

Be Prepared:

The New UAE Labor Law – A Milestone Development for the UAE

Updated on 2 March 2022

The Federal Decree Law No. 33 of 2021 (the **New Labor Law**) came into force on 2 February 2022 and is a new decree law that regulates labor relations and employment practice in the private sector within the UAE. The New Labor Law represents a milestone development for the private sector and is the most substantial change to the existing UAE Federal Law No. 8 of 1980 (the **Previous Labor Law**) since its inception, and replaces the Previous Labor Law in its entirety. The New Labor Law contains numerous references to "executive regulations", which have now been released in the form of UAE Cabinet Resolution No.1 of 2022 (the "**Executive Regulations**"). The Executive Regulations supplement and clarify various provisions of the New Labor Law and in light of this, we have updated our comparison between the Previous Labor Law and the New Labor Law below to include reference to the key changes within the Executive Regulations.

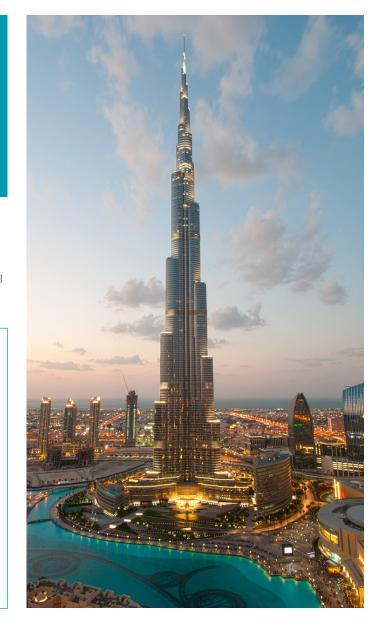
With the introduction of new flexible and temporary working models, an overhaul in the contractual engagement of employees and the prohibition of various forms of discrimination, bullying and sexual harassment in the workplace, as well as protection for employees who make a complaint based on their treatment (i.e., victimization), the New Labor Law includes a number of measures that could be viewed as being "employee-friendly." In light of this, we expect a material shift towards a much more competitive work environment for employers and employees in the UAE labor market post-pandemic and strongly recommend all UAE companies onshore and within the free zones (with the exception of the Dubai International Financial Centre and Abu Dhabi Global Market) to ensure compliance with the New Labor Law now.

What Should Employers Do?

Employers need to act promptly to:

- Ensure that their policies and contracts are compliant.
- Review and closely assess where employees have certain rights and obligations embedded in their contracts, which are
 in accordance with the Previous Labor Law (e.g., the scope of maternity leave, probationary periods, the scope of posttermination restrictions, etc.), which will need to be amended and agreed with the employee to ensure compliance with
 the New Labor Law.
- Ensure that all employees and management are aware of the changes. In particular, this may be a good time to review policies and provide training on equality, diversity and dignity within the workplace.

We have set out below a comprehensive review of the key changes and a comparison between the Current Labor Law and the New Labor Law. However, please get in touch with our team if you require any assistance in reviewing your existing employment agreements and HR policies or any advice on your obligations under the New Labor Law. Our team is available to assist with practical implementation support of the New Labor Law, and to advise further on how the new law may affect your operations and the corresponding rights of employees in the UAE.





Comparison of Key Changes Introduced to the Labor Law

We have set out below a side-by-side comparison of the key provisions the New Labor Law and the corresponding changes that have been made from the Previous Labor Law.

Equality and Prohibition of Discrimination

Previous Position

Discrimination in the workplace is referred to very loosely within the Previous Labor Law and protection is limited to the following:

- Equal pay for men and women for the same work.
- Protection for discrimination in the event of dismissal due to an employee's pregnancy or maternity leave.

In addition, while there is no explicit reference to forms of disability discrimination, there has been a separate resolution, Resolution No. (43) of 2018 Regarding Supporting Special Needs (People of Determination) Work (the **Resolution**), which requires employers to make reasonable accommodations to those with a disability during employment. There is, however, no express right under the Resolution for employees to bring disability discrimination-related claims or indeed any remedy/penalty stated for non-compliance within the Resolution itself.

