

## FORCED DOWNTIME COMPENSATION, DIGITAL SYSTEM FOR SIGNING EMPLOYMENT CONTRACTS, AND WORK HOUR REDUCTION

To raise public awareness, below we will discuss the recent and anticipated changes in the Labor Code of the Republic of Armenia (hereinafter referred to as the Labor Code or the Code).

### Regarding the amendment on payment for forced downtime:

With the RA Law "On Amendments and Addendums to the Labor Code of the Republic of Armenia," dated October 2, 2024, No. HO-364-N, an amendment has been made to Article 265 of the Labor Code. The law came into force on November 24, 2024, and will apply to compensation obligations for forced downtime arising from judicial acts that were issued and came into legal effect as a result of claims accepted for proceedings after the law's entry into force.

#### What was the situation before the law came into force?

Before the mentioned amendment came into effect, under the existing regulation, if an individual legal act regarding dismissal was invalidated by a court decision, the court was obligated to require the employer to compensate the employee **for the entire period of forced downtime**. This was the case regardless of whether the employee had started working for another employer after the termination of their employment with the original employer.

**Now, when handling labor disputes, courts must take into account whether the employee has started working for another employer after the termination of the employment relationship.**

#### What necessitated the change?

Although the law stipulates that labor disputes must be reviewed by the first-instance court within three months, this timeframe is typically not adhered to. This is due to factors such as the heavy workload of courts or motions submitted by participants in the proceedings that lead to delays. Additionally, the time required for higher courts to review cases—especially in instances where cases are sent back for re-examination—can significantly extend the overall duration.

Under these circumstances, employers often find themselves in a particularly unfavorable position. Regardless of their fault or lack thereof, they are required to pay employees larger sums than they would if the procedural deadlines were met.

In practice, many labor disputes take three years or more to resolve. The negative financial burden falls entirely on the employer, who is obligated to compensate the employee for the entire period of forced downtime, including the time consumed by court proceedings.

#### What changes have been introduced?

From now on, **if an employee starts working for a new employer after the termination of employment with their previous employer, compensation can be claimed from the previous employer for a maximum of nine months of forced downtime**, rather than for the entire period of forced downtime with the previous employer.

#### How will payments be made?

1. **If the employee worked for the previous employer for more than nine months, they will be compensated for forced down-**

time based on the last nine months' salary they earned at their previous job.

**2. If the employee worked for the previous employer for less than nine months**, they will be compensated based on the salary they earned during the actual period of employment with the previous employer.

- **If the employee worked for the previous employer for less than nine months**, they will be compensated based on the salary they earned during the actual period of employment with the previous employer.

If the employee earns a lower salary at the new employer compared to the previous one, the positive difference between the salaries will also be compensated. Specifically, the salary received at the new job will be subtracted from the salary earned at the previous job. If the difference is greater than zero, that amount will also be paid to the employee for the relevant period.

## Regulations on the Introduction of a digital system

The RA Law "On Amendments and Addendums to the Labor Code of the Republic of Armenia," dated December 4, 2024, No. HO-525-N, introduces the possibility of implementing a digital system for signing employment contracts.

### What does the digital system for signing employment contracts entail?

The digital system for signing employment contracts (hereinafter referred to as the "Digital System") will be a separate module within the electronic reporting system of the State Revenue Committee. Through this module, employers and employees will have access to an electronic interface (personal account).

Employment contracts will be signed using an electronic digital signature via the Digital System. This means that once the Digital System is implemented and becomes mandatory, all employees will be required to have an electronic digital signature<sup>1</sup> to sign contracts through the system.

### Who will have access to the Digital System?

Access to the Digital System will be granted to the following entities:

#### 1. Inspection Body

The Inspection Body will have access to the data within the Digital System to the extent necessary for performing supervisory functions prescribed by law. This includes monitoring compliance with the requirements of labor legislation, other normative legal acts containing labor law norms, and collective and employment contracts within the scope of their legally assigned powers.

#### 2. Relevant departments of the State Revenue Committee of the Republic of Armenia

These departments will have access to the data in the Digital System to the extent necessary for verifying the proper documentation of an employee's hiring or registration applications, as well as ensuring tax control over calculated and paid income, income tax, social contributions, and other mandatory payments, as required by their legally assigned powers.

