

iGlobal Law Annual Alert 2023 : United Arab Emirates (UAE)

Legal Change	Effective Date	Action required
<p>Unemployment Insurance Scheme (“Scheme”)</p> <p>Announced in October 2022, the registration in the Scheme will start on January 1st 2023.</p> <p>The Scheme will be mandatory for all employees in the private and public sectors including UAE nationals, with some limited exceptions. The objective of the Scheme is to provide the insured with income for a period during unemployment.</p> <p>Employees will be eligible to receive compensation of 60% of their basic salary (subject to a cap) upon becoming unemployed for up to 3 months or, if earlier, until they find alternative employment, subject to having been insured for 12 consecutive months under the Scheme. The applicable subscription fee and maximum compensation is dependent on the category of employee. The insured may also opt into additional benefits with the relevant service provider.</p> <p>Employees will be able to participate in the Scheme through various subscription channels, including (amongst others) bank ATMs and kiosk machines and by SMS.</p> <p>Compensation will not be available if the employee was dismissed for disciplinary reasons (including gross misconduct) or if there has been fraud or deceit involved in the insurance claim (in which case, fines and penalties will apply).</p> <p>Employees face fines if they do not comply with the Scheme as required. Failure to register will result in a fine of AED 400. However, we expect that there will be a grace period following the January 1st 2023 start date before such fines are issued. Following registration, failure to make contributions for 3 consecutive months will result in a fine of AED 200.</p>	<p>January 1st 2023.</p>	<p>No required action for employers – registration is an employee requirement. However, as a matter of good practice, employers should inform their employees that they are required to register.</p>
<p>Emiratisation Programme</p> <p>Emiratisation is an initiative by the UAE government which promotes the employment of UAE nationals in the private sector.</p>	<p>January 1st 2023.</p>	<p>Private sector employers must ensure that they are:</p> <ul style="list-style-type: none"> • meeting the Emiratisation quota; and • registered with NAFIS.

<p>From January 2023, private sector companies with more than 50 skilled employees that do not reach the Emiratisation quota of 2% annually will be subject to fines. The percentage is cumulative, so in 2023 it is 2%, in 2024 it is 4% and so on. The Emiratisation quota for a particular employer is calculated based on the total number of skilled employees working in the company. Likewise, the quota can only be filled by skilled employees. An employee is classified as a skilled worker per a MOHRE scale and on the condition that their salary is at least AED 4,000 per month.</p> <p>These new guidelines were authorized as part of the NAFIS programme, aimed at increasing UAE national participation in the private sector.</p> <p>This applies to employers registered with Ministry of Human Resources and Emiratisation (“MOHRE”) so it does not apply to free zone companies and MOHRE-exempt companies (who are free to join NAFIS on a voluntary basis).</p> <p>Failing to meet the applicable quota will result in a fine of AED 6,000 per quota position not filled by a UAE national. Any fine will accumulate annually according to the applicable quota(s).</p>		
<p>Limited term contracts</p> <p>With effect from February 2nd 2022 (the “Effective Date”), unlimited term contracts are no longer permissible and all employment contracts must now be for a defined term. Following a recent additional change in the law, there is no longer a restriction on the duration of the defined term and the employment contract can be renewed without restriction or limitation.</p> <p>Where an employee was hired prior to the Effective Date on an unlimited term contract, the company is required to transition that employee onto a fixed term contract by February 1st 2023.</p> <p>Note that this change does not apply to the Dubai International Financial Centre and the Abu Dhabi Global Market.</p>	<p>February 1st 2023.</p>	<p>For employees whose work permits/visas will expire after the February 1st 2023 deadline, employers will need to apply for an “employment contract adjustment” on the MOHRE portal and update the contracts to be limited term.</p> <p>Employers in the Freezones will have a similar exercise, via the free zone authority</p>