Position Under the New Labor Law

The New Labor law expands on the grounds of discrimination in the workplace and provides the following:

- It is prohibited to discriminate an individual on the basis of race, color, sex, religion, national origin, social origin, or disability that would impair equal opportunities for an employee or prejudice an employee from gaining employment and continuing such employment.
- Employers are prohibited from discriminating between employees in relation to tasks carried out under the same job/role.
- Employers are prohibited from terminating an employee (or threatening to terminate an employee) on the basis that she is pregnant or on maternity leave.
- All provisions regulating the employment of workers are now explicitly stated as being applicable to women without discrimination. The law expressly states an equal pay right for women doing the same job, or other work of equal value, as men. The value of work is expected to be determined at a later date by the local cabinet.
- The New Labor Law does not set out any specific penalties for acts of discrimination. It therefore remains to be seen how the courts will treat breaches of the law in this regard; however, as the various forms of discrimination are now explicitly prohibited, employers may be found liable for fines (for both individual acts and cumulative fines for multiple acts) for breaches of the law, starting from AED5,000 to AED1 million.

	Previous Position	Position Under the New Labor Law
Forced Labor, Bullying and Sexual Harassment	There are no provisions under the Previous Labor Law that relate to forced labor, bullying or sexual harassment in the workplace.	The New Labor Law provides that an employer shall not use any method to coerce or force an employee to work against his/her own will and prevents an employer from threatening to impose any sanction on the employee to force him/her to perform certain work or service against his/her own will.
		In a significant change, the New Labor Law also prohibits sexual harassment and/or any verbal, physical or psychological form of bullying against an employee, by the employer or the employee's supervisor/colleagues.
		The New Labor Law does not set out any specific penalties for acts of discrimination; however, as acts of bullying and sexual harassments are now explicitly prohibited, employers may be found liable for fines (for both individual acts and cumulative fines for multiple acts) for such acts under the new law, starting from AED5,000 to AED1 million.
Work Categories	The Previous Labor Law does not specify work categories that may be contracted into.	The New Labor Law and Executive Regulations introduce a number of different work categories, including:
		• Full-time work: Working for only one employer for the full working day/week (as per the working hour limits prescribed under the New Labor Law).
		 Part-time work: Working for one or more employers for a specific number of hours or days. Part-time workers shall be entitled to vacation leave on a pro-rated basis.
		 Temporary work: Work that shall be completed within a specific period of time (i.e. a fixed-term arrangement for a specific project).
		 Flexible work: This category shall be entered into where working hours or days shall vary depending on the work volume or on the economic and operational circumstances of the employer.
		 Remote working: This category enables full-time and part-time employees to work completely or partially outside the workplace should the nature of their work allow it.
		 Shared working (part-time employees only): This category enables the employer to split the employee's job responsibilities and pay among more than one employee based on an agreement with the employer.
		It remains unclear how employers will be expected to implement these new employment arrangements and the implications of this, however the Executive Regulations have clarified that annual leave and end of service gratuity for part-time employees should be calculated with reference to the number of hours that they are contracted to work and a calculation formula has been provided in the Executive Regulations accordingly.

