

Legal Alert



End-of-Service Gratuity - Clarified

By Charles Laubach | 19 December 2021

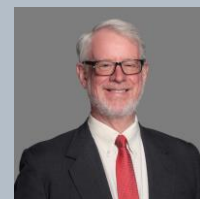
As reported earlier, the new Labour Law, Federal-Decree Law No. 33 of 2021, is scheduled to take effect on 2 February 2022. The new Labour Law appeared to introduce a change to the calculation of the end-of-service gratuity, by stating that an employee's end-of-service gratuity shall be equal to 21 Working Days of Basic Salary for each of the first five years of employment, and 30 Working Days of Basic Salary for each year thereafter. The effect of this, if applied literally to an employer with a five-day work week, would be to increase the end-of-service gratuity accrual of the workforce by approximately 29%.

However, it now appears that the baseline figure will be days of Basic Salary in lieu of Working Days of Basic Salary.

The clarification appears in the form of Federal-Decree Law No. 47 of 2021 on the Uniform Rules of Work in the UAE. This is a statute that is designed by its express terms to harmonise the terms and conditions of employment between the public and private sectors. It applies to all personnel who are subject to the Federal Civil Service Regulations (Federal-Decree Law No. 11 of 2008, as amended) or are subject to the new Labour Law. The new Law makes it clear that the provisions on non-discrimination, work schedules, specified term contracts, working hours, leaves, remuneration and end-of-service gratuity that were stated in the new Labour Law also apply generally in the UAE, in the public and private sectors.

Regarding the end-of-service gratuity, the new Decree-Law states that the end-of-service gratuity for those who do not work on a full-time basis will be addressed by separate regulatory measures, as will the treatment of other savings or pensions plans that might operate as alternatives to end-of-service gratuity. ■

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