

NEW FEDERAL LEGISLATION IN THE UAE MARKS A PIVOTAL CHANGE FOR THE EMIRATI EMPLOYMENT SECTOR

Insights
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The United Arab Emirates recently announced the first major reform in the country's labor laws since they were first promulgated, partly in response to the global pandemic and the rapidly changing workplace model. The reforms, which will take effect on February 2, 2022, will likely be significant to all parties in the employment sector, granting employees greater flexibility and protections while also providing employers a stimulating and attractive working environment.

The legislative development, Federal Law No. 33 of 2021, will replace the existing Federal Law No. 8 of 1980 and will continue to apply to all employers and employees in the private sector, including the free zones. The exceptions remain in the Dubai International Finance Centre and the Abu Dhabi Global Market. While many of the new law's provisions mirror those under the current law, the reformed legislation introduces substantial changes to the country's labor laws. Some of the notable changes include:

Shorter Work Weeks

The new law provides for a condensed working week. Employees are free to finish their 40 hours in three days as long as the parties have stipulated to do so in the employment contract.

Prohibition of Discrimination, Harassment, and Prejudice

The new law expands employee rights and specifically prohibits discrimination based on race, color, sex, religion, national origin, ethnic origin, or disability and defends

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Nazanin Afshar

Partner

[818.230.4259](tel:818.230.4259)

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employees against disparate treatment and opportunities based on these protected characteristics. Employees are also protected against sexual harassment, bullying, and any form of physical, verbal, or psychological violence by their employers, superiors, or colleagues in the workplace.

While there are no exact penalties for discrimination, sexual harassment, or bullying in the workplace, an employer may nevertheless be liable for fines ranging from AED 5,000 to AED 1,000,000 (approx. \$1,361 to \$273,000 USD) if they are found to have violated any new provisions.

Payment of Wages in Any Currency

The new law grants employers the flexibility to pay employees in any currency as long as the parties have agreed to it in the employment contract.

Fixed-Term Contracts

The new law requires all employees to be employed on fixed-term contracts up to a maximum of three years, and permits the renewal of such contracts for a similar or lesser duration. If the parties continue to engage and operate with each other as if the contract were still in effect after its expiration, the contract will be deemed renewed under the same terms and conditions as the previous version.

Any existing unlimited-term contract must be converted to a fixed-term contract within one year from the new law's effective date. In the meantime, before the effective date, employers may terminate employees who were on unlimited-term contracts for a "legitimate reason," with varying notice requirements depending on the period of service.

Flexible Working Arrangements

The COVID-19 pandemic has brought with it a shift in working practices, affecting the way many employers and employees do business in the private sector. Partly in response to this global change, the new law provides avenues for employers and employees to agree to flexible working arrangements, including part-time work, temporary work, and remote work.

End-of-Service Gratuity

The new law stipulates that employees are entitled to their full end-of-service gratuity provided that they worked at least one year with the employer. This is a notable decrease from the current law's five-year threshold. Furthermore, there will no longer be a fault-based assessment in determining whether an employee is entitled to the gratuity – even employees terminated for gross misconduct are entitled to the benefit.

Employment of Teenagers

The new law prohibits employers from recruiting minors for employment who are under 15 years old. Furthermore, employed minors are prohibited from working more than six hours a day, must be given one-hour breaks, and are only permitted to work after submitting a guardian's written consent and medical fitness report.

Minors are also prohibited from working on shifts from 7:00pm to 7:00am and engaging in dangerous jobs that subject them to the risk of harm to their physical health, morals, and well-being.

Rest Days and Leave

All private sector employees are entitled to a paid, weekly rest day, with the possibility of increasing the number of rest days if stipulated by the parties.

Employees are also entitled to paid "compassionate leave" (bereavement leave), ranging from three to five days, in the event of a death in the family.

Fathers are entitled to five days of paid paternity leave.

Maternity leave entitlement has increased to 60 calendar days – the first 45 days at full pay and the remaining 15 days at half pay regardless of the employee's length of employment. Furthermore, the new law stipulates that if a woman delivers a sick child or a child with special needs that requires continuous support, then she is entitled to an additional 30 days' leave with full pay, starting from the expiration of the maternity leave.

Non-Compete Restrictions

The new law is identical to the current law in that it allows employers to utilize non-compete restrictive covenants in employment contracts provided that the restrictions are

reasonable and necessary to protect the employer's business interests. However, the reformed legislation explicitly introduces a maximum restrictive period of two years from the employee's termination date.

Conclusion

Dr. Abdul Rahman Al Awar, Minister of Human Resources and Emiratisation, says that the new legislation is a pivotal development in the country's history as it starts to embark on its journey for the next 50 years. By making these changes, the UAE government seeks to increase its competitiveness in the global labor market while simultaneously protecting its workers' rights and well-being.

We will monitor these developments and provide updates as warranted, so make sure that you are subscribed to [Fisher Phillips' Insights](#) to get the most up-to-date information direct to your inbox. If your organization does business or employs any individuals in the UAE, please contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in our [International Practice Group](#) to learn more about the implications of the new law and to assess what changes, if any, are needed to bring the organization into compliance during the allotted transition period.