	Previous Position	Position Under the New Labor Law
Work Permits	In order to lawfully work for an employer, expatriate employees need to obtain a work permit from the MOHRE.	The Executive Regulations introduce 12 different types of work permit which are available from the MOHRE. The most significant here is introduction of the new "self-employment permit" which allows individuals to work in onshore UAE on a self-employed status without being sponsored by, or without being required to, obtain a work permit via, an onshore employing entity.
Term of Employment Contract	Employment contracts must either be for an unlimited or fixed term. For fixed term contracts, the term of the agreement must not exceed four years (unless subsequently renewed by the parties).	Under the New Labor Law, all employees shall be required to enter into fixed term employment contracts, which should not exceed three years (renewable by mutual agreement). If the term of an agreement is extended or renewed, the new term shall be treated as an extension of the original term length and shall be added to it when calculating the employee's overall length of continuous service. The New Labor Law also confirms that where parties continue to perform the contract after the expiration of its original term or after the completion of the work agreed upon without any explicit agreement, the contract shall be treated as having been renewed on the same terms and conditions as were set out in the original contract.
		For employees currently contracted under unlimited term contracts, the New Labor Law will automatically apply from 2 February 2022. However, employers have been afforded a grace period of one year from the New Labor Law's implementation date, to convert any existing unlimited term contracts into fixed term contracts (i.e. by February 1, 2023).
Minimum Wage	There is no statutory minimum wage; however, the Previous Labor Law broadly mentions that the salary must cover basic needs of the employee.	The New Labor Law shall set a minimum wage for employees in the private sector. The UAE Cabinet will determine the minimum wage following a proposal by the MOHRE in coordination with the relevant local authorities.
Currency of Salary Payments	Under the Previous Labor Law, wages must be paid in UAE Dirhams.	Wages can be paid either in UAE Dirhams or in another currency if the parties mutually agree on this within the terms of the applicable employment contract. We are raising enquiries with the authorities as to how provision of a foreign salary payment will be reconciled with obligations for certain employers to make salary payments through the Wage Protection System.
Probation Period	An employer may terminate an individual's employment during the probation period without any advance notice (i.e. termination is effective immediately) being given or any notice pay being due.	 Termination by employer during the probationary period Employers may only terminate an individual's employment during the probation period by providing advance notice of at least 14 days before the termination date. Termination by employee during the probationary period The New Labor Law provides that employees wishing to change jobs during their respective probation period must provide the employer with at least one month's notice. The New Labor Law states that, in this case, the employee's new employer should compensate the old employer for recruitment costs.

	Previous Position	Position Under the New Labor Law
		• If the employee wishes to leave the UAE during their probation period, he/ she must provide the employer with at least 14 days' notice. The New Labor Law states that if the employee returns to the UAE and obtains a work permit issued by the MOHRE with another employee within 3 months of this departure, the employee's new employer should compensate their old employer for recruitment costs.
		 It remains to be seen how the new rules governing termination during the probationary period will work in practice however, we recommend employers review their respective employment contract templates to ensure adequate protections are in place with regards to potential recruitment costs.
		Interestingly, the New Labor Law provides that where an employee leaves the country without notice during their probation, this individual will be subject to a one-year ban from obtaining a work permit from the date they leave the country (subject to exemptions from MOHRE).
		Please note, if either the employer or employee is found to have violated these rules, the breaching party shall be required to financially compensate the other with a pay equivalent to the remaining notice period.
Overtime/Working Hours	The working week under the Previous Labor Law is 8 hours per day (6 hours per day during Ramadan for all employees) and 48 hours per week, with Friday as the designated weekly day of rest.	The working week remains the same under the New Labor Law however, the law does not prescribe Friday as being the specific weekly rest day, and only requires that employees be afforded a minimum of one weekly rest day.
	Crossing the above thresholds triggered a requirement to pay additional compensation for overtime, calculated according to basic salary in some	Overtime is capped at 144 hours in every three-week period and is calculated according to basic salary only.
	cases / total salary in certain cases.	The rates for overtime are as follows:
	The rates for overtime are as follows:	25% provided where the employee works additional hours.
	• 25% where the employee works additional hours.	• 50% where overtime is between the hours of 10 p.m. and 4 a.m.
	 50% where overtime is between the hours of 9 p.m. and 4 a.m. Where an employee works on a Friday, the employee is eligible to receive a day in lieu or shall receive a supplement of at least 50% remuneration. 	 Where an employee works on a designated rest day, the employee is eligible to receive a day in lieu or shall receive a supplement of at least 50% remuneration.
	Under the Previous Labor Law, individuals occupying managerial or supervisory positions are exempt from being able to receive additional	Under the New Labor Law, the following categories are exempt from the restrictions in respect of working hours and overtime provisions:
	compensation for overtime.	Chairman / board members;
		Employees in a supervisory position who "enjoy the powers of the employer"; or
		Where the type of work is technical in nature and requires an individual to perform successive shifts (provided the average working hours do not exceed 56 hours in a week).

