



## **Federal Decree Law No. (33) of 2021 on the Regulation of Labour Relations** **Legal Update: 29 December 2021**

### **Brief**

The United Arab Emirates has issued the new labour law *i.e.*, Federal Decree Law No. (33) of 2021 on the Regulation of Labour Relations ("**New Labour Law**") which will come into force on 2 February 2022 and will repeal the Federal Law No. 8 of 1980 ("**Existing Labour Law**").

The New Labour Law is set to introduce new work models and make other significant changes to the employment framework in the UAE. However, the effect and practical operation of some of the changes introduced by the New Labour Law will become more clear *vide* the forthcoming executive regulations.

This legal update highlights the key aspects of the New Labour Law and the next steps to be taken by the employers in the light of the new changes introduced.

### **1. Scope of Application**

The New Labour Law shall apply to all private sector companies and employees in the UAE including its free zones but excluding the financial free zones *i.e.*, the Dubai International Financial Centre and the Abu Dhabi Global Market, which have their own set of employment laws and regulations.

The provisions of the New Labour Law do not apply to employees of federal and local entities, members of the armed forces, police and security, and domestic workers.

### **2. Fixed Term Employment Contracts**

With the aim to introduce consistency and uniformity in employment relations, the concept of an unlimited term employment contract has been abolished. Pursuant to the provisions of the New Labour Law, all employees can now only be employed *vide* a fixed term employment contract not exceeding a period of three years. The New Labour Law allows these fixed term employment contracts to be renewed or extended for an equal or shorter term, once or more than once.

Employers shall have one year from the date of coming into force of the New Labour Law *i.e.*, until 2 February 2023 to convert the existing unlimited term employment contracts into fixed term employment contracts in accordance with the provisions of the New Labour Law.

### **3. Flexible Working Models**

The New Labour Law has introduced new work models for employees such as part time work, temporary work and flexible work. The executive regulations succeeding the New Labour Law shall specify the requirements of each work model and also the obligations of the parties under each model. Additionally, these executive regulations are also likely to introduce template employment contracts for each new working model.

### **4. Protection Against Harassment and Discrimination**

The New Labour Law prohibits discrimination against persons on the grounds of race, colour, sex, religion, nationality, ethnic origin or disability. Additionally, the New Law Labour also prohibits harassment, bullying or any verbal, physical or mental abuse against employees. However, how these protections will be enforced in practice or what remedies will be available to the victims of harassment or discrimination, will be seen once the New Labour Law takes effect on 2 February 2022.





## 5. Termination During Probation Period

Under the New Labour Law, employers may terminate the employment contract during the probationary period by giving the employee fourteen days' prior written notice. As for the employee who wishes to terminate the employment contract during the probationary period in order to move on to a new employer in the UAE, the employee is required to serve a one month notice period. However, if a foreign employee is terminating the employment contract with the aim to leave the UAE, the employee is only required to serve a fourteen days' notice period.

## 6. Notice Period

The minimum notice period requirement under the New Labour Law is the same as stipulated in the Current Labour Law *i.e.*, both the employer or the employee terminating the employment contract (outside of the probationary period) are required to give a minimum notice period of one month. However, under the New Labour Law, the notice period can be of a maximum of ninety days/three months.

## 7. Search for Work During Notice Period

In case of termination of the employment contract by the employer, the employee is entitled to one working day of leave per week to search for another job. However, under the New Labour Law, the employee is required to notify the employer of the intended day of absence at least three days in advance.

## 8. Notice Period for Unlimited Employment Contracts

Under the provisions of the New Labour Law, either the employer or the employee can terminate the current unlimited term employment contracts for a legal cause by giving the other party thirty days' prior written notice if the period of service is less than five years, or sixty days' prior written notice if the period of service exceeds five years, or ninety days' prior written notice if the period of service exceeds ten years.

## 9. Suspension from Work

The New Labour Law, allow the employer to temporarily suspend the employee from work if the employee is accused of an offence against life, property, honour or honesty, and the employee's salary in such a case shall be suspended during the suspension period. However, if the employee is acquitted, the investigation is dismissed or it is decided not to bring the employee to trial, then the employee will be eligible to return to work and be entitled to receive all his/her salary that was suspended.

## 10. End of Service Gratuity

As provided under the Existing Labour Law, any employee who completes one year of continuous service shall be entitled to end of service gratuity ("EOSG"), which is to be calculated on the basic salary. The only slight change that has been introduced by the New Labour Law in the calculation of the EOSG is that under the Existing Labour Law, EOSG was to be calculated based on the calendar days, whereas under the New Labour Law it is to be calculated on the basis of the "working days". A significant development under the New Labour Law is that there is no reduction in the EOSG of an employee who resigns.





## 11. Maternity and Paternal Leaves

Pursuant to the New Labour Law, maternity leave has been increased to sixty days, with leave of forty-five days at full pay and the remaining fifteen days at half pay. Additionally, the New Labour Law does not include any qualifying service requirement to be eligible for the maternity leave.

The New Labour Law also provides for paternity leave of five working days that may be utilized in the six months following the birth of the child.

## 12. Non- Competition

The New Labour Law restricts the scope of the non-compete clauses. Non-compete clauses in employment contracts cannot exceed two years. Additionally, in case the termination is owing to employer's breach of the terms of the employment contract then the non-compete clause will stand void.

Furthermore, as stipulated in the New Labour Law, the limitation period for any lawsuits/claims arising from the non-compete clauses shall be one year from the date of discovering the employee's violation.

### Next steps

Since the executive regulations clarifying the practical implementation of the provisions of the New Labour Law are yet to be issued, the proper impact of the changes introduced by the New Labour Law cannot be fully ascertained at this point. However, at this stage it is important for the employer's to revisit their employment contracts to ensure that the terms in respect of EOSG, leaves, notice period requirements and wages are in compliance with the provisions of the New Labour Law.

In case of any queries or issues relating to the subject of this legal update, please feel free to us on [info@binherzadvocates.ae](mailto:info@binherzadvocates.ae).

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