



UAE'S LATEST LABOUR REGULATIONS

The UAE continues to promote new priority sectors and boost its competitiveness and attractiveness so as to be among the world's most active economies. The Ministry of Human Resources and Emiratisation (MOHRE) has announced several labour regulations since the new Federal Decree-Law No. 33 of 2021 was implemented on 2nd February 2022. Compliance must be ensured by both employees and companies operating in the country.

Implementation of bank guarantee and employment protection insurance

MOHRE announced a new resolution on August 9 regarding bank guarantees and employment protection insurance for the private sector. It is intended to preserve worker rights, support the business community, strengthen the UAE's reputation as a desirable location to live, work, and invest, and improve the work environment for both employers and employees. Ministerial Resolution No. 318 of 2022 offers establishments the option of choosing between providing a bank guarantee or an insurance policy. Employers may choose either of two options:

1. Bank guarantee

- valid for one year, of at least AED3,000 per worker, paid through a bank in the UAE.
- the guarantee can be automatically renewed and paid at the Ministry of Human Resources and Emiratisation's demand, without any other restrictions.

2. 30-month insurance policy

- With costs at AED137.50 for each skilled worker, AED180 for each low-skilled worker and AED250 for each worker paid by high-risk establishments that are not registered with the Wages Protection System (WPS).
- It covers up to AED20,000 and includes the wages of the worker's last 120 working days, the end-of-service gratuity, and the expenses of returning the worker to their home country. It also covers costs associated with the worker's repatriation and other entitlements in the event of a worker's death.

Employers can reclaim the employee's bank guarantee under the below circumstances:

- the event of cancellation of the employee's work permit and providing proof of their departure from the country;
- employee's death and providing proof of the body's repatriation or burial in the UAE;
- employee's transfer to a new employer;
- or any other case in which the employer provides proof of cancellation of the employee's work permit and payment of entitlements due to the employee.

Alternatively, the Ministry of Human Resources and Emiratisation can refuse to reimburse the bank guarantee in two cases. Firstly, if the employer is a party to a collective labour dispute until the employee's entitlements are settled; secondly, if evidence of due fines against the establishment is proven, or if the establishment's work permits have been suspended.

New classification criteria for private sector establishments

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The classification criteria were announced by MOHRE last May 2022, and we have also published a short article on our website. The classification of private sector establishments is categorized into three tiers.

As stated in [MOHRE's classification guidelines](#), in order to qualify for Tier 1, companies must comply with the laws, the Wage Protection System, protect worker's rights, adhere to UAE policies regarding cultural and demographic diversity, and meet one or more of the following criteria:

- Raising Emiratisation rates by no less than three times the target
- Cooperating with the Nafis program to train no less than 500 Emiratis annually
- The establishment is one of the projects of young citizens according to approved criteria
- The establishment is one of the recruitment and training centers that support the implementation of workforce planning policy by enhancing cultural diversity in the country
- The establishment is part of target sectors and activities as specified by the Cabinet based on the ministry's proposal

