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United Arab Emirates

Employment and Labour Law

Contributor

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This country-specific Q&A provides an overview of employment and labour laws and regulations applicable in United Arab Emirates.

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United Arab Emirates: Employment and Labour Law

1. Does an employer need a reason to lawfully terminate an employment relationship? If so, state what reasons are lawful in your jurisdiction?

provide a 'legitimate reason', which is not defined under the Labour Law. By contrast, dismissal without notice is confined to an exhaustive list under Article 44 of the Labour Law:

- (1) the employee impersonates someone else or submits forged documents or certificates;
- (2) the employee causes significant damage to the employer's property or business due to a serious mistake or intentional act, and admits their actions, and the employer must report the incident to the Ministry of Human Resources and Emiratization (MOHRE) within seven (7) working days of becoming aware of the incident;
- (3) the employee violates workplace safety rules that are clearly written, displayed in a visible place, and previously communicated to them;
- (4) the employee fails to perform their basic job duties under the employment contract and continues to do so after a written investigation and two warnings;
- (5) the employee discloses a work-related secret (e.g. industrial secret or intellectual property) that results in losses to the employer, a missed business opportunity, or personal gain for the employee;
- (6) the employee is intoxicated at work, under the influence of drugs, or behaves in a way that violates public morals at the workplace;
- (7) the employee assaults or insults the employer, a supervisor, manager, or co-worker during work in any manner punishable under UAE law;
- (8) the employee is absent without a valid reason for more than twenty (20) non-consecutive days in a year or more than seven (7) consecutive days;
- (9) the employee uses their position improperly to gain personal benefits; or
- (10) the employee works for another employer without

following the legal procedures.

2. What, if any, additional considerations apply if large numbers of dismissals (redundancies) are planned? How many employees need to be affected for the additional considerations to apply?

The Labour Law does not provide a numeric threshold triggering additional formal requirements for mass redundancies. As such, there are no additional considerations for large scale redundancies, and the normal termination rules apply.

Redundancy is, however, defined very narrowly in the Labour Law, and is permitted in limited circumstances. There are no collective rights or consultation obligations.

3. What, if any, additional considerations apply if a worker's employment is terminated in the context of a business sale?

In the event of a business sale, employment contracts do not transfer automatically. Employers (seller) must formally terminate the existing contracts, including the full settlement of end of service benefits. If agreed, the acquiring entity may then re-engage employees under new employment contracts.

4. Do employees need to have a minimum period of service in order to benefit from termination rights? If so, what is the length of the service requirement?

Employees benefit from basic termination rights immediately upon employment commencing. However, entitlement to a statutory end of service gratuity payment requires completion of at least one continuous year of employment. Please see our response to question 8 below regarding the calculation for end of service gratuity.

5. What, if any, is the minimum notice period to terminate employment? Are there any categories

of employee who typically have a contractual notice entitlement in excess of the minimum period?

Under the Labour Law, employers must provide employees with at least fourteen (14) calendar days' written notice in order to terminate employment during the probationary period. For employees beyond their probationary period, the statutory minimum notice period is thirty (30) calendar days regardless of length of service, unless a longer notice period is explicitly stated in the employment contract.

Notice periods under the Labour Law must be between thirty (30) and ninety (90) calendar days, so longer notice periods are not generally a feature of the employment landscape in the UAE.

6. Is it possible to make a payment to a worker to end the employment relationship instead of giving notice?

Strictly speaking, employees must agree to receive a payment in lieu of notice. Where a payment in lieu of notice is made, this must not prejudice an employee's termination payments generally (including any end of service gratuity entitlement).

7. Can an employer require a worker to be on garden leave, that is, continue to employ and pay a worker during their notice period but require them to stay at home and not participate in any work?

Whilst garden leave is not explicitly referenced, the Labour Law recognises the concept of garden leave, as employers can decide whether employees are required to perform their duties during the notice period, or not. Garden leave provisions can be included in contracts of employment and exercised by the employer.

8. Does an employer have to follow a prescribed procedure to achieve an effective termination of the employment relationship? If yes, describe the requirements of that procedure or procedures. Is an employee entitled to appeal against their termination?

