UPDATES TO UAE'S UNEMPLOYMENT INSURANCE SCHEME

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Middle East Labor, Employment, and Workplace Safety Alert

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The United Arab Emirates' unemployment insurance scheme is now in force, with federal government and private sector employees required to subscribe to the scheme from 1 January 2023. The legislative framework for the scheme was set down in Federal Law No. 13/2022 and Cabinet Resolution No. 97/2022 (discussed in our recent article), recently supplemented by the Ministerial Resolution No. 604 of 2022 (Ministerial Resolution), issued by the Ministry of Human Resources and Emiratisation (MoHRE) on 30 November 2022.

KEY POINTS

The Ministerial Resolution sets down detailed provisions regarding the implementation of the unemployment insurance scheme, and it appends a short procedures manual. The content of the Ministerial Resolution in substance largely replicates the previous instruments issued by the government and contains few surprises, but there are a few new points that are worthy of note.

Insurance Providers

Article 2 adds some clarity on the providers of unemployment insurance. Dubai Insurance Company will provide unemployment insurance under the scheme on behalf of the pool of participating insurers. However, MoHRE may license other insurers or pools to offer unemployment insurance if they meet the required conditions. This may open a route for private unemployment insurance policies to be offered in accordance with Article 11 of Cabinet Resolution No. 97/2022, which permits an employee to subscribe to additional benefits. Therefore, insurers may be licensed to offer more expansive policies over and above the statutory minimum in exchange for higher premiums.

Requirement to Encourage Subscription

Article 8(2) requires employers to “encourage and direct” their employees to subscribe to the unemployment insurance scheme, obtain policies, and pay premiums in a timely manner. The extent of this obligation and the consequences of failure to do so are not made clear.

Fines and Collection Methods

Article 9 of the Ministerial Resolution sets out the fines levied on employees for noncompliance: a fine of AED400 for failure to subscribe within the deadline set by Article 11 (four months from entering the country under a work entry permit, status change, or the initial approval of their work permit, as applicable) and a fine of AED200 for failure to pay the insurance premium within three months from the due date. This does not depart from the previous instruments. Similarly, the Ministerial Resolution reiterates that if an employee fails to pay fines within

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three months from the due date, the sum due may be deducted from their wages through the Wage Protection System, their end-of-service gratuity, or any alternative method deemed acceptable by MoHRE. This creates a potential role for employers in administering the scheme via wage/gratuity deductions.

Nonrenewal of Work Permits

Article 10 provides that if an employee does not pay fines levied on them for non-subscription or non-compliance with the scheme (including non-payment of insurance premiums) in a timely manner, they will not be eligible to receive a new work permit until all due fines are paid within the specified time frame. This creates an incentive for businesses to ensure that their employees comply with the scheme or else risk losing them due to nonrenewal of their work permits.

ANALYSIS

Most of the Ministerial Resolution reflects the previously issued laws establishing the unemployment insurance scheme. It is clear that the onus is on the employee to subscribe to the scheme and pay the premiums, and efforts are being made to facilitate this as easily as possible. Article 4 lists no fewer than eight different means to subscribe, including via the website, smart applications, business centers, kiosks, and even text message. It is also the employee who is subject to fines for noncompliance.

However, the scheme also clearly envisions some kind of role for businesses. Employers will be subject to a requirement to encourage their employees to subscribe, may have to play a role in enforcing penalties via the deduction of fines through wages or the end-of-service gratuity, and have an incentive to encourage compliance because they may be affected by the nonrenewal of work permits for recalcitrant workers.

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