

New UAE Labor Law – Updates: Implementing Regulations, JAFZA Announcement and End-of-Service-Gratuity Calculation

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The newly issued UAE labor law, i.e., Federal Decree-Law No. 33/2021 ("**New Labor Law**") in the UAE will come into force on 2 February 2022, however, it is already having a significant impact on the businesses in terms of their compliance with the new legislation. In this legal briefing, we highlight the latest updates issued by the UAE authorities pursuant to the enactment of the New Labor Law which are likely to impact the existing and future employment arrangements in the UAE.¹

I. Implementing Regulations

In December 2021, the UAE issued the New Labor Law, which is set to come in force on 2 February 2022. The New Labor Law is to be complemented by Implementing Regulations which are expected to contain additional details.

It was reported earlier in January 2022 that the UAE Cabinet has approved the Implementing Regulations, however, as of the date of this publication, the same have not been published yet.

II. JAFZA Announcement

On 26 January, the Jebel Ali Free Zone Authority (JAFZA) issued an announcement regarding the application of the New Labor Law within the free zone. In its announcement JAFZA clarified that employment contracts will be amended once new templates have been approved. JAFZA furthermore states that in line with the New Labor Law unlimited contracts must be amended within a one-year period from the date of the enforcement of the New Labor Law. JAFZA did not state whether its existing regulations regarding labor relations will be revised.

JAFZA-registered companies should review their existing employment contracts and prepare to make the necessary adjustments. To read the full announcement, please click [here](#).

III. Clarification regarding the Calculation of End of Service Gratuity under the new UAE Labor Law

The New Labor Law did not only repeal the previous law and bring about some significant and long due changes in the framework of the labor laws in the country; it also created a slight confusion with regard to the calculation of end of service gratuity (EOSG) for employees.

Under the previous labor law, EOSG was calculated on the basis of (calendar) days, whereas, as per the initially published translated version of Article 51 of the New Labor Law, the calculation of the EOSG was stated to be calculated on a basic wage of "twenty-one working days". The legal community were quick to point out this small yet a significant linguistic error as calculation based on working days instead of calendar days would have resulted in

¹ For an overview of the main features of the New Labor Law read our Legal Briefing from 20 December 2021 [here](#).

significantly higher EOSG entitlements for employees.

However, this has now been rectified under a newly translated versions of the New Labor Law, which merely states that calculation is to be done based on twenty-one “days” (and not mentioning “working days”). The

elimination of the word “working” clarifies that the calculation of EOSG entitlements will stay in line with the currently applicable calculation method (unless further changes will be introduced by the Implementing Regulations).

How Can We Help?

SCHLÜTER GRAF will continue to monitor the developments related to the New UAE Labor Law, including the forthcoming Implementing Regulations. Our dedicated Employment team has in depth experience working with clients to assess and advise on all employment-related matters. Please contact us to discuss how we can assist you. Given that the implementing 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 Labor Law.

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