

ENTITLEMENTS IN CASE OF TERMINATION OF EMPLOYMENT PURSUANT TO THE LAWS OF THE UNITED ARAB EMIRATES

In case of termination of an employment relationship, the labour law of the United Arab Emirates („UAE“) provides for a number of claims, some of which are not known in German law. The rights existing in a particular case depend on different criteria. The following questions are of relevance:

- Has the employment been terminated with or without notice?
- Which party has terminated the employment contract?
- How long has the employment relationship been in place?
- Did the parties conclude a limited or an unlimited employment contract?
- Is the employment contract governed by any free zone regulations?

Due to the brevity required for this article, below explanations exclusively refer to the termination of an unlimited employment contract with an employer located outside a free zone. Federal Law No. 8 of 1980 as amended („UAE Labour Law“) constitutes the general legal basis.

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1. END-OF-SERVICE GRATUITY

As a characteristic of UAE Labour Law, an end-of-service gratuity becomes generally due at the end of an employment relationship. The employer has to grant such severance pay to the employee if the employment lasted longer than one year and provided the employer did not duly terminate the employment without notice.

Should the employer terminate the contract with notice after more than one year of employment, the following applies:

During the first five years of service, the employee is entitled to an end-of-service gratuity equal to a remuneration of 21 days basic salary for each year of employment. The gratuity increases to a full monthly basic salary for each year of service exceeding the fifth year. The total amount, however, is capped at a maximum of a two-year basic salary.

Should the employee terminate the contract, his claim for end-of-service gratuity gets reduced to one third of the amount calculated by aforementioned method if the employment relationship lasted no more than three years. In case the employment relationship exceeded three years but not five years, the employee is entitled to two thirds of severance pay. The employee receives full end-of-service gratuity, if he has terminated the employment relationship after more than five years of service.

2. DAMAGES DUE TO UNJUSTIFIED TERMINATION

In general, an employer can only terminate an employee if he is able to justify the termination by providing a valid reason. Otherwise, the termination can be considered as arbitrary. UAE Labour Law does not provide for a definition or any examples of such valid reason. In case of dispute, it lies with the court to evaluate the employer's reasoning and to deem it (in)sufficient for a termination. If a justified reason is missing, the employee is entitled to damages. It is at the discretion of the court to decide on the amount of damages, which, however, is limited to three

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monthly salaries last received. In contrast to German Law, an employment relationship always comes to a close at the end of the notice period, irrespective of the fact that the termination might have been arbitrary. The employee cannot sue the employer for continued employment.

3. DAMAGES DUE TO NON-COMPLIANCE WITH NOTICE PERIOD

The validity of a termination remains unaffected, even though a party does not comply with the statutory or contractually agreed notice period. However, such fact gives rise to a claim for damages. The amount of the claim equals the salary which the employee would have received if the notice period had been observed. Conversely, the employer can also claim damages from the employee based on non-compliance with the notice period.

4. LEAVE

Upon termination the employee has to be compensated for holidays not used. In case the employee has taken more leave days than he was actually entitled to at the end of the employment relationship, the employee has to compensate the employer in money.

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5. REPATRIATION TICKET

The employer has to supply the employee with a repatriation ticket, provided the employee does not take up further employment within the UAE. By law, the claim has to be settled in kind.

6. REFERENCE LETTER

At the end of the employment relationship, the employee can request for a reference letter. It has to contain the term of employment, the type of work as well as the last salary including any allowances.

Further claims, like payment for relocation costs or provision of repatriation tickets for the employee's family, only exist if they were explicitly contractually agreed on.

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