

# THE UAE HAS UPDATED ITS LABOR LAWS.

## What should you do to be compliant?

This short overview aims to outline some key updates made to the labour laws in the UAE. We have created two sections. Part 1 provides you an overview of some of the amendments made, and Part 2, some suggested steps in what you should do to stay compliant.

### **Part 1: OVERVIEW**

Federal Law No. 33 of 2021 of the new Labour Law, will take effect Feb. 2, 2022, and will repeal the current Labour Law under the UAE Federal Law No. 8 of 1980.

For your ease of reference, we have organised some select updates to the new Labour Law into the following categories:

**A. General**

**B. Termination**

**C. Leave & Sick Pay**

**D. Protections.**

### **A. GENERAL**

1. **Fixed-Term Employment Contracts:** All employees must be employed on fixed-term employment contracts not exceeding three years, which may be extended

for the same period. Employers will have 12 months from Feb. 2, 2022, to transition all their employees onto new contracts.

2. **Flexible Working Models:** Although not new, employees may undertake temporary or flexible work or full-time, part-time.
3. **Template Employment Contracts for Flexible Working Models:** Template employment contracts for each of the new flexible working models will be provided further by the MOHRE in both English and Arabic. We believe companies in the UAE will still want to issue their own employment contracts containing additional terms and conditions alongside the template contracts being introduced.

## B. TERMINATION

4. **Notice Periods:** Notice periods may be for a period of between 30 days to 90 days based on the duration of the continuous services with the employer. Unlimited contracts are to be replaced by fixed-term employment contracts, and the new Labor Law imposes minimum notice periods for the termination of existing unlimited contracts, depending on the employee's length of service: (i) 30 days if the employee's period of service is less than five years; (ii) 60 days if the employee's period of service is more than five years; and (iii) 90 days if the period of service is more than 10 years.
5. **Reasons for Termination:** Additional scenarios are provided upon which an employee's employment contract comes to an end, including permanent closure of the employer, the failure of the employee to satisfy immigration requirements, and the bankruptcy of the employer.
6. **Summary Dismissal:** The reasons permitting immediate, or summary dismissal have not been considerably amended, although the new Labour Law requires a written investigation and two written warnings to be given to an employee before dismissing the worker for failure to perform the employee's main duties.
7. **Termination by Employee During Probationary Period:** Employees who join another employer in the UAE during their probationary period with another employer, must provide one month written notice to terminate their employment and in doing so, the new employer must compensate the old employer for recruitment costs. Should the Employee wish to leave the UAE during their probationary period they must provide their employer at least 14 days' written notice. Should the employee return to the UAE within three months of their departure and obtain a work permit issued by the Ministry of Human Resources & Emiratization (MOHRE) with another employer, they reimburse their old employer for recruitment costs. If the Employee leaves the country without observing the above notice period, the said employee may not be granted work

permit by MOHRE for a period of one year from the date of departure except to the exempted categories.

8. **Termination by Employer During Probationary Period:** Employers may terminate employment during probationary period by giving 14 days' written notice.
9. **Termination on Notice:** Either party may terminate the employment relationship for "good cause" by giving written notice.
10. **Internal Policies and Procedures:** in accordance with the forthcoming executive regulations, Employers will be required to "put in place internal work regulations"
11. **End-of-Service Gratuity Calculation:** Employee end-of-service gratuity will now be calculated on the total number of days worked by the employee.
12. **End-of-Service Gratuity pursuant to Resignation:** End-of-service gratuity will not be reduced should an employee resign.
13. **End-of-Service Gratuity on Summary Dismissal:** Employers may not withhold an employee's end-of-service gratuity if the worker is summarily dismissed (i.e. employment is terminated immediately without notice).
14. **Resignation Without Notice:** Employees may resign without notice if (i) an employer fails to comply with their obligations, and the employee notifies the MOHRE 14 days before leaving and the employer fails to remedy the situation; and (ii) where the Employee is facing harassment or violence, the employee notifies the MOHRE within five working days of being able to do so.
15. **Non-competition:** non-compete clauses must be no longer than two years, although such a lengthy restriction is going to be difficult for an employer to justify in most cases. Certain positions will be exempt from non-compete obligations, although this will be addressed in executive regulations.
16. **Payment of Final Entitlements:** Employers must settle employees' final entitlements within 14 days of the termination of their employment.
17. **Retention of Employment Records:** Employers must retain employment records for two years after the termination of employment.

