



# Introduction of new **UAE** Labour law – legal review and comparison.

Comprehensive review of the key changes and a comparison  
between the Current Labour Law (UAE Federal Law No. 8 of 1980)  
and the New Labour Law (Federal Decree-Law No. 33 of 2021)

The UAE's new labour law (Federal Decree-Law No. 33 of 2021) will come into force on 2 February 2022, bringing with it a raft of changes that aim to "enhance the elasticity, resilience and sustainability of the labour market nationwide, as well as ensure protection of workers' rights". With a specific focus on worker welfare, the updated legislation is also designed to bring about greater parity between conditions in the nation's public and private sectors.

In the following overview, **Michael Lane, Managing Director of Swiss Group Legal Ltd**, highlights some of the key differences between the existing rules and the new law, shedding light on areas including work models, employment contracts, salary currencies, probationary periods, leave entitlements, contract terminations, gratuity payments, equality, discrimination, bullying and sexual harassment.

	Current Law	New Labour Law
<b>Work Models</b>	<p>Does not specify different work categories. Part-time and flexible working arrangements are not expressly addressed in the existing legislation, however:</p> <ul style="list-style-type: none"> <li>Ministerial Decree Number 31 of 2019 concerning the Introduction of Part Time Employment Contracts stated that part-time working arrangements were permissible (Current Law was however not updated to explicitly address this); and</li> <li>A series of resolutions implemented in 2020 in response to the COVID-19 pandemic introduced the concept of remote working.</li> </ul>	<p>Introduces a number of different work categories, including:</p> <ul style="list-style-type: none"> <li>Full-time work: Working for only one employer for the full working day/week (as per the working hour limits prescribed under the New Labour Law).</li> <li>Part-time work: Working for one or more employers for a specific number of hours or days. Part-time Employees shall be entitled to vacation leave on a pro-rated basis.</li> <li>Temporary work: Work that shall be completed within a specific period of time (e.g. a fixed-term arrangement for a specific project).</li> <li>Flexible work: This category shall be entered into where working hours or days shall vary depending on the work volume or on the economic and operational circumstances of the employer.</li> </ul> <p>NOTE: The New Labour Law provides that the implementing Executive Regulations shall determine the conditions and controls of the work models, as well as the obligations of both the employee and the employer depending on each corresponding work model/category.</p>
<b>Term of Employment Contract</b>	<p>Employment contracts are either for an unlimited or fixed term.</p> <p>The term of a fixed term agreement must not exceed four years.</p>	<p>All employees shall be required to enter into fixed term employment contracts, which should not exceed three years (renewable by mutual agreement). In the event the term of an agreement is extended /renewed, the new term shall be treated as an extension of the original term length and shall be added to it when calculating the employee's overall length of continuous service.</p> <p>NOTE: For employees currently contracted under unlimited term contracts, the New Labour Law will automatically apply from 2 February 2022. There is a grace period of one year from the New Labour Law's implementation date, to convert any existing unlimited term contracts into fixed term contracts (i.e. by February 1, 2023).</p>
<b>Currency of Salary Payments</b>	<p>Under the Current Labour Law, all salaries are to be paid in UAE Dirhams.</p>	<p>Salaries can be paid either in UAE Dirhams or in another (as agreed amongst the parties).</p>

	Current Law	New Labour Law
<b>Probation</b>	The employer may terminate an individual's employment during the probation period without any advance notice, mination is effective	<p><b>Employers</b> may only terminate an individual's employment during the probation period by providing advance notice of at least 14 days before the termination date.</p> <p><b>Employees</b> wishing to change jobs (change to another UAE company) during their respective probation period must provide the employer with at least one month's notice. If the employee wishes to leave the UAE during their probation period, he/she must provide the employer with at least 14 days' notice.</p>
<b>Maternity, Parental and Other Forms of Leave</b>	<p>A female employee who has completed one year of continuous service is entitled to 45 days' <b>maternity leave</b>, which includes the period prior to and after childbirth and is subject to one year's continuous service. Additional unpaid maternity leave for up to 100 consecutive or non-consecutive days is possible, provided the employee can prove the existence of a medical condition related to the pregnancy/birth, evidenced by a medical certificate, preventing her from returning to work.</p> <p>In addition, employees returning from maternity leave are entitled to two additional <b>nursing breaks</b> per day (not exceeding one hour in aggregate), until the child reaches 18 months of age.</p> <p>NOTE: There are no provisions under the Current Labour Law relating to compassionate leave or study leave.</p>	<p>A female employee shall be entitled to a <b>maternity leave</b> of 60 days as follows: the first 45 days with full pay; and the next 15 days with half pay.</p> <p>Where a new mother has exhausted her maternity leave and is suffering from a disease resulting from pregnancy or delivery or in case her infant is suffering from a disease resulting from pregnancy or delivery, the individual shall be entitled to an additional unpaid 45 days to care for herself or her new child (subject to a medical certificate being presented as a supporting document).</p> <p>In addition, if a baby is born with a disability or is sick to the extent their health conditions require a "constant companion", the new mother shall be entitled to a further 30-day paid leave on top of the basic maternity leave, which can be extended by an additional 30 days with no pay.</p> <p>The employee's entitlement nursing breaks are reduced from 18 months to six months from the date of delivery.</p> <p>NOTE: Maternity pay cannot be reduced in the event that the employee has not completed one full year of employment at the time of undertaking their respective maternity leave.</p> <p>Both male and female employees shall receive a five-day <b>parental leave</b> to be taken up to six months following the child's birth concurrently or intermittently (FYI - this was already introduced under Federal Decree Law No. 6 of 2020 and is now formalized under the New Labour Law).</p> <p><b>Compassionate Leave</b>, employees shall be entitled to</p> <ul style="list-style-type: none"> <li>• five days of mourning leave upon the death of a spouse, and</li> <li>• three days upon the death of a parent, child, sibling, grandchild or grandparent.</li> </ul> <p>Employees with more than two years of service shall be entitled to a 10-day <b>study leave period</b> if they are enrolled in an accredited institution inside the UAE.</p>
<b>Accrual of Annual Leave Balance</b>	The forfeiture of annual leave is prohibited and unused leave will either be automatically carried forward to the following leave year, or must otherwise be paid out in lieu.	<p>Employees are required to avail their annual leave in the same holiday year.</p> <p>Employees are entitled to a payment in lieu of unused leave upon the termination of employment calculated, and such payment shall be based on the employees' basic salary only.</p>

