government used while dealing with the novel situation of employees could be described as a variable approach, which means that the government addressed matters related to employees periodically. Thereupon, the government issued Defense Orders and Communiqués on an approximately monthly basis, to regulate and reconsider labor matters based on the circumstances and conditions in relation to the epidemiological situation in general and the economic situation in particular, to be able to decide accordingly the wages to which the employees are entitled to and whether there was a need to grant employers any powers to mitigate the losses that might be a burden on them.”



The Coronavirus pandemic imposed mounting challenges and continuous difficulties that bewildered governments worldwide. However, one of the most prominent challenges that governments faced since the beginning of the pandemic was employee's wages. This challenge has stirred up a vexing question: Should the government tip the balance in favor of employees or employers? Choosing one party over the other will lead to the deterioration of both parties as well as national & global economic depreciation. Therefore, countries have adopted various different policies to alleviate the effects of Covid-19 on social and economic life, all-to establish balance between employees and employers as much as possible.

The Coronavirus pandemic had and still has immense and unprecedented negative effects that exceed those of many preceding crises, which affected the formulation of the Jordanian Government's policies; in particular, policies targeting employees. Thus, we will address in this newsletter an aspect of the policy adopted by the Jordanian Government to protect employees' wages in light of the current dire situation.

The Jordanian Government Approach

The approach that the Jordanian Government used while dealing with the novel situation of employees could be described as a variable approach, which means that the government addressed matters related to employees periodically. Thereupon, the government issued Defense Orders and Communiqués on an approximately monthly basis, to regulate and reconsider labor matters based on the circumstances and conditions in relation to the epidemiological situation in general and the economic situation in particular, to be able to decide accordingly the wages to which the employees are entitled to and whether there was a need to grant employers any powers to mitigate the losses that might be a burden on them.

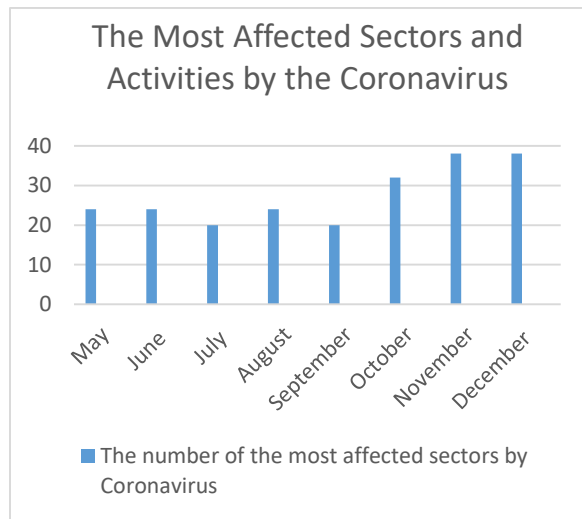
The Jordanian Government addressed the matter of employees' wages in Defense Order No. 6 and the communiqués issued accordingly. By examining them, it becomes clear that the wage determination mechanism depends mainly on the activity or the sector that the employee works in, as the Jordanian Government differentiated between employees working in the most



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affected sectors by Coronavirus and those working in other sectors.

The Prime Minister is in charge of issuing the list of the most affected sectors and activities by the Coronavirus based on a joint recommendation from the Minister of Labor and the Minister of Industry, Trade and Supply.¹ We have noted during the course of this newsletter that this list is not fixed, as it is subject to periodic review,² and the variation in numbers of those sectors and activities from one month to another is a great testimony to that. The following figure shows the number of those sectors and activities to date.



By looking at this figure, we deduce that the number of the most affected sectors by the Coronavirus fluctuated over the first few months, but has largely increased over October, November and December. This is a clear indication that the effects of the Coronavirus are long-lasting and are in a disturbing and constant increase.

In this newsletter, we will firstly explain the government's regulation of employees' wages, and then we will address the latest measures taken by the government.

Firstly: The Government Regulation of Employees' Wages

The rationale behind addressing the most affected sectors is because it was one of the major factors the government took into consideration when determining the wages, the allowed reduction rate and other matters. We have also noted from Defense Order No.6 and the issued communiqués that the government did not formulate a uniform policy for employee's wages, considering the government differentiated between employees based

¹ After the issuance of Communiqué No. 18, the Prime Minister issues the list of the most affected sectors based on a recommendation from the Minister of Labor, the Minister of State for Investment, and the Minister of Industry, Trade, and Supply.