	Previous Position	Position Under the New Labor Law
after childbirth and is subject to one year's continuous service. Additional unpaid maternity leave for up to 100 consecutive or non-consecutive days is possible, provided the employee can prove the existence of a medical condition related to the pregnancy/birth, evidenced by a medical certificate preventing her from returning to work. In addition, employees returning from maternity leave are entitled to two additional nursing breaks per day (not	entitled to 45 days' maternity leave, which includes the period prior to and	Maternity Leave A female employee shall be entitled to a maternity leave of 60 days as
	unpaid maternity leave for up to 100 consecutive or non-consecutive days is possible, provided the employee can prove the existence of a medical condition related to the pregnancy/birth, evidenced by a medical certificate, preventing her from returning to work. In addition, employees returning from maternity leave are entitled to two additional nursing breaks per day (not exceeding one hour in aggregate), until the child reaches 18 months of age. There are no provisions under the Previous Labor Law relating to	follows: a. The first 45 days with full pay; and b. The next 15 days with half pay The New Labor Law provides that where a new mother has exhausted her maternity leave and is suffering from a disease resulting from pregnancy or delivery or in case her infant is suffering from a disease resulting from pregnancy or delivery, the individual shall be entitled to an additional unpaid 45 days to care for herself or her new child (subject to a medical certificate being presented as a supporting document). In addition, if a baby is born with a disability or is sick to the extent their health conditions require a "constant companion", the new mother shall be entitled to a further 30-day paid leave on top of the basic maternity leave, which can be extended by an additional
		30 days with no pay. The new law also reduces an employee's entitlement to nursing breaks from 18 months to six months from the date of delivery. Please note, under the New Labor Law, maternity pay cannot be reduced in the event that the employee has not completed one full year of employment at the time of undertaking their respective maternity leave.
		Parental Leave
		Both male and female employees shall receive a five-day parental leave to be taken up to six months following the child's birth concurrently or intermittently (this was previously introduced under Federal Decree Law No. 6 of 2020 and is now formalized under the New Labor Law).
		Other Forms of Leave
		Compassionate leave – Employees shall be entitled to five days of mourning leave upon the death of a spouse, and three days upon the death of a parent, child, sibling, grandchild or grandparent.
		Study leave – Employees with more than two years of service shall be entitled to a 10-day study leave period if they are enrolled in an accredited institution inside the UAE.
Accrual of Annual Leave Balance	Untaken annual leave must either be carried forward to the following leave year, or must otherwise be paid out in lieu. Although explicitly not referred to in the Previous Labor Law, it is generally accepted by the courts that employees may only carry over leave for up to two years.	Employees are required to avail their annual leave in the same holiday year. Employees are entitled to a payment in lieu of unused leave upon the termination of employment calculated, and such payment shall be based on the employees' basic salary only.

	Previous Position	Position Under the New Labor Law
		The Executive Regulations have clarified that whilst employees are required to avail their annual leave within the same holiday year, they are permitted to carry over up to half of their annual leave entitlement or receive a cash allowance (based on basic salary only) for this untaken entitlement.
Termination of Employment Contract	The Previous Labor Law allows for the termination of employment under the following circumstances: • If the employer and employee mutually agree to the termination. • If the employment is subject to a fixed-term contract, upon the expiry of the agreed term. Early termination of a fixed term contract shall guarantee the employee a right to a fixed amount of three months' full pay unless there is less than three months left until the expiry of the contract, in which case the compensation will be the balance of the contract (unless otherwise agreed contractually). • The termination of employment may be without notice if the reason for dismissal is based on one of the grounds listed under Article 120 of the UAE Labor Law. Under the Previous Labor Law, employees are not entitled to an end-of-service gratuity payment where their employment is terminated in accordance with Article 120. • The termination of employment may be effected with notice provided such termination is due to a reason connected to an employee's work performance or conduct in the workplace. Where the reason is unrelated to work, the dismissal will be considered "arbitrary," which may attract compensation of up to three months' gross pay. The Previous Labor Law, under Article 121, also provides employees with the right to terminate their employment without notice where: • The employer breaches his/her obligations towards the employee, as provided for under the corresponding employment contract or under the law. • Where the employer or the legal representative of the employer has assaulted the employee.	Termination With Notice Accounting for the fact that all employment contracts shall be subject to a fixed term under the New Labor Law, contracts can be terminated on notice during the course of the employment term for a "legitimate reason" (as agreed in the employment contract), provided that the period of notice shall not be less than 30 days and not exceeding 90 days. Where a notice period is not adhered to (by virtue of either the employee or employer's actions), the party terminating the contract shall pay a "compensation in lieu of notice" to the other party, even if there was no harm resulting from such failure. The compensation shall be equal to the employee's wage for the entire notice period, or the remainder thereof. Please note, there is no definition around the meaning of the term "legitimate reason," which will very much be subject to the particular facts of the case and the interpretation of the Labor courts should no further guidance be forthcoming in this regard. The New Labor Law also expands on the grounds in which an employer is permitted to terminate an employment contract without notice (please see our comments on this further below). Compensation for Unlawful Termination? In terms of what constitutes an unlawful termination of employment, interestingly the New Labor Law no longer explicitly refers to the concept of "arbitrary dismissal". Article 47 of the New Labor Law states that an employee's termination shall be unlawful: • If the termination is due to a serious complaint submitted by the employee to the Ministry; or
	generally not a valid reason for termination of employment.	The provisions around unlawful termination appear to be in effect, a means for employees to issue a claim on the basis of victimization (a concept that exists