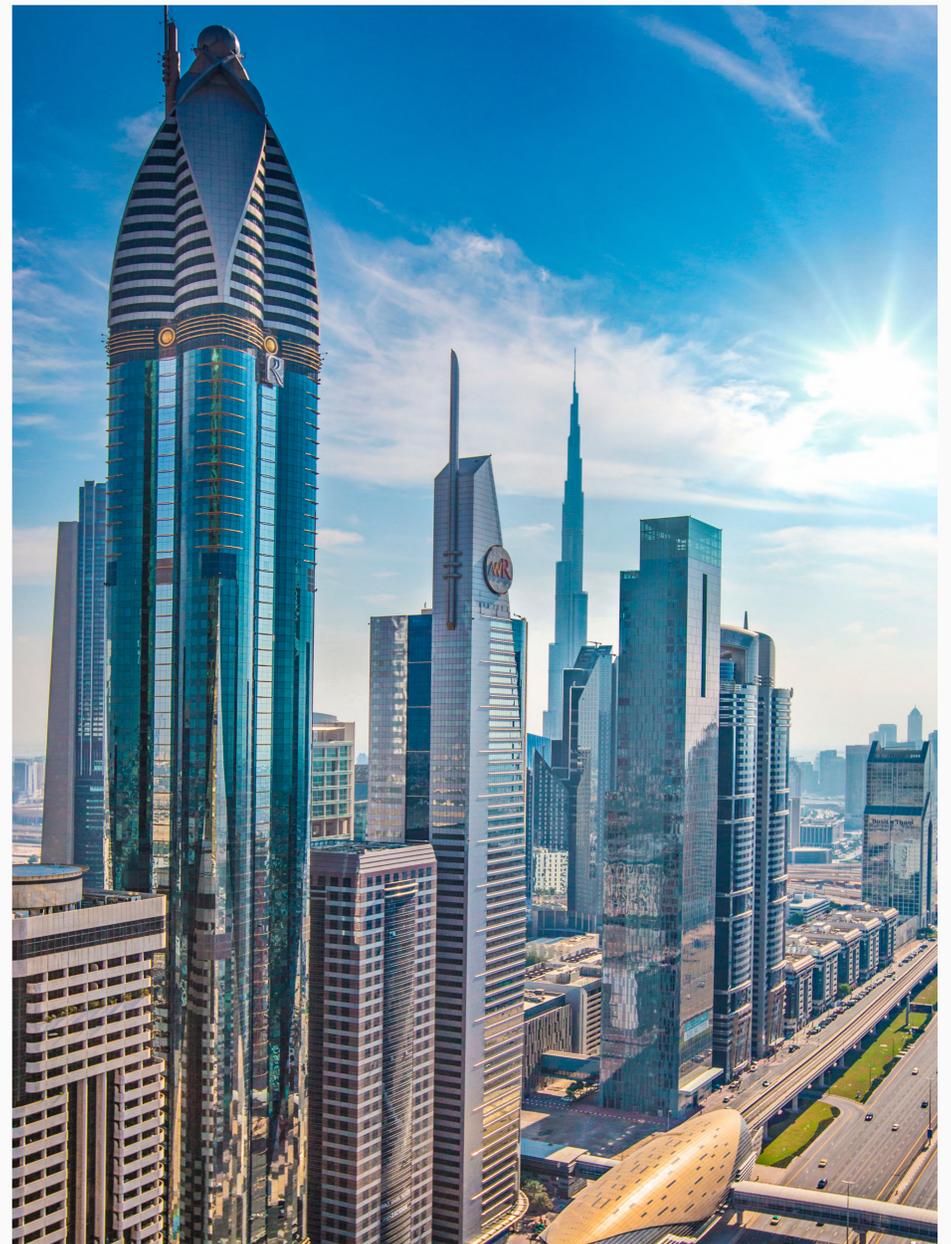
Tier 2

- The classification of private sector establishments in Tier 2 depends on their compliance with all procedures related to the law on Regulating Employment Relationships, its executive regulations, all the decisions issued by the ministry regarding work permits and contracts for citizens and non-citizens, the Wage Protection System, in addition to the compliance with the workforce planning policy by enhancing cultural diversity in the country's labour market.

Tier 3

- It includes all other establishments that proved to have violated the law on Regulating Employment Relationships and its executive regulations, the decisions regulating the labour market, or the criteria for protecting worker's rights
- Establishments that do not comply with enhancing cultural and demographic diversity in the country's labour market
- Companies can also be classified in Tier 3 if they commit violations stipulated in Ministerial Resolution No. 209 of 2022, including the issuance of a final ruling that the facility committed a crime of human trafficking, used or recruited workers without obtaining work permits, or provided incorrect data, documents or information to the ministry, violated obligations on workers' wages, housing and safety standards, resorted to fake Emiratisation practices, or committed other serious violations.

The new classification system for private companies aims to enhance the work environment in the UAE, attract global talents, facilitate procedures, enable Emirati talents, and attract investments.



Raising Emiratisation rates by 2% annually

The Cabinet approved increasing the Emiratisation rate to 2 percent annually from high-skilled jobs in establishments that employ 50 workers or more to achieve a 10 percent increase by 2026. The step aims at creating more than 12,000 job opportunities annually for citizens in all economic sectors. Non-compliant companies will have to pay an amount of AED6,000 monthly, starting from January 2023, for every citizen who has not been employed. The aim is to provide Emirati talents with new options in the labour market, help empower the private sector, and help achieve the Nafis program's objectives to employ 75,000 Emiratis in the private sector in the next five years.

Establishment of a committee to investigate collective labour disputes

MOHRE has announced the creation of a committee to investigate collective disputes over financial rights of 50 or more workers, which could not be settled amicably between the parties involved. Considering how these disputes affect establishments, the move supports UAE's labour market, ensures balanced rights between disputing parties, as well as the settlement of collective labor disputes in a timely manner. The committee will be chaired by MOHRE and will be comprised of a chief of appeal judge, an official from the Chamber of Commerce and Industry, representative from MOHRE's Labor Relations Department, and a member of the local labour committee or from the Emirate's labor crisis team.



Amendments on the provisions of the Wages Protection System

In July, MOHRE has issued [Ministerial Resolution No. 346 of 2022](#) regarding the amendment of certain provisions of Ministerial Resolution No. 43 of 2022 on the Wages Protection System (WPS). Establishments that fail to follow the WPS will be subject to a series of administrative procedures based on the duration of the delay, the size of the establishment, and the number of employees who have not been paid. Field visits and electronic monitoring and inspection systems will be implemented to ensure that employers pay their employees on time regardless of their company size. In addition, the Ministry will send reminders and notifications to non-compliant establishments, and if no action is taken after receiving notification, new work permits will not be issued.

Non-compliance may also affect the following:

- In the event that the owner operates other establishments listed with the WPS in the UAE, similar penalties will be imposed on each of them after the notification on the suspension of work permits.
- Establishments that repeat the same violation within six months will face administrative fines as per Cabinet Resolution No. 21 of 2022, and their status will be downgraded to Tier 3 under the MoHRE's Establishments Classification System.

Setting internal regulations in establishments

As stipulated in the new labour law and its executive regulations, the following guidelines are in place for internal regulations:

- The internal regulations shall not contradict the provisions and rules stipulated in the Decree-Law, the provisions of the Resolution, and the legal regulations.
- Internal regulations shall include the list of penalties that may be imposed on violating workers, and the terms and conditions for the application.
- Internal regulations shall include the daily working hours, weekly holidays, public holidays, and the necessary measures and precautions to be taken into account to avoid work injuries and fire hazards.
- Internal regulations shall include a system, criteria, and controls for promotions and rewards.
- The employer must inform the worker of the regulations of this article by any available means, and make him/her aware of them in the language he/she understands.

The UAE's job market confidence has reached a three-year high, with more employers looking to recruit, and workers feeling more positive about salaries and job prospects. It is vital to understand your duties and to keep up with the labour laws if you work or own a business in the UAE. At Strohal Legal Group, we advise on all aspects of individual and collective labour law and human resource management – both in a national and international context. Get in touch with our legal team to discuss all of your labour law requirements.

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