#### 3. Migration and Citizenship Service of the Ministry of Internal Affairs of the Republic of Armenia

<sup>1</sup> Taking into account that for the 2024 reporting year, Armenian citizens who are considered resident employees in the Republic of Armenia will be required, starting from 2025 (and for the 2025 reporting year and subsequent years, from 2026), to submit annual income tax calculations (declarations), which will require strong electronic authentication using an electronic digital signature, this change will not impose additional obligations on employees to perform extra actions in this context.

This body will have access to the data of foreign workers within the Digital System to the extent necessary for processing administrative proceedings initiated based on applications submitted through the unified electronic platform [workpermit.am](http://workpermit.am).

#### 4. Employers and Employees

As mentioned earlier, employers and employees will be provided with access to their electronic data through a personal account within the Digital System. In cases where employment relationships involve individuals under the age of 16, access to electronic data will be granted to the parent, foster parent, adoptive parent, or guardian who signs the employment contract.

#### What problems will the Digital System address?

- The basic access provided by the Digital System will enable the Inspection Body to conduct effective monitoring, uncovering violations of labor legislation, including breaches of employment contract terms.
- The presence of the Digital System will eliminate the established practices of backdated contract signing, failing to register actual employment with tax authorities (illegal employment), or underreporting actual wages in contracts.
- The Digital System will allow employees to independently monitor the preservation of their rights arising from employment relationships. It will help them avoid situations involving illegal employment or exploitation.

#### When will the Digital System regulations take effect?

##### July 1, 2025:

The regulations regarding the Digital System are planned to take effect on this date. During the initial phase, the signing of employment contracts via the Digital System **will be voluntary**. This transitional period will allow employers to adapt to the new system while identifying and addressing potential system flaws.

##### January 1, 2026:

From this date, signing, terminating, and amending employment contracts **will be conducted exclusively through the Digital System**. This timeline also aligns with the mandatory requirement for all individuals to submit annual income tax calculations (declarations) starting in 2026, as access to the Digital System will be integrated with the platform for filing declarations.

#### What should employers do?

Starting from **January 1, 2026**, within a twelve-month period, employers must input the employment contracts of their current employees into the Digital System (if those contracts were not originally signed through the Digital System). These contracts must be entered with their terms as they stand at the time of entry.

The procedure for entering employment contracts signed before the law comes into force into the Digital System will be defined by the Government of the Republic of Armenia.

#### What penalties are foreseen for violations of the Digital System regulations?

Considering that the Digital System is a new tool requiring time for adaptation, the following penalties will apply (Article 41 of the "Code on Administrative Offenses"):

- **First Violation:**  
A **warning** will be issued.
- **Repeated Violations Within One Year:**  
If an employer commits another violation within one year after being subjected to an administrative penalty, a **fine equivalent to fifty times the minimum wage** (50,000 AMD) will be imposed on the employer.

## Expected Amendment to the RA Labor Code

On the **e-drafts.am** platform, a draft law titled "On Amendments and Addendums to the Labor Code of the Republic of Armenia" is currently under discussion.

This draft proposes to reduce working hours from **8 to 7 hours per day** and from **40 to 35 hours per week**, while maintaining current wages.

The author of the draft is the Ministry of Labor and Social Affairs of the Republic of Armenia.

### Objective of the Draft:

According to the authors, the adoption of the draft will promote the efficient allocation of time and resources between work and personal life (work-life balance). Specifically, it aims to provide opportunities for:

- Increasing rest time.
- Spending more time with family.
- Reducing stress, tension, and overwork.
- Addressing personal issues fully.
- Allocating more time for self-development.

Achieving balanced involvement across all spheres of life.

### Expected Benefits of the Draft:

The draft is anticipated to:

- Increase work efficiency.
- Lead to productivity growth.
- Balance the relationship between work and rest.
- Enhance quality of life.

Contribute to the creation of new jobs in both the public and private sectors.

### Current Status:

The draft has not yet been included in the agenda of the **National Assembly of the Republic of Armenia**.

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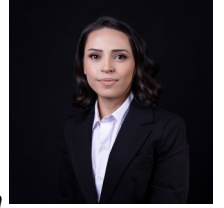
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### **About Author**

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*Shushanik Stepanyan leads the practice of labour law. She provides advice on labour law and representation in labour disputes [of both employers and employees]. Performs judicial representation in other civil cases. Joined Concern Dialog team in 2019.*

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