## Current Law

### Termination of Employment Contract

The employment may only be legitimately terminated:

- Without notice, for the reasons expressly set out in Articles 88 and 120.
- Where an employee is terminated under Article 120, they forfeit any entitlement to end of service gratuity;
- With notice, for a "valid" reason. In practice, this is interpreted as being reasons attributable to an employee's performance or conduct.;
- By mutual agreement; or
- In the case of fixed term contracts, upon the expiry of the agreed term.

## New Labour Law

### Termination with Notice

Contracts can be terminated on notice during the course of the employment term for a "legitimate reason" (as agreed in the employment contract), provided that the period of notice shall not be less than 30 days and not exceeding 90 days. Where a notice period is not adhered to (by virtue of either the employee or employer's actions), the party terminating the contract shall pay a "compensation in lieu of notice" to the other party, even if there was no harm resulting from such failure. The compensation shall be equal to the employee's wage for the entire notice period, or the remainder thereof.

NOTE: There is no definition around the meaning of the term "legitimate reason," which will very much be subject to the particular facts of the case and the interpretation of the Labour courts should no further guidance (e.g. Executive Regulations) be forthcoming in this regard. Termination with notice for reasons other than those related to an employee's performance or conduct is now permitted. Most notably, the concept of redundancy is now expressly recognised as a valid reason for termination if the employer is bankrupt or insolvent, or there are any economic or exceptional reasons. Furthermore, termination is unambiguously permitted in the event of company closure, or where the employee's work permit cannot be renewed (provided that the non-renewal is not attributable to any fault on the part of the employer).

### Termination without Notice by Employer

The grounds for summary dismissal are mirrored from the current legislation, there have been some notable additional grounds, where an employee:

- The Employee illegally exploiting his job position to obtain results and personal gains.
- The Employee joining Work with another Establishment without complying with the rules and procedures prescribed in this regard.

NOTE: There is no explicit forfeiture to end-of-service gratuity entitlement in any of the above grounds, hence in the absence of further clarification from the implementing regulations, such individuals that have been terminated on this basis appear to now be entitled to their end of service gratuity.

### Termination without Notice by Employee

The circumstances in which an employee may leave employment immediately and without notice have been amended, and the following new grounds have been included:

- If there is a serious danger in the Workplace that threatens the safety or health of the Employee, provided that the Employer has known of its existence, and no measures were taken to indicate its removal. The Implementing Regulation of this Decree-Law shall specify the controls of serious danger.
- The Employer assigning the Employee to carry out Work that is fundamentally different from the Work agreed upon under the Employment Contract, without the Employee's written consent to the same, except for cases of necessity in accordance with the provisions of Article (12) of the New Labour Law.

Current Law	New Labour Law
<b>End of Service Gratuity</b>	<p>End of service gratuity shall be calculated based on working days as opposed to calendar days (as currently provided).</p> <p>The New Labour Law no longer includes provisions reducing entitlement to end of service payments where employees have resigned, hence resigning employees will be entitled to a full end of service gratuity payment subject to them having attained one year of service.</p> <p>End-of-service gratuity is calculated as:</p> <ul style="list-style-type: none"> <li>• 21 working days' basic salary for each of the first five years of service, and</li> <li>• increasing to 30 working days' basic salary for each subsequent year of service.</li> </ul> <p>NOTE: The New Labour Law requires employers to pay an employee all end-of-service entitlements within 14 days of the employment termination date</p>
<b>Equality and Prohibition of Discrimination</b>	<p>The New Labour law expands on the grounds of discrimination in the workplace.</p> <p>The Employers are prohibited:</p> <ul style="list-style-type: none"> <li>• to discriminate an individual on the basis of race, color, sex, religion, national origin, social origin, or disability that would impair equal opportunities for an employee or prejudice an employee from gaining employment and continuing such employment.</li> <li>• from discriminating between employees in relation to tasks carried out under the same job/role.</li> <li>• from terminating an employee (or threatening to terminate an employee) on the basis that she is pregnant or on maternity leave.</li> </ul> <p>All the new provisions regulating the employment of Employees are now explicitly stated as being applicable to women without discrimination.</p> <p>The New Labour Law expressly states an equal pay right for women doing the same job, or other work of equal value, as men.</p>
<b>Bullying and Sexual Harassment</b>	<p>The New Labour Law also prohibits sexual harassment and/or any verbal, physical or psychological form of bullying against an employee, by the employer or the employee's supervisor/colleagues.</p>

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