



# **NEW UAE LABOUR LAW - A QUICK WALK THROUGH ON MAJOR CHANGES**

# Disclaimer:

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- The official version of the Federal Decree Law no. 33 of 2021 (“Law” or “New Labour Law”) is issued in Arabic language
- The Law should be read in conjunction with the implementing rules that are yet to be issued
- This presentation is made based on an unofficial translation of the Law into English and is not an official or legal version
- This presentation, including the selected definitions, is in summarised form and may not be the verbatim reproduction of the Law
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# Background

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- New Labour Law was issued in the UAE in mid-November after cabinet approval
- It comes into force on February 2<sup>nd</sup>, 2022 (“Effective Date”).
- Repeals the existing Federal Labour Law of 1980
- Applicable across the UAE, in all emirates and its free zones, except the DIFC and ADGM
- It is an effort to radically overhaul the four decades-old regime
- It consolidates many changes introduced by MoHRE over the past five years
- It refers to Implementing Regulations to be issued by the MoHRE, which will contain further explanatory provisions and frameworks.
- It is not yet announced when these Regulations will be available.

# Scope and Objective

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## **Objectives:**

- Ensure the efficiency of the labour market
- Contributes to the attraction and retention of the best future talents and skills
- Provides an attractive business environment for Employers
- Enhance flexibility and sustainability of the UAE's labour market
- Regulate the labour relations; protect the rights and obligations of each parties

## **Scope:**

- Applies to all establishments, employers and Workers in the Private Sector in the UAE
- Does not apply to:
  - employees of federal and local government entities
  - members of the armed forces, police and security
  - domestic workers

# Definitions

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## **Private Sector:**

- companies;
- firms;
- establishments; or
- any other entities owned by individuals, in whole or in conjunction with Federal or Local Government; and
- companies and firms wholly owned by the Federal or Local Government, unless their constituting acts prescribe that they shall be governed by the provisions of another law

## **Basic Wage:**

- as stipulated in the Employment Contract
- exclude any other allowances or benefits in kind

## **Wage:**

- Basic Wage plus allowance, whether in cash or in kind

# Definitions

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## **Employer:**

- any natural or juridical person employing Workers in consideration of Wage

## **Worker:**

- any natural person authorised to work for an Establishment licensed in the UAE
- under the supervision and control of the Employer

## **Juvenile:**

- any person aged between 15 and 18

## **Employment Contract**

- agreement between Employer and Worker
- Worker undertakes to perform the Work and Employer undertakes to pay the Wage

## **Continuous Service:**

- uninterrupted service with the same Employer or his legal successor
- from the service commencement date

# Definitions

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## **Working Day:**

- working day specified by decisions implementing the Law

## **Work Injury:**

- Any occupational diseases listed by Cabinet's resolution,
- any other injury during the performance of Work or as a result thereof
- includes any accident occurring on the way to or back from his work, provided the trip to or from the Workplace is made directly, without delay, default or diversion from the normal route

## **Worker's Family:**

- Spouse, sons and daughters

## **Medical Institution**

- Any federal or local governmental entity concerned with health affairs, or any private health institution licensed for the provision of healthcare services in the UAE

# Models of Work



NEW

- Full-time
  - working for one Employer for the full hours of work throughout the Working Days
- Part-time
  - working for one or more Employers for a specific number of working hours or Working Days
- Temporary work
  - a work carried out within a specific period of time, or which involves a specific task and ends with its completion
- Flexible work
  - work which involves a changing working hours or Working Days, depending on the workflow and economic and operational changes of the Employer.
  - the Worker may work for an Employer at flexible working hours, depending on the circumstances and requirements of Work



# Employment Contract



CHANGED

- Existing Labour Law recognised fixed and unlimited contracts
- New Labour Law only prescribes fixed contracts not exceeding three (3) years
- Can be renewed once, or more than once, for an equal or shorter term
- If parties continue to perform the Contract after expiry, the Contract is deemed to extended on the most recent terms
- Initial term and the renewed term is considered for reckoning the Continuous Service
- Employment Contract to be made in duplicate; one each for the Employer and the Worker
- The onus of proof for the Employment Contract is with the Worker
- For employees currently on unlimited contracts, the provisions of the New Labour Law will automatically apply following the Effective Date
- Existing unlimited contracts to be converted to fixed contracts within one (1) year from the effective date of the Law, i.e before 2<sup>nd</sup> February 2023
- For the existing Employment Contracts, the Employer may calculate the severance pay in accordance with the provisions of the unlimited contracts of the current labour law

