



New labor law rules effective 01.01.2016

The Ministry of Labor has issued 3 new rules, which should guarantee more legal security for the employer and the employee. The three new rules are as follows:

- Ministerial Decree No. 764 of 2015 on the Ministry of Labor-Approved Standard Employment Contracts
- Ministerial Decree No. 765 of 2015 on the Rules and Conditions of the Termination of Employment Relations
- Ministerial Decree No. 766 of 2015 on the Rules and Conditions for Granting a Permit to a Worker for Employment by a New Employer

Standard offer letter and standard labor contract

In the past, legal uncertainty took place frequently when the clauses of the offer letter (for example: the division of the salary and bonus regulations) were not included in the labor contract that was submitted to the authorities. This, in turn, led to ignoring the promises of the offer letter by following only what was stated in the labor contract. Up to now, there was neither an obligation that the offer letter was to be submitted to the Authority, nor the obligation for the employee's signature to be on the labor contract that was submitted to the authority.

Ministerial Decree No. 764 of 2015 states that an employer has to submit a signed standard offer letter to the Ministry of Labor, in order to acquire the Entry Permit for the employee visa. This standard offer letter by the Ministry of Labor has to match with the standard labor contract that shall be signed by the employer and also submitted to the ministry (both templates will be provided by the Ministry of Labor).

The clauses of the standard labor contract shall be amended by the parties only when such clauses are in favor of the employee, and do not contradict any of the rules of the standard labor contract template. The labor contract must contain the same clauses as the standard offer letter. The two documents should be a 100 % match.

The standard offer letter and the standard employment contract provided by the Ministry of Labor will contain clauses regarding the salary, the probation period, the annual leave and notice period. Whether further clauses such concerning non-disclosure, non-competition, and the protection of intellectual property, could be added in the standard offer letter and in standard labor contracts has to be negotiated with the Ministry of Labor.

The termination of employment

The second Ministerial Decree No. 765 of 2015 governs the termination of employment. The rule states that limited contracts may only be made for a maximum of two years, and that the notice period is allowed to be from 1 to 3 months. In the past, a limited contract could be made for a maximum period of 4 years, the notice period was not regulated, and early termination of a limited contract was considered a breach of contract and, consequently, required compensation.

In case of early termination of a limited contract, the new decree states that the compensation may be agreed upon, but it shall not exceed 3 months' salary. When the termination is from the employee's side, the compensation shall not exceed half the above mentioned amount, which is one and a half months' salary.

There are also new regulations regarding the notice period of unlimited contracts. It used to be 1 month and there was no maximum. With the new degree the maximum notice period is 3 months and must be agreed upon. This new rule could cause problems in the future because there are a lot of contracts, especially for manager, with a six-month notice period.

Work permit and labor ban

In the past, an amicable early termination of a limited contract, acquiring a new entry permit, and avoiding the six-month work ban, was not always possible. The third Ministerial Decree, No. 766 of 2015, includes new rules for work permits and labor bans. For example, a new work permit shall be issued and no ban shall be applied when the employee to a limited contract has worked for 6 months or more for the employer and the termination is amicable. The "6-months rule" does not apply when the employee can provide a school diploma or higher education degree. And so, this is how the labor ban can now be avoided.

These three decrees came into effect on 01.01.2016, but they are not applicable to free zone companies. Only the future knows to what extent free zone companies will have to follow these rules.

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