

## inBrief

**Deadline for Emiratisation in private sector approaches**

By Charles Laubach and Suditi Surana | 7 September 2022

In the last few months, the UAE authorities have introduced a number of measures intended to increase the number of UAE nationals who are employed in the private sector. The Emirati Cadres Competitiveness Council (Nafis) program, originally established in 2016 with the aim of attracting UAE nationals to the private sector, has been reinvigorated.

The UAE government has also introduced the following measures aimed at employers in the private sector:

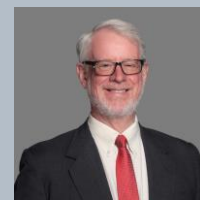
- (a) **Ministerial Resolution 279 of 2022 on Monitoring Mechanisms of Emiratisation Rates in the Private Sector (Emiratisation Resolution)**: Issued in June 2022, the Emiratisation Resolution requires each employer registered with the Ministry of Human Resources and Emiratisation (the **MOHRE**) to increase the proportion of Emiratis in the workforce by 2 per cent each year, until reaching the level of 10 per cent by 2026.

**Requirement**: The required proportion of UAE nationals in the workforce is currently one out of every 50 skilled employees. This will increase proportionately until it reaches five out of every 50 by 2026. These thresholds do not apply to banks and insurance firms, where separate Emiratisation targets of 4 per cent and 5 per cent respectively are applicable.

**Applicability**: The Emiratisation Resolution does not apply to free zone businesses. For all other entities, compliance should be ensured by January 2023 to avoid sanctions.

**Consequences of non-compliance**: With effect from January 2023, a penalty of AED 6,000 per month for every UAE national not employed in accordance with the Emiratisation Resolution along with suspension of issuance and renewal of work permits is prescribed. The penalty increases by AED 1,000 every year. Any drop in the Emiratisation percentage must be recouped within two months to avoid a penalty.

Non-payment of the penalty for two months after the due date would result in suspension of the labour file for the offending employer and for all other entities wholly owned by the same proprietors.

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(b) **Cabinet Resolution 18 of 2022 on the Classification of Private Sector Establishments (Classification Resolution):** Issued in March 2022, the Classification Resolution classifies all employers into three categories as follows:

- i. **First category:** An employer in compliance with the Labour Law and its implementing regulations that also fulfils any of the following criteria: (a) achieved an Emiratisation level of three times the target; (b) cooperates with the Nafis program by hiring and training at least 500 citizens each year; (c) is owned by national youth and is classified as a small or medium-sized enterprise or as innovative in character; (d) is located in the training and employment centres that support manpower planning through promotion of cultural and demographic diversity in the labour market; (e) operates within targeted economic sectors and activities as determined by the Cabinet; or (f) belongs to the Higher Corporation for Specialized Economic Zones.

A subsequent Resolution issued by the MOHRE clarifies that an employer, in order to qualify under item (a), above, must also have at least 30 UAE nationals in its workforce.

- ii. **Second category:** An employer in compliance with the Labour Law and its implementing regulations that also complies with manpower planning policy through promotion of cultural and demographic diversity in the labour market. However, an employer having 50 employees or more is to be placed in the second category during the transition period.
- iii. **Third category:** An employer that is not compliant with the Labour Law and its implementing regulations.

The Classification Resolution provides for different levels of fees for MOHRE transactions. An employer in the first category is charged a fee of AED 150 for the issue or renewal of a labour permit. The fee increases to AED 250 to AED 1,000 for an employer in the second category and AED 2,500 for an employer in the third category. Each employer is also required to provide a bank guarantee of AED 3,000 for each employee or to provide insurance for each employee.

Accordingly, all employers should ensure that they achieve compliance with the new requirements by January 2023 in order to avoid penalties or downgrading of category status. They may also consider registering on the Nafis programme (voluntary scheme) which acts as a recruitment portal for UAE nationals. ■

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