# Probation



CHANGED

- Probation period not to exceed six (6) months; no more than once with the same Employer
- On completion of the probation period the Employment Contract becomes effective
- Probation period is part of the period of service
- Employer may terminate with fourteen (14) days' notice
- Worker may terminate during the probation period, with:
  - One (1) month notice, in case he wishes to move to another Employer
  - Fourteen (14) days' notice, in case he wishes to leave UAE
- Worker moving to another Employer should pay the recruitment cost to the first Employer
- If Worker leaves UAE and returns within three (3) months, the new Employer shall pay recruitment cost to the First Employer
- Compensation for shortfall in notice period or its part based on the last Wage
- Worker leaving UAE during probation without complying with the notice period shall not be granted a Work Permit for One (1) Year from the departure
- It is unclear how the compensation to the first Employer will be administered

# Working hours and break



**LARGELY  
UNCHANGED**

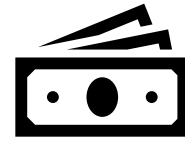
## **Working Hours**

- Maximum ordinary working hours are eight (8) hours a day or forty-eight (48) hours a week
- Employer may employ the Worker for additional working hours up to two (2) hours a day
- Working hours not to exceed One Hundred Forty-Four (144) hours every three (3) weeks
- For part-time Worker Working hours based on hours agreed in the Employment Contract
- Time spent for commuting between place or residence and work is excluded
- If Worker wishes to perform work remotely, the Employer may stipulate working hours
- Executive Regulation may increase or decrease the working hours for certain categories
- Executive Regulation shall determine the working hours during Ramadan

## **Break/Rest Days**

- Worker shall not work for over five (5) hours without break; at least one (1) hour a day
- At least one (1) paid weekly rest day as per the Contract or the internal work regulations
- Worker may not be employed more than two rest days

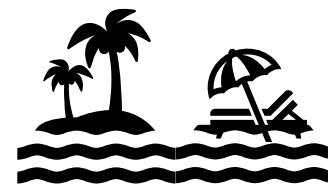
# Overtime payments an Deductions



LARGELY  
UNCHANGED

- Overtime payments at Basic Wage plus at least :
  - 25% : beyond normal working hours
  - 50% : between 10 PM and 4 AM (excluding shifts)
  - 50% : on rest days or official holidays (if no substitute rest day)
- Permitted deductions:
  - Recovery of loans, without interest
  - Reinstitution of overpayments made to the Worker, subject to 20% of the Wage
  - Contribution to provident fund, schemes, pensions and insurances
  - Deductions towards violation, subject to 5% of the Wage
  - Amounts needed to repair of any harm caused by the Worker, as a result of his error or violation of Employer's instructions, subject to no more than (5) five days per month
  - For multiple deductions, the total should not exceed 50% of the Wage
- Wages can be paid in AED or any other currency mentioned in the Employment Contract

# Annual Leave



LARGELY  
UNCHANGED

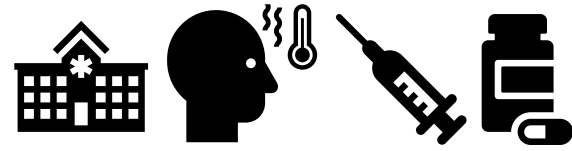
- Entitlement:
  - 2 days per month, between six (6) months and one (1) year
  - 30 days for each year of service, after completion of one (1) year
- Part-time Worker entitled to Annual Leave based on actual working hours
- During probation, Employer may grant leave from his annual leave. Worker reserves right to compensation for outstanding leave balance, if probation period is not completed
- The Worker shall use his leave in the year of entitlement
- Employer to notify the Worker the date of his leave at least one (1) month before the date
- With the consent of the employer, the Worker may carry his leave forward to next year
- Days off shall be part of the annual leave, unless the Employment Contract or the Employer's policy provides something more beneficial to the Worker
- Worker shall be paid for unutilized annual leave upon termination at Basic Wage
- Employer may not prevent using accrued annual leave for more than two (2) years, unless Worker wants to carry it over or be paid in lieu of leave according to the employer's policy

