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Dubai International Financial Center Enacts Sweeping Changes to Employment Law

International Labor and Employment Law on **July 9, 2019**

Background

On June 12, 2019, the Dubai International Financial Center ("DIFC") in Dubai, UAE announced its new employment law regime, which will come into force on August 28, 2019. This new employment code replaces the DIFC's previous employment code from 2005 and aims to rectify various issues that arose under the old system. While many changes to the law can be viewed as employee-friendly, others push back on employee rights. As Dubai is increasingly becoming the financial hub for the Middle East, Africa, and South Asia, these changes will affect many workers. The major changes are summarized below.

Discrimination

Under the new law, pregnancy, maternity, and age are now protected categories of employment (in addition to the previously recognized categories of race, nationality, religion, sex, marital status, and disability). Additionally, employees will now be protected after engaging in protected activity, including filing a complaint of discrimination or providing evidence against an employer in a discrimination proceeding. The law now specifies available remedies for discrimination claims, which are capped at one year's wages. Additionally, there is now a six-month statute of limitations for all employment claims.

Parental Rights

The new law introduces the concept of parental leave, providing fathers five days of leave after the birth of a child or adoption of a child less than five. Maternity leave is also expanded, and nursing mothers will have the right to a one-hour nursing break if their shift is more than six hours in a day.

Sick Leave

Pay for sick leave is reduced from the old employment law system. While employees were previously entitled to sixty days of leave at their full salary, sick leave is now provided on the following scale: (i) employees will receive full wages for their first 10 days of sick leave; (ii) 50% wages for the next 20 days; and (iii) no pay thereafter.

Late Payments

Under the previous employment law, employers were liable to pay a statutory penalty of one full day's wages for each day past 14 days that they were late in paying post-termination payments. This system occasionally produced absurd results, such as having statutory damages eclipse actual damages if, for instance, there was a dispute over a small bonus or gratuity. It also meant that damages would grow from an employee's own delay in filing suit or from court delays. Now, statutory damages will only apply if the amount the employer owes exceeds the employee's weekly wage. Additionally, statutory damages will not apply for any period in which a court proceeding is pending or for which the employee's own unreasonable conduct is shown to be a material cause of the employer's failure to pay.

Probation, Secondment, and Part-time Employees

The new law formally recognizes the concepts of probation, secondment, and part-time employment. Probation is capped at six months. Secondees in the DIFC will be entitled to certain rights under the new employment law and employees seconded out of the DIFC can choose foreign law to govern their employment contracts. Finally, the law explains that the concept of part-time employment shall apply to any employees working less than eight hours per day or less than five days per week. Any required periods of leave shall be calculated on a pro-rata basis for part-time employees. All other provisions of the employment law are equally applicable.

Termination

Finally, the new provides specifications on terminations. The previous minimum notice periods are maintained, which the employer and employee can agree to lengthen but not shorten. Employers can place employees on garden leave and payment in lieu of notice is permissible if agreed to by both parties. The law is now more accepting of mutual settlements ending employment, but courts maintain the ability to void settlements found to be unreasonable.

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Related Professionals

- **Jordan B. Glassberg**
  Associate