

The United Arab Emirates (UAE) has issued Federal Law No. 33 of 2021 (the New Labor Law), which will take effect Feb. 2, 2022. the New Labor Law will apply to all companies and employees in the private sector in the UAE, including its free zones, and except for the companies registered in Dubai International Financial Centre and the Abu Dhabi Global Market, which implement their own employment laws.

Number of new amendments have been introduced in The New Labor Law. However, few of the provisions in the newly introduced changes are not well clear, and it is difficult to see how certain provisions will operate in practice, till the time the detailed executive regulations are not released by the ministry. It is hoped that these executive regulations will clarify existing areas of uncertainty.



Below is the summary of Key changes along with key takes aways for employers:

- Types of Contracts
- Multiple Working Models
- Different Types of Leaves
- Non-Competition Clause
- Currency of Salary Payments
- Recruitment Expenses and Judicial fee
- Retention of Documents
- Equal Opportunity
- End of Service Benefits
- Probation Rules

- Types of Employment Contracts

Initially there were two types of contracts, (a) Limited (b) Unlimited. Whereas The New Labor Law defined only 1 type of contract namely **Fixed-Term Contract** which may not exceed more than 3 years. As per The New Labor Law It is permissible, upon agreement by the two parties, the contract can be renewed for a similar or lesser duration once or more.

Now employers will have 12 months from Feb. 2, 2022, for the transition all their employees onto new contracts.

- Multiple Working Models

As per The New Labor Law now employers can offer new types of working models such as full-time work, part-time work, temporary work and flexy work.

- **Full-time employment contract**– An employee employed on a full-time basis works full working days or hours.
- **Part-time employment contract**– A part-time employment contract requires the employee to work a limited number of hours per week or per day.
- **Temporary employment contract**– Any work that is performed for a specified time or is focused on a specific task and ends upon completion.
- **Flexible employment contract** – The type of work in which working hours or days may vary according to the amount of work and the employer's requirement. The employee may work for the employer at various times throughout the day, depending on job requirements.

- Different type of Leaves

New Labor Law has introduced multiple types of leaves for the workers as mentioned below;

- **Compassionate Leave** – Employee can have Three to five days paid leave, according to the degree of the employee's relationship with the deceased.
- **Study Leave** – Employees with more than two years' service may be entitled to 10 working days' study leave.
- **Parental Leave** – An employee who has a newborn kid, can have a five-day paid parental leave within six months of the child's birth and may be utilized intermittently or continuously to spend time with the family.
- **Maternity Leave** – The maternity leave has now been extended to 60 days (45 days with full salary, followed by 15 days with half salary). Employee may be entitled to additional 45 days of unpaid maternity leave once initial maternity leave period will be finished.

- **Non-Competition Clause**

The New Law strengthens the non-compete protections afforded to an employer by introducing a statutory requirement for a Non-Compete Agreement to be executed between the employer and employee. This Agreement must stipulate its duration, geographical scope and the types of work it applies to. The period of non-competition clause shall not exceed two years from the date of contract expiry.

- **Currency of Salary Payments**

The New Labor Law grants companies the flexibility to pay wages, now employees may be paid in currencies other than UAE dirham if agreed in the employment contract.

- **Recruitment Expenses and Judicial Fee**

As per The New Labor Law the employer must carry the responsibility to pay for the fees and costs of recruitment and the same cannot be collected from the worker either directly or indirectly. Further, Under the New Law, employees or their heirs may file petitions, pursue litigation or enforcement orders against employers without incurring judicial fees at any stage of the process, provided that their claim does not exceed Dh100,000 in value.

- **Retention of Documents**

The New Labor Law prohibit the employer of withholding of official documents, such as passports, belonging to the workers and forcing him or her to leave the country at the end of an employment contract. The worker shall also have the right to obtain his or her wages on the due date in accordance with the regulations approved by the ministry and according to the conditions and procedures as specified by the Executive Regulations of this decree-law.

- **Equal Opportunity**

The New Labor Law prohibit all forms of discriminations based on race, sex, religion national or social origin or disability etc. The New Law explicitly affirms that all provisions regulating the employment of workers without discrimination shall apply to working women, with an emphasis on granting women the same wage as men if they perform the same work or other work of equal value.

- End of Service Benefits

As per The New Labor Law, a foreign worker who has worked full-time and who has completed one year or more of continuous service with an establishment, shall be paid end-of-service benefits calculated according to the basic wage, with a wage of 21 days for each of the first five years of service and 30 days for each subsequent year.

- Probation

As per The New Labor Law a probationary period for the worker may not exceed six months. With regard to termination, an employer can terminate the employee during the probation period by serving 14 days' notice period. Whereas, employee may resign during the probation period in the below manner;

Leaving the UAE

If employee decide to leave the UAE, then 14 days' notice period must be given to the employer. In such instances, where the employee returns to the UAE and obtains a work permit issued by the MOHRE within 3 months of their departure, the new employer should compensate the previous employer for any recruitment costs incurred in recruiting the said employee.

Joining Other Employer

If employee decide to join other employer in the UAE, then 30 days' notice period must be given to the employer. In this case, the new employer should compensate the previous employer for any recruitment costs of said employee.

Way Forward for Employers

Below are the key action points for the employers which has to be taken to address the amendments in the new Labor Law to ensure that compliance risk has been well managed and mitigated to the acceptable level.



- ✓ Update the employment contracts to reflect the new changes in the law.
- ✓ Ensure that all the employees on Indefinite contracts are moved to fixed term contracts.
- ✓ Amend internal leave policies to reflect the new changes in the Labor Law.
- ✓ Develop and apply anti-discrimination policies.
- ✓ Update the financial statement closing procedures with the updated provisions in regard to leaves and end of services benefits.
- ✓ Communicate to the employees that how they are going to get affected by the new labor law.
- ✓ Update the internal HR policies and procedures and inline the authority matrix considering the new provisions in the Labor Law.
- ✓ Revise the offer letters with the changes in leave and probationary rules.
- ✓ Implement the employee grievance policies to cope up with any challenges faced by the employees.
- ✓ Keep an eye of the publication of executive regulation on the new law to stay updated about the clarification and detailed provisions.