² This was indicated in article 1 of Communiqué No. 7 that was issued in accordance with Defense order No. 6



on the working mechanism and the nature of their work (whether it was affected by the pandemic or not). It can be said that the government dealt with employees in three main categories: employees working full time, employees working part-time, and non-working employees. Accordingly, we will address employees' wages within these categories according to the different periods starting from the date of the comprehensive lockdown.

A. The Period From 18/3/2020-31/3/2020:

In general, wages had not undergone any change throughout this period regardless of the nature of their work; on the contrary, Defense Order No.6 emphasized the employees' entitlement to their full wages.

Although, it should be noted that this Defense Order came up with a special regulation for overtime pay for work on official holidays (according to the provisions of labor law, employees working on official holidays are entitled to overtime pay). However, Defense Order No. 6 indicated that employees who worked during the comprehensive

lockdown are entitled to their regular wages with no additional amount; meaning they are not entitled to overtime pay. For this purpose, Defense Order No. 6 has suspended the provision that regulates working on official holidays in the Jordanian labor law, which means that employees are not entitled to overtime pay for working on the comprehensive lockdown days unless they were assigned to additional work.

B. The period from April to November:

As of April, the amount of wages to which the employees are entitled to depends on the number of working hours. Accordingly, employees were divided into three categories: Full-time employees, part-time employees, and non-working employees. The wage determination mechanism in light of the aforementioned categories can be summarized as follows:

The First Category: Full-time Employees

Defense Order No.6 and its Communiqués stressed the full payment of wages for full-time employees, but as a result of the financial damages that



affected employers, it was inevitable to allow for the reduction of these wages under specific requirements. Since these requirements varied continuously, we will present them as follows:

a) **April:** It was possible to reduce the wages of employees working full time on the premises if certain requirements were fulfilled: voluntary agreement with the employee, the reduction rate should not exceed 30% of the employees' regular wages, and reductions should include the wages of senior management.

We note that the stipulated requirements aim to protect employees from the misuse of the reduction option, but it is worth noting that the reduction option was limited to employees working full time on the premises with no mention or indication of extending this option to the employees working full time remotely.

b) **May and June:** Similarly, employees working full time

whether remotely or on the premises are entitled to their full wages, with the possibility of reducing these wages if certain requirements were fulfilled. The number of these requirements increased, and two new requirements were introduced by Communiqué No.7: the employee must be working in the most affected sectors by the Coronavirus, and the wage after reduction shall be equal to or more than the minimum wage. It should be noted that employees in the most affected sectors were distinguished from those working in other sectors during this period.

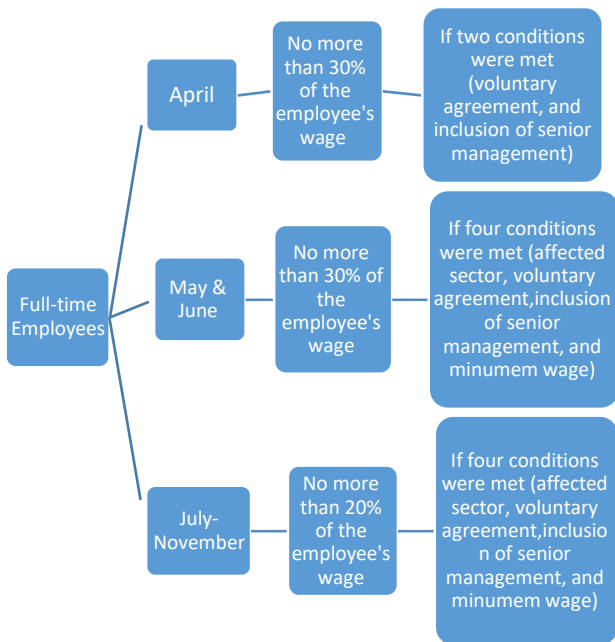
c) **July, August, September, October and November:**³ During this period, the employees in the most affected sectors were still distinguished from those working in other sectors. The former are entitled to their full wages, and the employer might reduce the wages if the previous requirements were met, but the reduction rate has changed to be no more than 20%. The latter are

³ This applies whether the employees were working remotely or on the premises.



entitled to their full wages with no reduction.

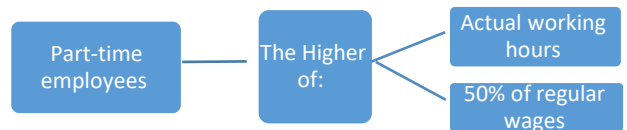
We note from the wage determination mechanism for this category that it changed periodically. Below is an explanatory figure that simplifies what we said previously.