There is no comprehensive process for employment terminations. However, employers must adhere to key statutory requirements to ensure terminations are lawful

and minimise legal exposure. We have outlined some key points below.

Written Notice and Notice Periods

Employers are required to issue written notice when terminating an employee's contract, in compliance with the minimum statutory notice periods (please see our response to **question 5 above**).

Disciplinary Procedures

In cases of termination due to misconduct, employers must follow a formal disciplinary process, prior to terminating employment. Article 39 of the Labour Law (and the accompanying implementing regulations) requires employers to follow a formal disciplinary process for misconduct, including:

- issuing written notice of the allegation;
- conducting an internal investigation;
- providing an opportunity for the employee to respond; and
- providing written documentation of any decision.

Right to Appeal Disciplinary Penalties

Employees are entitled to appeal to management against any disciplinary sanction imposed on them by the employer, including dismissal.

Employees must submit the appeal together with a copy of the dismissal decision.

Employees must not be prejudiced for submitting an appeal, and the employer is required to notify the employee of the outcome.

Employees also have the right to file a claim with MOHRE or the competent labour court, please see our response to question 9 below for further detail.

Summary Dismissal

As discussed above in **question 1**, summary dismissal is permitted in certain cases of **serious misconduct**, provided that the employer follows the necessary procedures and has evidence to support the decision.

Final Payments

Upon termination, employers must settle all outstanding dues within fourteen (14) calendar days of the termination date, including:

- accrued salary;

- accrued but untaken annual leave;
- notice pay (if applicable); and
- end of service gratuity – employees with one year or more of service are entitled to **end of service gratuity (regardless of the reason for termination)**, calculated using the employee's last basic wage as follows:
 - **21 calendar days' basic wage** per year for each of the first five years of service; and
 - **30 calendar days' basic wage** per year of service thereafter (subject to a two-year cap on wages).

Repatriation Flights

Employers are generally required to provide employees with a one-way repatriation air ticket to the employee's home country (or another agreed location), unless the employee:

- secures new UAE sponsorship;
- is a remote worker not residing in the UAE; or
- is attributed with the reason for termination (e.g. resignation).

9. If the employer does not follow any prescribed procedure as described in response to question 8, what are the consequences for the employer?

Non-compliance with the provisions of the Labour Law can lead to significant consequences for employers, including:

- **Administrative Penalties:** Non-compliance with procedural requirements, such as failure to provide written notice or accurate final settlements, may result in sanctions imposed by MOHRE. Penalties may include monetary fines, administrative warnings, suspension of the company's ability to obtain new work permits, or even temporary suspension of business activities in serious cases.
- **Delayed Labour Dispute Resolution:** Failure to adhere to prescribed procedures often results in protracted labour disputes. MOHRE, Labour Courts, or Labour Dispute Resolution Committees may mandate employers to pay additional compensation or settlements, alongside legal and administrative costs.

Generally speaking, there is no separate compensation available for employees to claim under the Labour Law where an employer has failed to follow statutory

processes, however a claim for unlawful termination compensation may arise where an employee is terminated in response to submitting a serious complaint to MOHRE, or filing a successful claim against the employer. Unlawful termination compensation is currently capped at three (3) months' total salary, in addition to all other statutory and contractual termination entitlements.

10. How, if at all, are collective agreements relevant to the termination of employment?

The Labour Law does not recognise trade unions or employee representative bodies for collective bargaining purposes.

11. Does the employer have to obtain the permission of or inform a third party (e.g local labour authorities or court) before being able to validly terminate the employment relationship? If yes, what are the sanctions for breach of this requirement?

Under the Labour Law, employers have clear obligations regarding notification to third-party authorities during termination procedures:

Requirements to inform MOHRE:

- Employers must notify MOHRE promptly when terminating an employee, typically through updating MOHRE's electronic employment system.
- Notification involves the cancellation of the employee's work permit and residency visa sponsorship (if applicable), which must be done promptly and accurately upon termination. The employer must complete these formalities, ensuring all final entitlements are settled correctly and on time.

Permission to terminate UAE national employees:

- Employers are not required to seek prior permission from MOHRE before terminating employment contracts (unless in specific protected categories, such as UAE nationals, which may involve Emiratisation regulations).

