

## The New UAE Labour Law: 5 Important Changes

After more than forty years, the United Arab Emirates ("UAE") has enacted a new labour law. Federal Decree-Law No. 33 of 2021 ("New Labour Law") will come into force on 02.02.2022. As of that date, it will fully replace Federal Law No. 8 of 1980 in its current version ("Current Labour Law"). The New Labour Law will apply to employers and employees in the private sector of the UAE. This generally includes employment relationships in free zones, with the exception of those in the financial free zones Dubai International Financial Centre and Abu Dhabi Global Market. We explain for you five important changes to be introduced by the New Labour Law.

### Change 1

#### Abolition of Unlimited Employment Contracts

Under the Current Labour Law, employment contracts can be concluded for an unlimited or a limited period of time. The New Labour Law, on the other hand, provides for only one type of contract, namely a fixed-term contract of up to three years. The employment relationship can be extended as often as desired for the same or a shorter term.

Contrary to what the term "fixed-term contract" would suggest, both the employer and the employee have the option to terminate the contract before the end of the term. The parties may agree on a notice period of between 30 days and 90 days.

Existing unlimited-term employment contracts must be converted to fixed-term contracts within one year of the New Labour Law coming into force, i.e. by 01.02. 2023.

### Change 2

#### Introduction of More Flexible Working Hours

The Current Labour Law stipulates a six-day workweek with a maximum working time of generally eight hours a day and 48 hours a week with Friday being the weekly rest day. The New Labour Law maintains the number of hours. However, the weekly rest day no longer necessarily has to fall on Friday.

With the New Labour Law coming into force on 02.02.2022, it will therefore be possible for the private sector to follow (at least in part) the new weekend for federal government entities, which will be moved to Saturday and Sunday from 01.01.2022. Hence, overtime regulations will not automatically be applicable for working on Friday. With the exception of schools, there is no obligation for the private sector to change the workweek.

In addition, the New Labour Law introduces various work models. In the future, employers and employees will be able to agree on full-time work, part-time work, temporary work (i.e. for a specific period or project) or flexible work (i.e. depending on the workload).

### Change 3

#### Modification and Extension of Leave

Under the New Labour Law, annual leave must be taken in the

year in which it accrues. Carryover to the next year is only possible with the employer's consent. It is now also clarified by law that the employee is entitled to his full salary (i.e. basic salary including all allowances) during annual leave.

Under the New Labour Law, an employee is entitled to paid sick leave immediately after the end of the probationary period and only not after a further three months have elapsed.

Maternity leave increases to 60 days with full pay for the first 45 days and half pay for the following 15 days. This applies regardless of the length of service and also in the event that after the sixth month of pregnancy the child is stillborn or dies after birth. After the birth, however, the employee is only entitled to an additional 45 days of unpaid leave (compared 100 days under the Current Labour Law) if she or the child has a health impairment due to the pregnancy or birth. If the newborn is sick or disabled and requires permanent care, the employee is entitled to an additional 30 days of paid leave and another 30 days of unpaid leave. The possibility of taking breastfeeding breaks during daily working hours is reduced to six months after the birth.

In addition to the leave entitlements already granted under the Current Labour Law, the New Labour Law introduces additional types of leave. These include bereavement leave of three or five days calculated from the death of a certain family member as well as study leave of 10 days per year to take exams at accredited educational institutions in the UAE for employees with at least two years of service.

The unpaid leave entitlement to a pilgrimage of a maximum of thirty days during the employment relationship is abolished.

### Change 4

#### New Rights and Obligations in case of Termination during Probationary Period

Under the New Labour Law, an employer can no longer terminate the employment relationship without notice during the probationary period. Instead, he must observe a 14-day notice period.



If the employee wishes to terminate the employment relationship during the probationary period in order to work for another employer within the UAE, he must observe a notice period of 30 days. In such case, the new employer is obliged to reimburse the old employer for the employee's recruitment costs.

If an expatriate employee resigns during the probationary period to leave the UAE, he must observe a notice period of 14 days. If he returns to the UAE and obtains a new UAE work permit within three months of his departure, the new employer is under the obligation to reimburse the old employer for the recruitment costs of the employee.

If an expatriate employee violates his legal obligations in connection with a termination during the probationary period and leaves the UAE, he may be denied the issuance of a new work permit for a period of one year from the date of departure.

#### Change 5 Abolition of Deductions of Severance Pay and Change in Basis of Calculation

Under the New Labour Law, an expatriate employee remains being entitled to severance pay (also called end-of-service gratuity) at the end of the employment relationship, provided that the employee has been with the employer for at least one year. Unlike under the Current Labour Law, however, this entitlement remains in full even if the employee terminates the employment relationship. Deductions of two thirds or one third depending on the duration of service are no longer applicable under the New Labour Law.

Even in the event of termination without notice by the employer, the employee retains his entitlement to full severance pay.

It remains to be seen whether severance pay will in future actually be calculated on the basis of working days, as expressly

provided for in the wording of the New Labour Law, or whether this is an editorial oversight and calendar days will continue to be taken into account.

It is expressly clarified by the New Labour Law that the severance pay is only calculated according to the last basic salary paid. Any commission payments or bonuses will not be considered.

The option under the Current Labour Law of replacing the severance pay under certain conditions with payments into a savings fund or pension fund is abolished. Instead, the New Labour Law provides for other alternatives to be defined in more detail by cabinet resolution.

#### Action Points

Due to the New Labour Law, it is now important for you to observe the following, among other things:

- Refrain from concluding unlimited-term employment contracts even before the New Labour Law comes into force.
- Convert existing unlimited-term employment contracts to fixed-term employment contracts by 01.02.2023.
- Review all existing employment contracts as well as employee handbooks and company policies for compatibility with the New Labour Law and, if necessary, adjust them.
- Stay up to date on an ongoing basis, even after the New Labour Law comes into force, as it makes reference in a large number of instances to implementing regulations and cabinet resolutions to be issued in the future, which will further specify the New Labour Law and, thus, have an impact on existing employment relationships.

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#### Do you have questions? – We would be glad to answer them!

From our office located in the heart of Dubai, our team of German attorneys has been advising small and medium-sized companies, corporations and individuals on the laws of the United Arab Emirates for more than 15 years. Our areas of expertise include corporate law (in particular business set-up), commercial agency law, employment law as well as tenancy and real estate law. We would be happy to attend to your questions as well. Contact us!

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