The Second Category: Part-time Employees

The wage calculation mechanism for part-time employees has not changed since April. An employee working part-time is entitled to the higher wage of the following two options: Payment for actual working hours for no less than the

minimum hourly rate, **or** a minimum of 50% of the employee's regular wage. For instance, if the regular wage of an employee is 600 JODs, and he/she is working part-time for 50 actual working hours, and the hourly rate is 4 JODs. Then if we calculate the wage according to the first option, the employee would be entitled to 200 JODs while if it was calculated according to the second option, he/she would be entitled to 300 JODs. Thus the Defense Order No.6 stipulated that the employee is entitled to the higher wage, which means in this case the employer must pay the employee at least 300 JODs. Therefore, if the result of the actual worked hours is less than 50% of the employee's wage, then he/she is entitled to 50% of his/her regular wage.



The Third Category: Non-working Employees

This category was largely debated considering employees are not working (neither a full time nor part-time) against their own will. Therefore, the matter of determining their entitled wages takes into consideration two factors: The non-



working status and the employee's will to work. This is why the mechanism for determining the wages for non-working employees was under constant change.

In April, employers were supposed to pay full wages with the permission to submit an application / a request to the Minister of Labor asking for permission to pay a minimum of 50% of regular wages (no less than the minimum wage).

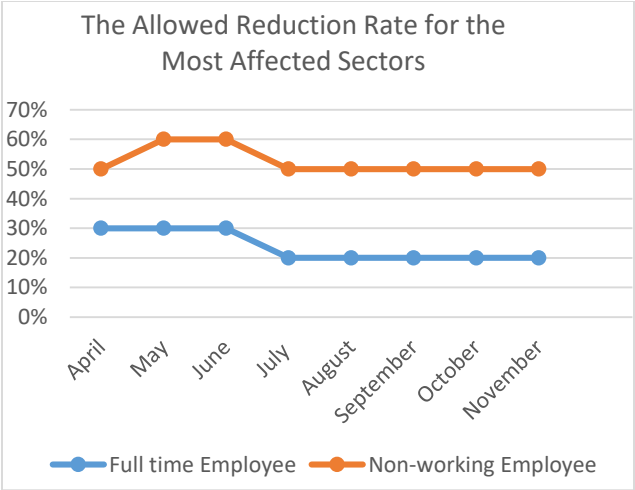
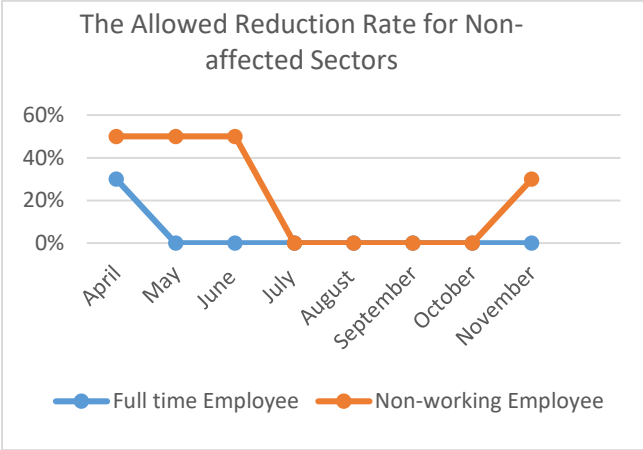
In May and June, employers were allowed to reduce the wages of non-working employees with no need to obtain the employee's approval or that of the Ministry of Labor **only if** certain requirements were fulfilled. These requirements varied depending on whether the employee was in the most affected sectors or in the other sectors. In the first case, the reduction rate should not exceed 60% and the paid wage should not be less than 150 JODs (which is less than the minimum wage). In the second case, the reduction rate should not exceed 50% and the paid wage should not be less than the minimum wage. We note that the employer was granted a power of wage reduction that is not subject to the approval of any official authority.

In July, August, September and October, the employer could reduce the wages of non-working employees in the most affected sectors with no need to obtain any approvals from the employee or the Ministry of Labor. However, the reduction rate should not exceed 50% and the paid wage should not be less than the minimum wage. On the other hand, non-working employees in the other sectors are entitled to their full wages and it is not possible to agree otherwise.

We note a distinct difference between the governmental policy here and that of May & June, as this policy limited the scope of the wage reduction for employees in affected sectors and did not allow reducing the wages of employees in the other sectors.

In November, the wage determination mechanism remained the same for employees in the most affected sectors. However, for those in the other sectors the power of wage reduction has returned on two conditions: the rate should not exceed 30% and the paid wage should not be less than the minimum wage. The following are two figures that show the allowed reduction rate according to the month and the sector.





