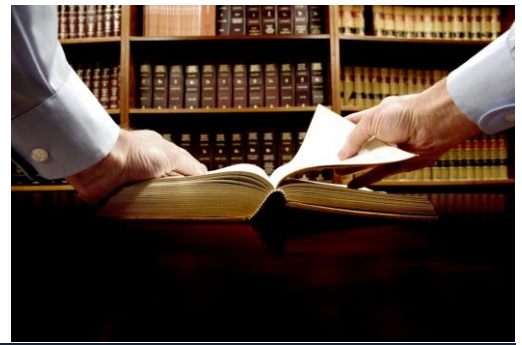


inBrief

**UAE Unemployment Insurance Law**

By Saurbh Kothari and Vaishali Dhanawat | 1 January 2023

In September 2022, the UAE introduced an insurance scheme pursuant to Federal Decree No. 13 of 2022 concerning unemployment insurance. This law was followed by Cabinet Decision No. 97 of 2022 concerning the mechanisms and controls for implementing the unemployment insurance scheme, and Ministerial Resolution No. 604 of 2022 concerning the unemployment insurance scheme (together with the Federal Decree, the **Unemployment Insurance Law**).

Applicability of the Unemployment Insurance Law

The Unemployment Insurance Law came into effect on 1 January 2023. It applies to all employees in the private sector and the UAE Federal government sector. However, certain categories are exempt from the applicability of the Unemployment Insurance Law, such as: investors (*i.e.*, individuals who own their companies and work at such companies), domestic workers, workers under temporary contracts, etc.

As of now, the Unemployment Insurance Law is not applicable to employees of free zone companies.

Is it mandatory to subscribe to the insurance scheme?

It is mandatory for an employee (unless the employee is under one of the exempt categories) to subscribe to the unemployment insurance scheme.

What are employers' obligations under the Unemployment Insurance Law?

There is no obligation on an employer to register its employees. However, employers are expected to encourage and direct their employees to subscribe to the scheme.

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How much an employee is required to contribute?

Insurance premiums are calculated based on the basic salary of employees. Contribution of not more than UAE Dirhams 5 per month for employees earning a monthly basic salary not exceeding UAE Dirhams 16,000 (the **Category 1**) and contribution of not more than UAE Dirhams 10 per month for employees earning a monthly basic salary exceeding UAE Dirhams 16,000 (the **Category 2**), will be required to be paid.

Insurance payout

The insurance payout will be on monthly basis and will be equal to 60 per cent of an employee's monthly basic salary subject to a maximum of UAE Dirhams 10,000 per month for the **Category 1** employee and UAE Dirhams 20,000 for the **Category 2** employee.

The insurance payout will be for a maximum period of three months for each claim.

Criteria for claiming compensation

The following criteria are required to be met by an employee to claim compensation:

- (i) employee must have been insured for not less than a consecutive 12-month period;
- (ii) premiums must be paid by the employee as per the payment schedule;
- (iii) employee should not have voluntarily resigned;
- (iv) employee's employment should not have been terminated for disciplinary reasons;
- (v) employee must be in UAE at the time of making a claim;
- (vi) insurance claim should be submitted within 30 days from the date of termination of the employment or the decision from a UAE court;
- (vii) employee should not have an existing complaint of interruption from work; and
- (viii) claim for compensation should not be made through deception or fraud and place of establishment should not be fictitious.

Penalties for non-compliance

An employee who fails to subscribe to the insurance scheme will be fined UAE Dirhams 400. An employee who fails to make payment of the insurance premium for more than three months from the due date will be fined UAE Dirhams 200.

If an employee fails to pay the fine for three months from the due date, then the fine will be deducted from the employee's wages through the Wage Protection System, end of service gratuity, or any alternative system.

Further, an employee will not be eligible for a new work permit until all due fines have been paid within the specified timelines.

Timelines for subscription

All current employees who fail to enroll themselves under the scheme by 30 June 2023 will be fined as per the aforementioned penalties. Employees who are starting employment after 1 January 2023, are required to enroll themselves within four months from the date based on the criterion mentioned in the Unemployment Insurance Law. ■

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