



# EMPLOYMENT IN THE UNITED ARAB EMIRATES



The UAE has developed from a juxtaposition of Bedouin tribes to one of the world's most wealthy states in only about 50 years. It is located at the eastern end of the Arabian Peninsula and has a population of 9.89m. The main law that regulates the employment relationship in the UAE is Federal Decree Law No. 33 of 2021. Regulating Labour Relations (Labour Law) and its correlative Executive Regulations. Workers, including foreign nationals working in one of the many free zones in the UAE are subject to the Labour Law and the employment regulations introduced in the relevant free zone. If the free zone regulations are inconsistent with the Labour Law, the Labour Law provisions take precedence.



### WORKING TIME AND OVERTIME

Working hours in the UAE must not exceed eight hours per day, or 48 hours per week over a six-day week. Working hours can be increased to nine hours per day for some types of business. During Ramadan, working hours are reduced by two hours per day. All work above the standard weekly working hours must be paid as overtime and is regulated by employment contracts. In general, overtime is calculated at 125% for hours worked between 9pm and 4am, and at 150% for hours worked at any other time. Fridays must be paid at 1.5x regular salary, plus a compensatory day off.

### ANNUAL LEAVE

Employees with greater than six months' service but less than a year's are entitled to a minimum of two days' paid leave for each month they are employed. Once the continuous service period exceeds on a year, employees are entitled to 30 days' paid annual leave. There are 14 official public holidays in the UAE.

### TRIAL PERIOD

The probation period in UAE for permanent employees is generally between three and six months. UAE Labour Law stipulates a minimum of 14 days' notice when terminating an employee on probation.

### RESIGNATION AND DISMISSAL

The termination process is standard in UAE and based on Labor Law requirements, unless an employer can provide sufficient cause for dismissal without notice. A minimum of 30 days' mandatory notice is required, which must be put in writing and sent to the relevant governmental authorities. Severance pay is determined by length of service and, if applicable, must be paid within 14 days of the termination date. An employee who has completed one year or more of continuous service is entitled to 21 calendar days' basic salary for each year of the first five years of service, and 30 calendar day's basic salary for each subsequent year of service, provided that the entire total remuneration does not exceed two year's salary.

### RESTRICTIVE COVENANTS

It is acceptable to include restrictive covenants in the employment contract, provided that the employee is at least 21 years of age when entering into the restrictions, the employee has become acquainted with the employer's clients or confidential information, and the covenants are limited in relation to their duration, geographic scope and the nature of the business to be protected.

Parties are permitted to include a liquidated damages clause in the employment contract as it is not possible to obtain an injunction onshore in the UAE, although there are rules against 'exorbitant' penalties being applied in employment contracts under the Civil Code. It is possible to seek a ban on the employee's residence visa if they are in breach of a restrictive covenant which would prevent them from working in the territory of UAE. Non-compete clauses and customer non-solicit clauses typically last no longer than 6-12 months. Employee non-solicits are also permissible.



## CONTRACT OF EMPLOYMENT

As part of the residence visa and employment permit application process, all workers in the UAE must enter into a standard template-written dual language contract provided by the Ministry of Human Resources and Emiratisation. Before signing the employment contract, all workers must sign an offer letter stating the basic terms of employment. The terms of the employment contracts must not be less beneficial to the worker than those agreed to in the offer letter. Some free zones require the parties to enter into employment contracts using a template specific to the relevant free zone. Subject to the provisions of the Labour Law, the information that must be included in employment contracts varies among the free zones.

## MATERNITY AND PATERNITY LEAVE

Expectant mothers are entitled to 60 days' maternity leave, paid at 100% of the regular salary rate for the first 45 days and 50% for the remaining 15 days. Employees can take maternity leave before and after the due date. Employees are also entitled to take up to 45 days (consecutive or intermittent) of unpaid leave in the event of any post-partum complications, upon producing a medical certificate. There is no provision for paternity leave in UAE law but for private-sector employees, both parents are entitled to five days' paid leave, which can be taken any time until the child reaches the age of 6 months.

## SICKNESS LEAVE

Employees are entitled to up to 90 days' sick leave per year, only applicable after the end of their probation period. The sick leave can be continuous or intermittent, and is payable as follows:

- First 15 days: 100%
- Next 30 days: 50%
- Remaining 45 days: Unpaid

During their probation period, employees may be granted sick leave without pay, subject to the approval of the employer and based on a medical report that stipulates the necessity of the leave.

## SOCIAL SECURITY

The employer is required to contribute 12.5% Social Security (basic social security plus housing allowance, based on monthly minimum of 1,000 AED and maximum of 50,000 AED). A higher rate is applied in the Emirate of Abu Dhabi, where the employer is required to contribute 15%.

## HEALTHCARE AND INSURANCE

In the emirate of Abu Dhabi, employers and sponsors are responsible for the providing health insurance coverage for their employees and their families (1 spouse and 3 children under 18 years). In the emirate of Dubai, employers are required to provide health insurance coverage for their employees. Sponsors are required to obtain insurance cover for their resident dependants.



# EMPLOYMENT OF FOREIGN NATIONALS

Any foreigners coming to work in UAE will need to be registered with the UAE immigration authorities. All expats must have secured a job offer from a company operating in the UAE. For working in Dubai, a UAE Employment Permit is required. In general, these are valid for up to two years for anyone offered a job in the UAE and provide the right to live and work in the UAE for the duration of the visa, which is renewable after two years.







# SALARY AND TAXES



## MINIMUM WAGE

For expats, there is no mandatory minimum wage. For UAE nationals, the minimum wage is determined by the level of education:

- No high school certificate: 3,000 AED
- High school certificate: 4,000 AED
- College degree or higher: 5,000 AED

The upcoming Federal Decree Law of 2022 will set a minimum wage, to be determined and announced by the UAE Cabinet after a proposal by the Minister of Human Resources and Emiratisation.

## INCOME TAX

There is no personal income tax in the UAE.

## SALARY PAYMENTS

The payroll cycle in the UAE is generally monthly, with payment made on the last working day of the month.

## SOCIAL SECURITY CONTRIBUTIONS

The employee contributes 5% of their salary to Social Security, in addition to the employer contribution of 12.5% and an additional 2.5% contribution made by the Government. A higher rate is applied in the Emirate of Abu Dhabi, where the employee contribution is the same but the employer contributes 15% and the Government 6%.



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