in other jurisdictions) and it will be interesting to see how the courts interpret these provisions and any associated fact pattern invoking these new unlawful

termination rights.

Previous Position	Position Under the New Labor Law
	Compensation for unlawful termination under the New Labor Law is stated as being determined based on the type of work, the amount of damage sustained by the employee and the term of his/her service and shall attract up to three months' total remuneration (basic salary and allowances, calculated based on the latest wage that the employee was receiving). There are no other bases cited in the New Labor Law for compensation for unlawful termination.
	It is unclear at this stage whether the New Labor Law is limited to victimization-type complaints with regards to unlawful termination as there are detailed provisions within the Executive Regulations with regards to employers being required to follow a process when carrying our disciplinary investigations and our view is that it is still possible that employers may still be liable for unlawful terminations (as was the case previously with "arbitrary dismissal" claims). Whilst we await further clarity from the courts in this regard, the key point for employers to note is that the main financial risk for an unlawful termination complaint is up to three months' total remuneration.
	Redundancy
	The New Labor Law and Executive Regulations now include explicit provision for redundancy-type dismissals where:
	 A court ruling has been issued to confirm that the employer is bankrupt or insolvent; or
	 any "economic or exceptional reasons that prevent the continuation of a project" – the Executive Regulations confirm that reliance upon this shall only be possible where a decision has been issued by the UAE authorities confirming that the employer is unable to continue their activity due to exceptional economic reasons beyond its control.
	Termination is also now permitted where the employee is found to have not satisfied the work permit renewal requirements for any reason that is beyond the employer's control.

	Previous Position	Position Under the New Labor Law
		Termination Without Notice
		The New Labor Law includes the following additional grounds in which an individual may be summarily dismissed (the grounds for which termination can be undertaken on this basis are now set out in a new Article 44, Previously Article 120):
		Where an employee misuses his/her position for private gain.
		Where an employee commences work for another employer without complying with the business' applicable controls and procedures.
		Interestingly, there is no explicit forfeiture to end-of-service gratuity entitlement where summary dismissals as per Article 44 are effected and individuals that have been terminated on this basis shall be entitled to their end of service gratuity.
		Additional Grounds for Termination by Employee
		Employees retain their rights under the Previous Labor Law, however, are now afforded additional grounds under the new Article 45 (previously Article 121 of the Previous Labor Law), upon which they may terminate their employment immediately, where:
		There is a serious danger in the workplace threatening the safety of the employee or his/her health condition.
		The employer assigns the employee to perform work that is different from what was agreed upon in the contract (and proceeds with any such assignment without the written consent of the employee).
Disciplinary Rules	Employers are entitled to suspend employees without pay during disciplinary proceedings for a period of up to 10 days.	Under the New Labor Law, employers retain the same right of suspension; however, the length of this suspension and any corresponding reduction/ withdrawal of salary is permissible for a period of up to 14 days.
	 The Previous Labor Law required a disciplinary process that must be followed in advance of an employer imposing any penalties on an employee. The process is as follows: the employee needs to be notified in writing of the allegation against him/her; employee needs to be invited to a meeting and afforded an opportunity to make representations; and an investigation must be be carried out following which the employee needs to be provided with written reasons of any penalty to be imposed. There is no right of appeal for the employee against any disciplinary penalty. 	The Executive Regulations provide a specific framework around how disciplinary proceedings should be conducted / the process that should be followed which are broadly as follows:
		Before imposing any disciplinary penalty, an employer must notify the employee of the allegations against them, give the employee an opportunity to respond, investigate their response and, record the outcome of the disciplinary process in a report kept on the employee's personnel file.
		 All disciplinary sanctions must be communicated to an employee in writing, include the reasons for the decision and explain the consequences of should their conduct be repeated.
		Of most significance, employees now have the right to appeal against any disciplinary penalty.

