

Social Security for Foreign Employees in the United Arab Emirates

The existence of a social security system is a norm for many companies around the world. When employing foreign employees in the United Arab Emirates ("UAE"), the question therefore regularly arises as to how health, accident, unemployment, pension and long-term care insurance are structured locally and what contributions must be made. The typical categories of social security in the light of the laws of the UAE are examined below:

1. Health Insurance

So far, only the emirates of Abu Dhabi and Dubai have introduced mandatory health insurance for foreign employees.

The decisive factor for determining the obligation is, on the one hand, whether the employee receives the residence visa, i.e. the permanent residence permit for the UAE, via the employer and, on the other hand, in which Emirate the residence visa is issued.

The costs of the health insurance in both the Emirate of Abu Dhabi and the Emirate of Dubai have to be covered exclusively by the employer. The employee is not required to make any contributions, as is the case in Germany for example.

It is a legal requirement to take out a so-called group health insurance. This means that the health insurance policy must be issued in the name of the employer and not in the name of the individual employee. However, such procedure is not always possible in practice as insurance providers require a minimum number of employees to offer a group health insurance. Therefore, it is generally accepted that an individual health insurance can also be taken out for the first employee sponsored by an employer.

a. Abu Dhabi

Details of the mandatory health insurance for foreign employees in the Emirate of Abu Dhabi are governed by Abu Dhabi Law No. 23 of 2005 as amended.

The employer is obliged to take out a health insurance for the employee as well the employee's spouse and up to three children under the age of 18.

The extent of the health insurance can be determined by the employer.

b. Dubai

In the Emirate of Dubai, the health insurance obligation for foreign employees is defined by Dubai Law No. 11 of 2013 as amended.

Unlike in the Emirate of Abu Dhabi, the employer is only required to insure the employee. There is no necessity to also provide insurance for dependants.

The actual scope of the health insurance can be determined by the employer in the Emirate of Dubai as well.

2. Accident Insurance

There is no statutory accident insurance in the UAE.

However, according to UAE Federal Law No. 8 of 1980 as amended, the employee has a claim for compensation against the employer in the event of an occupational injury. It is therefore advisable for the employer to take out appropriate insurance for this circumstance. In the UAE, such risk is covered by the so-called Workmen's Compensation Insurance.

In some free zones, such as the Jebel Ali Free Zone and the Dubai Multi Commodities Centre, the conclusion of such insurance is mandatory for all employers from the time the first employee is hired. In the mainland of the UAE, Workmen's Compensation Insurance is only an option for the employer.

3. Unemployment Insurance

The laws of the UAE do not provide for an unemployment insurance.

4. Pension Insurance

There is also no statutory pension insurance for foreign employees in the UAE.

However, the severance pay (also called gratuity) to be granted to the employee by law at the end of an employment relationship could be considered a substitute for the payment of a pension.

Severance pay is payable by the employer as soon as the employment relationship has lasted longer than one year and provided it has not been terminated without notice.

In cases where the employer terminates an unlimited employment relationship by giving notice after more than one year of employment, the employee will be entitled to severance pay equal to 21 days of the last basic monthly salary received for each year of employment during the first five years of service. For each additional year exceeding the fifth year of employment, the severance pay increases to one full month's basic salary. The amount of severance pay is capped at a maximum of two years' basic salary.



If the employee terminates an unlimited employment relationship, deductions may be due depending on the actual duration of service.

5. Long-Term Care Insurance

A long-term care insurance does not exist in the UAE.

6. Summary

Especially for foreign employees, the UAE's social security system is currently not comparable with standards of other

countries, such as many European countries. In particular, the complete lack of unemployment and long-term care insurance as well as the dependence on the extent of health insurance cover provided by the employer shows that in the UAE it is mostly up to the foreign employee to take out private (additional) insurance against losses that could endanger the employee's livelihood.

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!

ANDERS LEGAL CONSULTANCY
Sama Tower, Office 806
Sheikh Zayed Road
PO Box 333 558, Dubai, UAE

Phone: +971 4 327 5888
Fax: +971 4 327 5999
eMail: info@anders.ae
Web: www.anders.ae

Published: 14.10.2021

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