# Maternity Leave

CHANGED

- Entitlement:
  - first 45 days - full pay; next 15 days - half pay
  - next 45 days interrupted or continuous - no pay, in case of illness to the female Worker or her child; Medical Certificate to be provided; This period is not counted in the period of service for reckoning severance pay
  - additional 30 days - full pay, in case the female Worker delivers a sick child or a child with special needs requiring continuous escort based on a medical report
- Maternity Leave, if delivery after six (6) months of pregnancy or later and the child is still born or born alive and is dead
- A female Worker can take one (1) or two (2) breaks not exceeding one (1) hour to nurse her child for a period of six (6) months
- If a female Worker works for any other employer during the maternity leave, the Employer may deprive her of the Wage or recover any Wage paid
- The employer shall not terminate or issue a notice to a female Worker for reason of her pregnancy or for availing maternity leave

# Sick Leave



LARGELY  
UNCHANGED

- Entitlement:
  - 15 days with full pay
  - 30 days with half pay
  - 45 days with no pay
- No sick leave during probation period
- Employer may grant unpaid leave during probation based on a medical report stating that leave is necessary
- Employer may dismiss the Worker if he fails to report to work after availing the sick leave
- Medical reports shall be issued by the Medical Institution

# Other Leaves

CHANGED

- Bereavement Leave:
  - 5 days for death of spouse
  - 3 days for death of a parent, child, sibling, grandchild or grandparent, commencing from the date of death
- Paternal Leave: five (5) Working Days, any time in six (6) months from the birth of the child
- Study Leave: ten (10) Working Days per year to appear for the examinations, if the Worker is affiliated with or attending educational institution in UAE, provided he has at least two (2) years of Continuous Service
- Sabbatical Leave: To an Emirati Worker for national or reserve service
- Proof to be submitted from the entities concerned
- A Worker may take an unpaid leave with the consent of the employer
- Such unpaid leave is excluded for reckoning Continuous Service
- If parties wish to terminate the Employment Contract during the period of leave, the notice period shall commence after resumption from leave, unless otherwise agreed



# Disciplinary Sanctions



CHANGED

- Employer may impose following sanctions:
  - written notice
  - deduct up to five (5) days Wage in a month
  - suspend work for up to fourteen (14) days without pay
  - deny periodic increment for a max. of one (1) year
  - deny promotion for a max. of two (2) years
  - dismissal with severance pay
- Employer may temporarily suspend the Worker:
  - for disciplinary investigation for a maximum of thirty (30) days, with half pay
  - for offence against life, property, honour, or honesty, with no pay
  - if case is dismissed suspended Wage to be paid
- Controls
  - no disciplinary action for an act outside the Workplace, unless it is related to the work
  - only one disciplinary action against one violation
- Executive Regulations shall determine the conditions, controls and procedure for the above

# Termination



**LARGELY  
UNCHANGED**

- By mutual written agreement of the parties
- Expiration of the term of the Contract if not renewed
- By either party subject to notice period
- Employer's death
- Worker's death or permanent disability
- Conviction of a Worker for a term not less than three (3) months
- Permanent closure of the Establishment pursuant to the legislation in force
- Employer becomes bankrupt, insolvent, or unable to continue business in accordance with the procedures set by Executive Regulations
- Worker does not meet the condition for renewal of Work Permit for reason outside of the Employer
- It is not explicitly clear whether party is required to give notice period if he wishes not to renew the contract.