Sanctions for Breach:

Failure to notify MOHRE promptly or to cancel work permits and visas accurately and in a timely manner may

result in:

- **Administrative fines** imposed by MOHRE, potentially escalating based on severity and repetition of violations.
- **Restrictions on obtaining new labour permits** or employment visas for future employees.
- **Possible suspension of the company's MOHRE account**, limiting the ability to operate, recruit new employees, or renew existing employees' permits or visas.

In addition, employers may incur liability for extended periods of sponsorship, including salary and fines linked to overstaying or expired visas

12. What protection from discrimination or harassment are workers entitled to in respect of the termination of employment?

- **Protection from Discrimination:** According to Article 4 of the Labour Law, all forms of discrimination based on race, colour, sex, religion, national or social origin or disability that reduce equal opportunities, prejudice equal access to or continuation of employment and enjoyment of rights are prohibited.
- **Protection from Harassment:** Article 14 of the Labour Law explicitly prohibits sexual harassment, bullying, and violence in the workplace. An employer terminating an employee in retaliation for raising a harassment claim, complaint, or for resisting harassment may face claims of unlawful termination compensation (mentioned above in our response to question 9).

13. What are the possible consequences for the employer if a worker has suffered discrimination or harassment in the context of termination of employment?

Employers may face potential legal claims, financial compensation liabilities, reputational damage, and in severe cases, investigation by the police (if a criminal complaint is filed by the employee) and regulatory penalties and fines.

An employee who suffers discriminatory or retaliatory termination may file a claim with MOHRE or the competent labour court. If successful, the employee may receive compensation. The Labour Law does not currently provide for any separate compensation for

discrimination complaints.

14. Are any categories of worker (for example, fixed-term workers or workers on family leave) entitled to specific protection, other than protection from discrimination or harassment, on the termination of employment?

The Labour Law mandates that employment contracts are for a fixed term, meaning that indefinite term contracts are not permitted.

Employees on maternity leave have the right not to be dismissed for availing themselves of maternity leave or for being absent from work in accordance with the provisions of the Labour Law.

There are separate procedures for employers to follow if terminating a UAE national employee.

15. Are workers who have made disclosures in the public interest (whistleblowers) entitled to any special protection from termination of employment?

There are limited protections for whistleblowers in onshore UAE, and whistleblowers can inadvertently expose themselves to risks of falling foul of the UAE's strict criminal and privacy laws.

There are protections for those who report matters to the Dubai Economic Security Centre, to ensure that their identity and residence remain confidential. They should not be exposed to workplace discrimination as a result.

There are also specific protections in place regarding the UAE Central Bank and separately, obligations on auditors to report corporate violations.

Companies may still implement whistleblowing protections in their internal policies, to supplement the legislative protections.

16. In the event of financial difficulties, can an employer lawfully terminate an employee's contract of employment and offer re-engagement on new less favourable terms?

Employers can renegotiate contracts with employees in financial distress situations through mutual agreement. Employers in this position are advised to seek legal advice beforehand, regarding the implications for an

employee's entitlements, including end of service gratuity.

17. What, if any, risks are associated with the use of artificial intelligence in an employer's recruitment or termination decisions? Have any court or tribunal claims been brought regarding an employer's use of AI or automated decision-making in the termination process?

Employers who use artificial intelligence (AI) in making recruitment or termination decisions will inevitably handle sensitive personal data of applicants or employees. This type of processing is restricted and requires both the approval of the individuals concerned and full compliance with UAE's applicable data protection laws and regulations.

Using AI in employment decisions, including terminations, could expose employers to discrimination claims and unfair dismissal allegations. Although no significant court precedents currently exist in the UAE, it is an emerging legal risk area.

18. What financial compensation is required under law or custom to terminate the employment relationship? How is such compensation calculated?

Termination entitlements under the Labour Law generally include: notice pay, end of service gratuity (calculated based on length of service and the last basic salary, please see the response to question 8 above), payment for accrued, unused annual leave (calculated on basic wage only), and any other contractually agreed payments.

19. Can an employer reach agreement with a worker on the termination of employment in which the employee validly waives his rights in return for a payment? If yes, in what form, should the agreement be documented? Describe any limitations that apply, including in respect of non-disclosure or confidentiality clauses.