### C. LEAVE & SICK PAY

18. **Maternity Pay and Leave:** Maternity pay is increased to 60 days (45 days' full pay, 15 days' half pay). Employees will also be entitled to maternity leave and pay in the case of stillborn babies and new-born deaths. An additional unpaid leave

of 45 days will be allowed if they suffer a pregnancy-related illness. This period of leave will not be included when calculating the employee's end-of-service gratuity.

19. **Parental Leave:** Parental leave was introduced into the Current Labor Law in 2020. Employees will be entitled to five days' paid leave in the six months following the birth of their child. This leave will be in addition to an employee's entitlement to maternity leave and there is no qualifying service requirement.
20. **Search for Work:** Should the employer issue notice to the employee, the employee will be entitled to one unpaid day of leave per week during the notice period to search for new employment.
21. **Holiday Pay:** Payment in lieu of holiday pay on the termination of employment is to be calculated using basic pay only.
22. **Disability Leave:** Employees with babies who have disabilities may be entitled to an additional 60 days' leave ( 30 days with full pay and 30 days without pay)..
23. **Compassionate Leave:** Employees will be entitled to five days' paid leave for the death of their spouse and three days' paid leave for the death of a parent, child, sibling, grandchild or grandparent.
24. **Sick Pay During Probation Period:** Employees will not be entitled to any paid sick leave during their probationary period.

#### D. PROTECTIONS

25. **Protections Against Discrimination:** The law prohibits discrimination against persons on the grounds of religion, race, ethnic origin, colour, sex, national origin, or disability.
26. **Equal Pay for Women:** Equal pay in the UAE was initially introduced into the current Labour Law in 2020.
27. **Protection Against Harassment:** The law expressly prohibits bullying, verbal, physical or mental violence against employees and harassment.
28. **Passports:** Employers are expressly prohibited from retaining an employee's passport.
29. **Fines:** Fines of up to 1,000,000 UAE dirham (approximately 272,257 USD) may be imposed for failure to comply with the new Labor Law. This may be multiplied where numerous employees are affected.

## PART 2: WHAT YOU SHOULD DO TO STAY COMPLIANT?

1. Speak to a lawyer. If you have any questions about the new laws and how these may affect your business, please speak with us. We are ready to address any questions you may have.
2. All indefinite employee contracts will need to be updated to fixed contracts that do not exceed three years. We will work with you to ensure your contracts are up to date. This must be done by no later than Feb. 2, 2023.
3. Communication is key and we encourage all our clients to communicate with their employees on how they are going to be affected by the Law. If you are unsure what to say, we would be happy to help you put something together.
4. Both contracts and company policy documents will need to be updated with references to specific statutory entitlements. For example:
  - a. Maternity & Paternity leave
  - b. Sick leave policy during the probationary period.
5. Update or implement a grievance policy to facilitate employee complaints of discrimination, bullying and harassment.
6. Update or implement an anti-bullying and harassment, and equal opportunities policies to reflect the new provisions.
7. Update your existing disciplinary policy to reflect:
  - a. the additional reasons for termination;
  - b. updates to rights for end-of-service gratuity; and
  - c. the prohibition on discrimination, bullying and harassment.

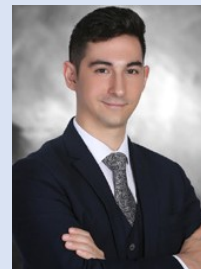
If you have any questions about how the new Labour Laws may impact your business, please get in touch with our Corporate & Commercial Team who are ready to help you.



SUNEER KUMAR  
suneer@alsuwaidi.ae



VIDA GRACE  
vida@alsuwaidi.ae



ROHAN SMITH  
rohan@alsuwaidi.ae