# Notice Period



LARGELY  
UNCHANGED

- Not less than thirty (30) days
- Not more than ninety (90) days
- Equal to both parties
- Full pay to the Worker during the Notice Period
- Notice pay based on the last Wage of the Worker
- Parties may waive the notice period
- Party in breach to compensate the other party for notice pay in lieu of notice
- If Employer terminates the Employment Contract, the Worker can avail absence of one (1) working day per week to search for jobs, by notifying three (3) days in advance
- No notice period by Worker if:
  - Employer commits breach; Worker to notify Ministry fourteen (14) days before leaving
  - Subjected to assault, violence, or harassment; Notify authorities within five (5) days
  - Workplace poses a serious threat to the safety or health
  - Entrusted with a work substantially different from that is agreed upon in the Contract

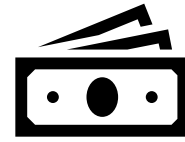
# Dismissal of Worker without notice



**LARGELY  
UNCHANGED**

- Assumes false identity or submits false documents
- Commits an error resulting in gross material loss or deliberately cause harm to the property, provided Worker admits the same and Employer notifies Ministry within seven (7) days
- Violates the policies of the Employer or safety at Workplace
- Fail to perform his main duties and fail to remedy despite two (2) warnings
- Divulges business secrets resulting in loss to the Employer
- Found intoxicated
- Verbal, physical or other form of assault
- Absent for twenty (20) interrupted days or seven (7) consecutive days in a year
- Abuse his position to obtain personal gains and profits
- Joining another Employer not in compliance with the procedures
- If the Worker is terminated, they will be entitled to their severance pay (which is previously forfeited in such circumstances under the current labour law).

# Severance pay



CHANGED

- National Worker entitled to pension and social security according to the legislation
- Foreign Worker entitled to severance pay as follows, calculated on Basic Wage:
- Twenty-One (21) Working Days for each of first five (5) years
- Thirty (30) Working Days for subsequent years
- Pro-rata calculation for fraction of the year
- Absence without pay to be excluded for Continuous Service
- Basic Wage last drawn by the Worker
- Severance pay capped at two (2) years Wage
- Employer may deduct amounts due by law or court order from the severance pay
- Cabinet may propose any other scheme instead of severance pay
- Working Day impact could be between 16% to 40%;
- To check whether Employers need to accrue this impact in 2021?
- How the calculation for calendar days and Working Days are to be done (6/7 days)?

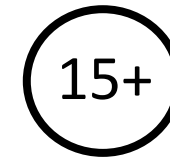
# Equality and Non-Discrimination



CHANGED

- Law prohibits discrimination against persons on the grounds of:
  - race
  - color
  - gender
  - religion
  - national or ethnic origin
  - disability or
  - in any other way that weaken equal opportunities or impair equal access to, or continuation of, or enjoyment of rights associated with, employment
- An Employer shall not discriminate in respect of Works involving the same job duties
- Female Workers shall be subject to all provisions regulating employment of Workers without any discrimination
- Women shall receive the same Wage as men for the same Work, or for a Work of equal value

# Employing Juvenile



- New Labour Law prohibits employing any person less than the age of 15
- A Juvenile can be employed subject to:
  - written consent from the parent or guardian
  - a certificate of medical fitness from Medical Institution
- Working Hours:
  - shall not exceed six (6) hours a day
  - one or more breaks of at least one (1) hour a day
  - no work for more than four (4) consecutive hours
  - no work between 7 PM and 7 AM or after working hours
  - no work on rest days or official holidays
  - not to work overtime



# Non-competition clause



NEW

- Restrictive covenants are permissible in the current labour law, provided they are reasonably limited in time, location, and the type of work.
- In practice, the courts have appeared reluctant to consider restrictive periods exceeding six months as being reasonable
- In the New Labour law, non-competition clause should specify place, time and type of work
- The obligation should not exceed two (2) years
- This clause is void in case of termination of the Employment Contract by Employer not in accordance with the Law
- No hearing will be done after the lapse of One (1) year from the discovery of the violation by the Employee
- Executive Regulations shall prescribe
  - Provisions relating to this article
  - Skill levels or positions that may be exempted from this provisions



# Obligations of the parties

LARGELY  
UNCHANGED

## **Employer:**

- Maintain Worker's records for at least two (2) years
- Not to seize the official documents or force to leave UAE upon termination of employment
- Bear healthcare costs in accordance with the legislation in force
- Bear the costs of insurances, contributions, securities specified by the legislation in force
- Upon request, provide experience certificate free of charge (should not include anything that harm the reputation of the Worker or reduce his opportunities of finding a job)
- Bear the cost of Worker's repatriation (to his point of hire or as mutually agreed) in case of termination by Employer