	Previous Position	Position Under the New Labor Law
Work Regulations	For employers with over 5 employees, the following records need to be retained: • Personnel file: This should be kept for each employee, which details the employee's name, profession/occupation, age, nationality, address, marital status, date of employment, wage and any adjustments (as applicable), occupational injuries and diseases sustained as well as the date of termination of service and corresponding reasons;	The Executive Regulations confirm that employers with 50 employees or more are required to put in place "workplace regulations" in relation to grievance and disciplinary procedures, holidays, bonuses, appraisals and salary reviews, working hours and health and safety.
	• Leave card: A "Leave card" should be kept for each employee's file. This card should be divided into three sections: annual leave, sick leave and any other leave (i.e. maternity).	
	For employers with over 15 employees, the following records need to be retained:	
	 Payroll: A record of the amount of daily, weekly or monthly wage, fringe benefits, the days of work and the date of final termination of work for each employee; 	
	Occupational Injuries Record: A record of any occupational injuries and diseases for any employee as appropriate;	
	Basic Work Regulations: Basic work regulations (i.e. a staff handbook) should be implemented and should include details of any daily working hours, the weekly rest period, holidays, as well as the necessary measures and precautions taken for the prevention of occupational injuries and fire hazards. A policy around disciplinary measures should also be implemented and made available to employees. Such regulations and policies need to be placed in a prominent place at the work site.	
End-of-Service Gratuity	Where an employee resigns under a fixed-term contract without having accrued at least five complete years of service, he/she will forego, in its entirety, his/her entitlement to gratuity.	The New Labor Law no longer includes provisions around reducing entitlement to end of service payments where employees have resigned, therein implying that resigning employees will be entitled to a full end of service gratuity payment subject to them having attained one year of service.
End-of-Service Payments – Timescales	The Previous Labor Law is silent on the timescales for which an employer is required to pay all termination-related payments owed to an employee (both under any applicable contract and the law).	The New Labor Law requires employers to pay an employee all end-of-service entitlements within 14 days of the employment termination date (failure to do so may result in a fine being imposed by the authorities between AED5,000 and AED1 million).
		In practice, we have often seen employers withhold payment of end-of-service entitlements until the relevant employee had signed the requisite visa cancellation paperwork however, this is unlikely to be possible going forward and employers will need to consider putting in place procedures to ensure end-of-service entitlements are paid within the prescribed period post-termination, such as arranging for payments to be made outside of normal payroll.

	Previous Position	Position Under the New Labor Law
Non-compete Restrictions	Employers are permitted to include non-compete provisions within the terms of an employment contract provided the restrictions are reasonably limited in terms of time, location and the type of work to the extent necessary to protect the legal interests of the employer.	The New Labor Law mirrors the existing provisions around non-compete provisions, stating that they should be specific in terms of the time and place and the type of work to the extent necessary to protect the legal or legitimate business interests of the employer. However, the New Labor Law now explicitly states that the restrictive term of any such non-compete clause should not exceed two years from the termination date. In addition, the New Labor Law states that where an employer has terminated an individual's employment, and the termination is not in accordance with the New Labor Law, any such non-compete clause shall be rendered automatically void.
		The Executive Regulations further clarify that a non-compete shall only be applicable where the employee resigns from their employment (unless the reason for termination by the employer is due to the employee's breach of his/her legal or contractual obligations).
		A non-compete restriction can be waived by mutual agreement in certain circumstances including where:
		The employee or his/her new employer pays the former employer compensation of up to three months' total salary; or
		The employer has terminated the employee's employment during his/her probation period;

Please get in touch with any member of our team if you require any assistance in reviewing any of your existing employment agreements and HR policies, or any advice on your obligations under the New Labor Law.

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