The minimum entitlements under the Labour Law (e.g. end of service gratuity) may not be validly waived, and any attempt to do so by way of a settlement agreement or otherwise, is unlikely to be enforceable in the event of a dispute.

20. Is it possible to restrict a worker from working for competitors after the termination of employment? If yes, describe any relevant requirements or limitations.

Yes. The Labour Law includes the option to have a contractual 'non-compete' provision for certain employees whose work provides them with access to the employer's clients or confidential information, limiting any inclusion of a post termination restriction to a maximum restriction of two (2) years post termination date. The provision must be 'reasonable' in terms of geographical location, time and the type of work, and only to the extent necessary to protect the legitimate business interests of the company.

The Labour Law also confirms nullification of a post termination restriction when the employer terminates an employee or acts in breach of the Labour Law.

Currently there remains a lack of injunctive relief capability and non-competition restrictions are generally difficult to enforce in practice.

There is no requirement for employers to pay employees for a 'non-compete' provision to be valid and/or enforceable. However, the Labour Law allows the employee or their new employer to request release from a 'non-compete' obligation by paying compensation to the former employer. This compensation cannot exceed three (3) months of the employee's last agreed wage, and the former employer must consent in writing to the release.

21. Is it possible to restrict a worker from soliciting customers or clients, or employees of the employer, after the termination of employment? If yes, describe any relevant requirements or limitations (including any payments that must be made to the worker for the restriction to be valid and enforceable).

Yes. Although the Labour Law does not explicitly refer to post termination 'non-solicit' provisions, many employers commonly include such provisions in employment contracts. These provisions generally follow the same legal principles that apply to non-compete clauses, albeit there are no requirements.

Please see our response to question 20 above for further details regarding injunctive relief and practical enforceability.

There is no requirement for employers to pay employees

for a 'non-solicit' provision to be valid and/or enforceable.

22. Can an employer require a worker to keep information relating to the employer confidential after the termination of employment?

Yes. Employers may impose post-termination confidentiality obligations explicitly in employment contracts, covering trade secrets and proprietary information. The Labour Law includes specific provisions on confidentiality also.

23. Are employers obliged to provide references to new employers if these are requested? If so, what information must the reference include? What duties apply to employers giving references?

Yes. Employers may impose post-termination confidentiality obligations explicitly in employment contracts, covering trade secrets and proprietary information. The Labour Law includes specific provisions on confidentiality also.

24. What, in your opinion, are the most common difficulties faced by employers in your jurisdiction when terminating employment and how do you consider employers can mitigate these?

(1) One of the key considerations for employers in the UAE when making a decision to dismiss is navigating Emiratisation requirements. Under current regulations, private sector companies are required to maintain specific quotas of UAE national employees (by certain

deadlines within the calendar year). Although the current Emiratisation programme is set to conclude in 2026, we anticipate that a similar requirement to maintain the existing quota will be required. The process involved in terminating a UAE national without a valid and well-documented reason is more bureaucratic and not abiding by this process can trigger penalties, impact the company's compliance rating with MOHRE, and, in some cases, affect its ability to renew work permits or access certain government-linked benefits. Once dismissed, the employer is required to replace the UAE national employee with another UAE national within 2 months. Employers are advised to develop effective recruitment strategies well in advance of deadlines in order to mitigate the risks of fines and penalties being imposed. (2) The enforceability of restrictive covenants is difficult for employers. UAE courts interpret post termination restrictions strictly. Restrictions which are too broad will be unenforceable and employers have to show a demonstrable loss resulting directly from the breach of contract. There is also a lack of injunctive relief and a relatively employee-friendly approach taken by UAE labour courts, which can frustrate efforts to protect business interests after termination, particularly in cases involving misconduct or breach of duty. Employers should ensure that post termination restrictions clauses are reasonable and could consider including a liquidated damages clause or other effective deterrents.

25. Are any legal changes planned that are likely to impact the way employers in your jurisdiction approach termination of employment? If so, please describe what impact you foresee from such changes and how employers can prepare for them?

No foreseeable changes, but the UAE can implement legislation very quickly and without forewarning.

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