

As you are aware, Federal Decree-Law No. 33 of 2021 on the Regulation of Labor Relations (“New Labor Law”) came into effect on 2 February 2022 and the associated Executive Regulations were published shortly afterwards.

We would like to remind our UAE-based clients of the looming deadline of 1 February 2023 for private sector businesses to convert all unlimited term employment contracts of their workforce to fixed term contracts. This significant change put forwards by the New Labor Law overrode the distinction made under the previous 1980 framework between fixed term and unlimited term employment contracts, which will cease to be recognised from 1 February 2023.

The current position is that the 1 February 2023 mark is a hard deadline, as we have not received any guidance to date from the Ministry of Human Resources and Emiratisation of any potential extensions (and this is unlikely given how long businesses have been given to comply). Businesses that fail to update their contracts of employment to fixed term contracts and in compliance with the New Labor Law risk a potential exposure to fines or penalties. We, therefore, strongly recommend that businesses that have not already issued fixed term contracts to their employees previously on unlimited term contracts do so immediately, or that they at least ensure that their employees consent to a short-form addendum to their contracts of employment before 1 February 2023.

While the initial position under the Labor Law was that fixed term contracts could only be up to three years, the New Labor Law was amended a few months following its enactment and such restriction has now been removed from the legal framework. This change allows parties to agree to and include any duration within their contracts of employment going forwards. Businesses that have already put in place their fixed term contracts may, therefore, wish to further amend their contracts to provide for a longer fixed term period going forwards.

If you need assistance with any of this, please feel free to reach out to our Labor & Employment Practice in the Middle East and we would be pleased to assist with preparing and finalising the draft amendment letters or otherwise reviewing your internal contracts of employment to ensure that they are fully compliant with the New Labor Law ahead of the imminent deadline.

## Contacts

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