

Nearly 18 months following the overhaul of the UAE’s federal employment legislation and the replacement of its previous 1980 framework by Federal Decree-Law No. 33 of 2021 as amended and Cabinet Decision No. 1 of 2022 as amended (“New UAE Labor Law”), Royal Decree No. 35 of 2003 (“Old Oman Labor Law”) was equally replaced by an entirely new legislation, being Royal Decree No. 53 of 2023 (“New Oman Labor Law”). Under the New Oman Labor Law, businesses are granted a period of six months from the date of its enactment, i.e., July 26, 2023, to comply with its provisions.

The New Oman Labor Law has been introduced to address and achieve Oman’s objectives set out in the Vision 2040 national agenda and reflects significant changes to the Old Oman Labor Law.

The legislation is divided into 10 sections and covers provisions including:

- **Omanization** – The New Oman Labor Law allows for contract termination of non-Omani employees if they are replaced by an Omani employee.
- **Employment contracts** – No longer automatically unlimited upon renewal. If the employment continues for more than five years, the term becomes unlimited.
- **Termination of employment** – Under the New Oman Labor Law, redundancy is now recognized, and employers are permitted to terminate employment contracts for economic reasons.
- **Parental leave** – Maternity leave has increased from 50 days under the Old Oman Labor Law to 98 days under the New Oman Labor Law. Additionally, paternity leave of seven days has been introduced.

Following on from this, some of the key features of the New Oman Labor Law are as follows:

Omanization

Similarly to the respective legislation in neighboring Gulf countries such as the UAE and Saudi Arabia, and in an attempt to empower the local workforce, the New Oman Labor Law promotes the employment of Omani nationals within the private sector and regulates Omanization (the percentages of recruitment of Omani nationals shall be issued at a later date by the minister).

According to the New Oman Labor Law, employers may lawfully terminate the employment contracts of non-Omani employees to replace them with Omani employees.

Types of Employment Contracts

Contrary to the New UAE Labor Law, which only provides for fixed term contracts, the New Oman Labor Law grants the possibility of entering into either unlimited term contracts or fixed term contracts. The main change relating to this is that contrary to the Old Oman Labor Law, the New Oman Labor Law provides that fixed term contracts do not automatically become unlimited term contracts upon their renewal but only become unlimited term contracts if they are extended beyond a five-year term.



Termination of Employment

A main distinction between the New Oman Labor Law and the New UAE Labor Law is that if an employee is terminated for gross misconduct (the grounds of which are outlined under Article 40 of the New Oman Labor Law), the employee shall forfeit their entitlement to receive notice pay and their end-of-service gratuity. In comparison, under the New UAE Labor Law, an employee who commits an act of gross misconduct (the grounds of which are outlined under Article 44 of the New UAE Labor Law) would, nonetheless, be entitled to receive their end-of-service gratuity. In addition, and contrary to the Old Oman Labor Law, which was silent in that regard, the New Oman Labor Law recognizes and regulates redundancy-type situations.

Further, the New Oman Labor Law provides that any termination of employment resulting from discrimination on grounds of gender, origin, color, nationality, religion, ethnicity, social status, disability, maternity and/or childbirth shall be considered unlawful and arbitrary.

In this context, the New Oman Labor Law now caps compensation for unfair termination at 12 months' pay, whereas the Old Oman Labor Law provided for a minimum of three months' salary without determining a cap.

Article 91 of the New Oman Labor Law also provides that in the context of a termination of employment, employers are required to pay all benefits owed to employees immediately on the termination date, whereas it grants employers a period of seven days following the termination date to pay an employee's benefits in the event of a resignation.

Enhanced Benefits and Leave Provisions

The New Oman Labor Law also provides for multiple female employee-friendly provisions, including an enhanced maternity leave of 98 days at full pay, which is in stark contrast to the Old Oman Labor Law that only entitled female employees to 50 days' maternity leave at full pay for not more than three times during her service with the employer. In comparison, the UAE Labor Law provides for 45 days at full pay and 15 days at half pay, as well as a one-hour nursing break per day for a period of one year after childbirth. Among various other types of leave, the New Oman Labor Law provides that female employees may request up to one year of unpaid leave following the birth of her child and introduces paternity leave of seven days and 15 days' caregiver leave, which is unprecedented in the GCC region.

The New Oman Labor Law also increases employees' entitlement to paid sick leave from 10 weeks to up to 182 days per annum.

If you need any assistance or have any queries with regard to the New Oman Labor Law, please feel free to reach out to our Middle East Labor & Employment Practice and we would be pleased to assist as required.

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