## **Employee:**

- Maintain confidentiality of information
- Not keep any hard or soft papers or document in Worker's personal capacity
- Return all things in his possession to the Employer at the end of the Service

# Other provisions

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- Dismissal arbitrary if Worker files a complaint to Ministry or an action proved valid against Employer
- Employer to pay fair compensation estimated by the competent court, not exceeding three (3) months, in addition to severance pay
- In case of Worker's death, the Employer shall pay the Wages, severance pay and other entitlements due to the Worker's Family within ten (10) days
- Worker to designate someone from his Family in writing for the above
- Upon Family's request, the Employer shall bear all costs for repatriating the remains of the demised Worker to his home country or place of residence
- The Ministry shall put a mechanism in case the settlement of the dues to the Family or assigns is not possible
- Foreign Worker absenting from Work shall not be granted Work Permit for one (1) year
- Payment of end of service pay within fourteen (14) days after expiry of the Contract
- Exemption of judicial fees for up to AED 100,000/-

# Final/Transitional provisions

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- Rights laid down in the Law constitute the minimum Workers' rights
- Law shall not prejudice any of the Worker's rights that are beneficial than the Law
- Parties should not misapply the Law to jeopardise others freedom or achieve any interest to such party
- Terms contrary to the Law, even if in force before the Effective Date, is null and void
- Employer may establish policies that are more beneficial to the Worker
- In case of conflict between the policies and Law, terms beneficial to the Worker applies
- Employer not to review the terms of the Employment Contract with the Worker prior to this Law, to apply the provisions hereof, unless it is done to benefit the Worker
- The Employment Contract may be updated after its expiration in accordance with the Law
- Parties may terminate an existing unlimited contract, for a legitimate reason, subject to the following notice :
  - 30 days if the period of service is less than 5 years
  - 60 days if the period of service is more than 5 years; and
  - 90 days if the period of service is more than 10 years.
- Payments to the Workers, or the members of his Family, under the Law shall have priority over Employer's funds and to be paid after the amounts due to public treasury and legal alimony awarded to the wife and children are paid

# Comparison

	<b>Current Labour Law</b>	<b>New Labour Law</b>
Contract Type	Fixed and unlimited contracts	Fixed contracts not exceeding three years
Models of Work	Piecemeal work	Part-time, flexible work, temporary work
Notice Period	Min. 30 days; Max. not specified; however, 3 months was accepted. Compensation at 3 months or 1.5 months for fixed contracts	Min. 30 days and max. of 90 days
Non-discrimination	Prohibits pay discrimination. Employers may not discriminate against employees or threaten to terminate for reason of being pregnant or on maternity leave.	Non-discrimination restrictions now extend to discrimination based on race, colour, sex, religion, national or ethnic origin or disability.
Harassment	No specific article on this point	Prohibits sexual, physical, verbal or psychological harassment, allowing them to terminate employment without notice.
Maternity Leave	45 days paid leave and up to 100 days of unpaid leave	45 days of paid leave, 15 days of half pay leave and 45 days unpaid leave

# Comparison

	<b>Current Labour Law</b>	<b>New Labour Law</b>
Annual Leave	30 calendar days	Unchanged
Bereavement Leave	Not covered	5 days for loss of spouse, 3 days for parents, siblings or child
Parental Leave	Five days for mother or father.	Unchanged
End of Service Gratuity	a) Basic salary of 21 calendar days each for first five years of service; and b) Basic salary of 30 calendar days each for subsequent year of service 1/3 <sup>rd</sup> or 2/3 <sup>rd</sup> in case of resignation	a) Basic salary of 21 working days each for the first five years of service; and b) Basic salary of 30 working days each for subsequent year of service
Overtime	Max. 2 hours a day. Overtime time depending upon the time/day of work	The max. daily overtime is same but total working hours capped at 144 every three weeks. All overtime based on basic salary
Salary Deductions	Max. of 10% deduction to recover advances given to employee	Max. of 20% deduction to recover advances given to employees. Total deductions not to exceed 50%

# Q&A Session

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Questions?

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Thank You

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Thank You!

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