



The UAE's New Labour Law

How will the most significant changes to UAE labour laws impact you?

The New Labour Law – Background

The Ministry of Human Resources and Emiratisation (“**MOHRE**”) has announced and issued the UAE’s eagerly awaited new Labour Law, Federal Decree Law No. 33 of 2021 (the “**New Labour Law**”) which will take effect from 2 February 2022. The New Labour Law will apply to all onshore and free zone entities (excluding the DIFC and ADGM). It will replace the current UAE Federal Law No. 8 of 1980 (“**Current Labour Law**”).

The UAE’s Current Labour Law was drafted in 1980 and although there have been amendments, the New Labour Law represents the most significant change UAE employers and employees will have seen in over 40 years.

The New Labour Law was, in part, issued in response to the drastic shift in the way UAE employees now work due to technological advancements and the outbreak of COVID-19. In addition, the New Labour Law seeks to create a more flexible and competitive working environment in the UAE as well as affording employees additional protections in respect of discrimination and harassment.

A host of measures will be introduced to ensure a safe, healthy and business-conducive environment for all employees in the private sector. For example, new work models such as temporary and flexible work arrangements will be introduced, along with an increase in provisions that ensure the protection of workers’ rights and increased leave periods for employees, including maternity leave.

Where previously there was a choice between unlimited and limited term (i.e. fixed-term) contracts, now, unlimited employment contracts are to be converted into limited term employment contracts. Additionally, the New Labour Law places more stringent controls on discrimination and harassment in the workplace, especially in relation to women.

How and when it will be implemented?

The New Labour Law will come into effect on 2 February 2022. The MOHRE is currently working on the Executive Regulations that will govern the implementation of the New Labour Law. These are not yet available.

What are the key changes?

The changes are substantial. We set out below the most significant of these by reference to the Current Labour Law.

Next steps and key considerations

Employers should familiarise themselves with the New Labour Law and be prepared to update their employment documentation. Employers enjoy an initial grace period of one year (subject to extension by MOHRE) to adjust their contractual terms and convert their unlimited term contracts to limited term contracts in line with the New Labour Law.

Current Labour Law	Position under New Labour Law
Limited term contracts and key terms	
<p>Limited term (i.e. fixed-term) or unlimited term contracts.</p>	<ul style="list-style-type: none"> — Limited term contracts only, of 3 year term, which (unless terminated earlier – see below) end upon expiry, unless expressly renewed on agreed terms or are implicitly extended on the same terms if the parties continue to perform in accordance with the original contract. Extensions can be for the same or shorter term. — Within 1 year from 2 February 2022, employers are to convert their unlimited contracts into limited contracts. New MOHRE contract templates are to be issued within the forthcoming Executive Regulations.
Discrimination and harassment	
<p>Equal pay protections.</p>	<ul style="list-style-type: none"> — Equal pay protections plus protection against sexual harassment, bullying, use of verbal, physical, or psychological violence by employers, superiors and colleagues. Prohibition against discrimination on basis of race, colour, sex, religion, nationality or ethnic origin or disability. — Fines for violations: AED 5,000 - AED 1,000,000.
Models of work – part-time and flexible working	
<p>Limited options for part-time or flexible working.</p>	<ul style="list-style-type: none"> — Full-time: working for 1 employer for full-time working hours — Part-time: working for 1 or more employers for specific number of working hours — Temporary: for a specific period/completion of specific task — Flexible: variable timing/days <p>Executive Regulations will include further details.</p>
Probation period	
<p>6 months during which employment can be terminated by either party without notice.</p>	<ul style="list-style-type: none"> — 6 months during which employment can be terminated by (i) employer giving 14 days' written notice; or (ii) employee giving (a) 1 month written notice if leaving to take up new employment in UAE (and new employer will compensate former employer's recruitment costs); or (b) 14 days' written notice if leaving UAE (and if employee takes up new employment in UAE within 3 months, new employer will compensate former employer's recruitment costs).
Termination of employment & compensation	
<p>Employment contracts may be terminated as follows:-</p> <ul style="list-style-type: none"> — mutual agreement; — during probation; — without notice in accordance with Articles 88 and 120; — with notice for a valid reason (where the contract is unlimited); or — expiry of limited term. <p>Employees can claim arbitrary dismissal compensation if employment is terminated without a "valid" reason or compensation in the event their limited term contract is terminated before the expiry of the term.</p>	<p>Employment contracts may be terminated as follows:-</p> <ul style="list-style-type: none"> — mutual agreement; — expiry of contract term; — with notice (N.B. all employees employed under limited term contracts can be terminated on notice for a "legitimate reason"); — without notice under Article 44 (N.B. the grounds listed at Article 44 largely mirror the current Article 120 grounds); — in the event of death or permanent disability; — if the employee is imprisoned for a term of 3 months or more; — in the event of permanent closure of an establishment; or — where the employer becomes bankrupt, insolvent or unable to continue business for economic or exceptional reasons. <p><u>Rights on termination</u></p> <ul style="list-style-type: none"> — End of service gratuity will still be paid to employees even if terminated without notice. — Employees entitled to 1 day of unpaid leave per week to search for a new job. — Compensation of up to 3 months' salary can be claimed where an employee's employment was terminated because they filed a serious complaint or they filed a case against their employer in which the court held their termination was unlawful.

Notice period	
30 days minimum and 3 months maximum.	<ul style="list-style-type: none"> – 30 days minimum and 90 days maximum. If an employee's contract has not been converted into an unlimited term by the required period, statutory mutual notice periods apply, as follows: <ul style="list-style-type: none"> – less than 5 years' service - 30 days' written notice – more than 5 years' service - 60 days' written notice – more than ten years' service - 90 days' written notice
Maternity and parental leave	
<ul style="list-style-type: none"> – 45 days' paid maternity leave (if employee has service of 1 year or more; if not, half-pay) – Post-maternity illness allowance of 100 unpaid days – 2 nursing breaks per day, up to 30 mins, for 18 months – 5 days' 'parental leave' from the birth of child to six months 	<ul style="list-style-type: none"> – 60 days' maternity leave (45 days' full pay plus 15 days' half-pay) and no length of service requirements – Post-maternity illness allowance of 45 unpaid days – Enhanced maternity entitlements where an infant is sick or has special needs – 1-2 nursing breaks per day, up to 1 hour total, for 6 months – 5 days' 'parental leave' from the birth of their child to six months
End of service gratuity ("ESG")	
<p>Full ESG is paid to employees on termination with notice; no ESG is paid on summary termination.</p> <p>Employees who resign with under 5 years' service or mid-way through a limited term contract receive either a proportion of ESG or no ESG.</p>	<ul style="list-style-type: none"> – Employees will receive their full ESG regardless of whether their employment was terminated with or without notice or whether they resigned. – ESG is to be paid within 14 days of date of termination.
Compassionate leave	
No entitlement.	<ul style="list-style-type: none"> – 5 days' leave for death of spouse – 3 days' leave for death of parent, child, sibling, grandchild, or grandparent
Study leave	
No entitlement.	<ul style="list-style-type: none"> – Employees with 2 years' service entitled to 10 day study leave per year provided relevant course is with an UAE accredited institution.
Non-compete	
Non-compete clauses permitted, maximum duration unspecified.	<ul style="list-style-type: none"> – Non-compete clauses permitted unless termination by employer is in breach of New Labour Law, maximum duration of 2 years.

Key contacts



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