

iGlobal Law 2024 Annual Alert : UAE

Legal Change	Effective Date	Action required
<p>Emiratization targets for employers with 20 to 49 employees</p> <p>The UAE authorities announced Emiratization targets for private sector establishments with 20 to 49 employees working in 14 specified sectors, as follows:</p> <ul style="list-style-type: none"> - Information and Technology; - Financial and Insurance activities; - Real estate; - Professional; - Scientific and technical activities; - Administrative and support services; - Education; - Health and social welfare activities; - Arts and entertainment; - Manufacturing; - Construction; - Wholesale and retail trade; - Transportation and storage; - Accommodation; and - Hospitality industry activities. <p>This list is subject to constant update and targeted companies will be contacted by the government informing them of the necessity to comply with targets.</p> <p>Targeted companies must recruit one UAE national in 2024 and another one in 2025. The Resolution also sets out fines for failure to meet these targets.</p>	<p>January 1st 2024</p> <p>Fines for failing to meet the 2024 target will be imposed in January 2025.</p>	<p>Employers should keep an eye out for changes and updates to the list of subjected companies.</p> <p>Employers are encouraged to meet these targets and should recruit a UAE national employee within the targeted year regardless of the month.</p> <p>Where a UAE national employee resigns or is terminated, the employer is also obliged to hire another UAE national employee to replace the UAE national employee who exited the company (not necessarily in the same role). Such replacements should be made within 2 months of the termination date.</p>
<p>Voluntary alternative to end of service gratuity</p> <p>The UAE government announced a new optional saving scheme in lieu of end of service gratuity (“ESG”) for private sector employers, including those in the free zones.</p> <p>At present, employers are obliged to pay ESG accrued in one lump sum payment on termination of employment. ESG is calculated at the rate of:</p> <ul style="list-style-type: none"> - 21 calendar days’ monthly basic salary for each year of service under 5 years; and - 30 calendar days’ monthly basic salary for each year of service over 5 years. <p>Paying monthly contributions into an investment scheme mitigates the risk of employment liabilities</p>	<p>November 2023</p>	<p>Employers who choose to participate must register via the MOHRE and provide details such as the company name, establishment ID number, and the current number of employees. It is not clear at this stage if free zone based employers must also enroll via the MOHRE or whether they need to do so via their respective free zone authority. We expect further details to be released in due course.</p>

<p>not being accrued on the balance sheet and employers being unable to afford to pay out large lump-sum amounts toward an employee's ESG on termination of employment (a common issue in the UAE particularly in times of mass redundancies and company closures due to bankruptcy).</p> <p>The new scheme is supervised and controlled by MOHRE and Securities and Commodities Authority (the "SCA"), which may take all necessary measures for monitoring, inspecting and settling complaints related to the scheme.</p> <p>Where an employer opts into the investment scheme, employees may choose between one of the following schemes:</p> <ul style="list-style-type: none"> - a risk-free investment scheme which maintains the capital invested; - a risk-based investment scheme where the risk varies between low, medium and high risk; - or a Sharia-compliant investment scheme. <p>Employer contributions are calculated as follows:</p> <ul style="list-style-type: none"> - 5.83% of the monthly basic salary for under 5 years of service; and - 8.33% of the monthly basic salary for over 5 years of service. <p>The rate of employer contribution therefore mirrors the rates at which ESG accrues.</p> <p>Where an employer chooses to register employees in the new scheme, employees will also have the option of contributing additional amounts on a monthly or lump sum basis (subject to a maximum of 25% of the employee's total salary).</p>		
<p>New pension law for UAE national employees entering the workforce for the first time</p> <p>A new pension law has been issued which will apply only to UAE national employees who join the labour market for the first time (starting from October 2nd 2023). Current UAE employees will continue to be covered by the provisions of the existing pension law.</p> <p>Key points of the new law are listed below:</p> <ul style="list-style-type: none"> - The new law increases the maximum contribution salary for UAE nationals working in the private sector from AED 50,000 to AED 70,000. 	<p>October 2nd 2023</p>	<p>None. The registration process with the state pension authority remains the same for any new UAE national employees. However percentage contribution amounts differ from any existing UAE national employees and UAE national employees who joined the workforce prior to the introduction of the new pension law.</p>

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| <ul style="list-style-type: none">- Employee contributions will be 11% of the subscription salary and the employer's contributions will be 15%. The government may cover 2% of the employer's 15% where an employee earns under AED 20,000 per month.- In the first and last month of employment, and even where the full month is not worked by the employee, employer and employee contributions should not be pro-rated.- Save for circumstances where an employee is suspended without pay, employer and employee contributions should continue to be made during periods of unpaid leave, secondment or study leave. | | |
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