

On 16 November 2021, the United Arab Emirates published the new Labour Law, i.e., Federal Labour Law No. 33 of 2021 ("**New Labour Law**") which repealed the Federal Labour Law No. 8 of 1980. The New Labour Law will come into force on 2 February 2022 and is expected to bring about significant changes to existing employment framework in the country. In this legal briefing, we provide an overview of the most notable changes introduced by the New Labour Law and their potential impact on the existing and future employment arrangements in the UAE.

## I. Main changes for employment law

The New Labour Law has introduced several changes, among which the most notable are in relation to fixed-term contracts, new work models, end of service gratuity, maternity leave and easing of competition restrictions. We will discuss these important changes briefly, hereinbelow.

### 1. Abolishment of unlimited contracts

To bring clarity and uniformity in the employment relationships, the UAE under the New Labour Law has abolished the option for the companies to have both limited term and unlimited term contracts with their employees. Under the New Labour Law, there will now only be fixed-term contracts for all employees up to a maximum of three years. Art. 8 (3) of the New Labour Law stipulates this new model including the permissibility to extend or renew this contract for another similar period or for a shorter period. Employers now have

one year from coming in force of the New Labour Law to convert existing unlimited employment contracts to fixed term contracts. The removal of unlimited term contracts will, among other consequences, help to unify end-of-service benefits.

### 2. Termination of contracts

Art. 42 of the New Labour Law stipulates various reasons for employment contracts to be considered terminated. Which are -agreement between the parties - expiry of the contract period - termination - death of the employer - death or permanent total disability of the employee - employee having been sentenced to imprisonment of no less than 3 months by a final judgment - employer's permanent closure - employer's bankruptcy - failure to meet the conditions for renewing the work permit for reasons attributable to the employee.

Moreover, Art. 43 of the New Labour Law sets an equal right for both parties - the employer and the employee - to

terminate the contract by written notice and for legitimate reason. This article specifies several duties regarding the notice period, which shall not be less than 30 days and shall not exceed 90 days. The New Labour Law obliges the parties not adhering to the agreed notice periods to compensate the respective other party for the remainder of the notice period.

The New Labour Law also grants employee, whose services were terminated by the employer, the right to be absent from work without pay during the notice period for 1 day out of every week, to look for new job opportunities.

In comparison to the previous law, which only provided the right to terminate employment contract by notice in case of unlimited term contracts, in line with the abolishment of unlimited term contracts, the New Labour Law now stipulates the right for the parties to terminate fixed-term contracts by notice as well for a legitimate reason. Articles 44 and 45 retain the right to terminate without notice in case of serious misconduct.

Finally, the New Labour Law departs from the concept of termination without notice during a probation period. In this regard, Art. 9 of the New Labour Law now provides for a minimum notice period of 14 days for terminations by the employer during the probation period (which continues to be capped at six months). Similarly, an employee is also entitled to terminate the employment during the probation period by a one-month prior written notice if he/she intends to work for another employer in the UAE. The notice period is shortened to 14 days if the employee plans to leave the UAE.

### **3. New work models**

In order to establish more flexibility, Art. 7 of the New Labour Law has introduced new work models such as full-time, part-time, temporary work and flexible working. The applicable terms and conditions related to these work models are to be revealed through executive regulations.

Similar provisions had already been introduced in 2019 by virtue of Ministerial Decree Number 31 of 2019. However, the introduction of these new work models directly into the New Labour Law are expected to solidify their application and serve as a basis for more flexibility among the workforce and as a driver for the gig economy. To which extent these expectations can be fulfilled will depend on the executive regulations to the New Labour Law.

### **4. Gratuity at the end of service**

As per the New Labour Law, any expat employee who completes at least one year of continuous service will be entitled to gratuity which shall be calculated on the basic salary. The calculation mechanism for the gratuity has been slightly changed under the New Labour Law and is now to be calculated based on "working" days, whereas the previously calculation was based on calendar days. Most importantly, while departing from the earlier position under the previous law, the New Labour Law has removed a reduction to the gratuity in case the employment is terminated by the employee rather than the employer.

## 5. Maternity leave

Another significant change is the extension of maternity leave in the private sector to 60 days, with leave for 45 days at full pay, followed by 15 days at half pay. This is a great improvement in comparison to the previous rule that limited the days of full payment only up to 45 days.

## 6. Easing of competition restrictions

The New Labour Law attempts to restrict the scope of non-compete clauses as opposed to the practice under the previous law. In this regard, the New Labour Law explicitly sets a maximum restrictive period of two years from the termination date. Additionally, non-compete clauses will stand nullified in case the termination was due to the employer's breach of the terms of the contract. Moreover, lawsuits related to non-competition clauses should not be heard after 1 year from the date of discovering the employee's violation. Lastly, there will be some exceptions to this rule for some categories and professions that MOHRE has to specify in the executive regulations.

## II. Summary

Given that the executive regulations are yet to be issued, the present briefing does not provide a complete account of changes and their impacts. For now, companies are advised to review their

employment contracts, employment / onboarding policies, EOSB schemes in order to stay compliant with the New Labour Law.

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