Secondly: An Update on the Latest Developments of the Jordanian Government Support

There were numerous forms of governmental support since the beginning of the pandemic; some of which included launching various support programs. In December, governmental support has taken a new turn that aims to involve the government directly in supporting employees and employers. A new program, named *Estidama* (Arabic for “sustainability”), was founded to protect employment in the private sector.

This program is a partnership between the Jordanian government and the Social Security Corporation, which aims to support Jordanian employees working at establishments that are not permitted to operate and those working in the most affected sectors and establishments.⁴ The cost of this program amounts to 200 Million JODs.

The following conditions need to be fulfilled in order to benefit from this

⁴ According to the Communiqué No.16, the most affected sectors and establishments are to be determined under the instructions issued by the Social Security Corporation Director-General. However, Communiqué No.18 (which was issued after Communiqué No.16) stated that the Prime Minister issues the list of the most affected sectors and activities/the economic activities not permitted to operate based on a recommendation from the Minister of Labor, the Minister of State for Investment, and the Minister of Industry, Trade, and Supply.



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program: 1- The employee is a Jordanian national. 2- The employee must be covered by social security at the date of the application. 2- The employee must have been covered by social security in any of the months (March - October 2020) To benefit from the program, the employee must be covered by in the social security at the date of the application and must be so from any of the following months (March until the end of October 2020). Communiqué No. 16 explained how this support is distributed and for how long. The period of this program is only six months starting from December till the end of May.

If the requirements to benefit from this program are met, employees at establishments not permitted to operate will receive 50% of their wages with a minimum of 220 JODs and a maximum of 500 JODs (borne fully by the program).

As for employees working in the most affected sectors and establishments, they will receive 75% of their wages; in which the program will bear 50% of its value and the other 50% will be borne by the employer. The amount paid to the employee should not be less than 220 JODs; in case it is less, the program will

cover the difference. The maximum contribution of the program is 500 JODs, whereas, if what was allocated for the employee is less than 75% of their wages, then the employer will cover the difference.

We note that this program –according to the government’s declarations- aims to revive those sectors and boost them economically as well as to protect employment. It also tries to balance the program’s contribution and the employer’s contribution. As a result, this program is a joint effort between multiple parties to overcome the effects of the pandemic.

Upon the implementation of this program, the Prime Minister issued Communiqué No.18 to regulate employees’ wages for December and January. The wages of employees benefitting from the *Estidama* program is determined as previously explained, while the wage determination mechanism for those who are not benefitting from the program is different, as follows:

For the most affected establishments, the employer can reduce the wages of employees no more than 20% if certain



requirements were fulfilled.⁵ For establishments not permitted to operate, the employer can reduce the wages of employees on two conditions: the reduction rate should not exceed 50% and the paid wage should not be less than the minimum wage. While wages should be paid in full for employees in the other sectors and establishments. Thus, we note that the wage determination mechanism has changed to adapt to the *Estidama* program.

After addressing the regulation of employees' wages and the latest developments of governmental support, we would like to draw your attention to two matters. The first matter is the issuance of Communiqué No.17, which includes provisions that ensure the continuation and expansion of the Social Security Corporation Programs

(*Musaned (1), Tamkeen iqtisadi (2), Himaya*).

Secondly, the minimum wage has increased to **260 JODS** as of 2021, pursuant to the Tripartite Committee for Work Affairs resolution (that was issued last February).

In conclusion, it can be said that the Jordanian Government approach is a changing and diverse approach that adapts to any new conditions. Besides, it should be noted that what we tackled in this newsletter is not comprehensive, but only sheds light on some of the measures taken by the Government of Jordan. Therefore, we look forward to sending another newsletter that updates you on any new measures taken by the Jordanian Government and that explains the approach of other governments.

⁵ Those requirements are mainly: 1- Voluntary agreement with the employee 2- The reduction should include the wages of senior management 3- The reduction rate should not exceed 20% 4- The paid wage should not be less than the minimum wage



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HAMMOURI & PARTNERS ATTORNEYS AT-LAW



CONTRIBUTORS TO THIS EDITION

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TARIQ M. HAMMOURI, LL.M , PH.D
MANAGING PARTNER
tariq@hammourilaw.com



OMAR SAWADHA
SENIOR ASSOCIATE, HEAD OF LITIGATION
omar.s@hammourilaw.com



KHALID MOUSA
ASSOCIATE
khalid.m@hammourilaw.com



OMAR ABU AYYASH
ASSOCIATE
omar.a@hammourilaw.com



SABA AL-QABELAT
TRAINEE LAWYER
saba.q@hammourilaw.com



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