

A decorative pattern of teal triangles of varying sizes and orientations, arranged in a grid-like fashion that tapers to the right, set against a dark teal background.

# United Arab Emirates

## Government introduces Unemployment Insurance Scheme

Alliant Global Knowledge Center

9 November 2022

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## UAE: Government introduces Unemployment Insurance Scheme

By *Negda A. Jahanshahi*

9 November 2022

On 9 May 2022, the UAE Cabinet approved the Unemployment Insurance Scheme as part of the government's broader job security initiative and measures to attract and retain talent in UAE. The unemployment insurance system is expected to sustain unemployed individuals' standard of living until they find new employment.

On 2 November 2022, in a press release the Ministry of Human Resources and Emiratization (MoHRE) announced that the Unemployment Insurance Scheme will come into effect starting 1 January 2023.

The Unemployment Insurance Scheme was introduced by the Federal Decree-Law No. (13) of 2022 regarding unemployment insurance, which was signed by the President and promulgated on 15 September 2022.

The provisions of the Decree-Law affect most private sector employees but does not affect employers. Employers are not required to contribute to the Unemployment Insurance Scheme.

### Employees concerned

Private and public sector employees in the UAE must enroll in the Unemployment Insurance Scheme.

Investors who work in their own company, domestic aids, part-time employees, workers under 18 years of age, and retired individuals are not eligible for the Unemployment Scheme.

The Scheme is optional for individuals who work on a commission basis.

### Contributions to the Unemployment Fund

The amount of employee contributions to the unemployment fund depends on an employee's base salary, as follows:

- Employees with a base salary less than AED 16,000 who are eligible for the Unemployment Scheme must contribute AED 5 per month.
- Employees with a base salary greater than AED 16,000 who are eligible for the Unemployment Scheme must contribute AED 10 per month.

The contributions may be paid on a monthly, quarterly, or annual basis.

## Unemployment benefits and eligibility

According to Article 6 of the Decree-Law, the maximum monthly unemployment benefit will depend on the employee's monthly contributions which is based on their gross base salary. As such covered employees receive 60% of their base salary up to a maximum monthly benefit of:

- AED 10,000 for employees with a base salary less than AED 16,000; and
- AED 20,000 for employees with a base salary greater than AED 16,000.

Additional benefits may be negotiated between the insured and the service provider, i.e., qualified private insurance companies licensed by the Central Bank.

Unemployment benefits must be claimed within 30 days of the date of unemployment, and benefits will be paid until the unemployed individual finds employment, or for a maximum of 3 consecutive months per claim, whichever occurs first.

According to Article 5 of the Decree-Law, are eligible for unemployment benefits, all Emirati, and residents (irrespective of their nationality) who remain in the UAE during their period of unemployment, and who:

- have contributed to the program for a minimum of 12 months,
- have not been terminated for disciplinary reasons or resigned.

Individuals who leave the UAE lose their eligibility for unemployment benefits. As indicated above, the Unemployment Insurance Scheme is part of the government's broader job security initiative and measures to attract and retain talent in UAE.



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Negda Jahanshahi serves Alliant's multinational clients as Global Compliance Consultant.

Negda has 30 years of experience primarily working in international development and later in international HR benefits.

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Negda received her MA in Economics from The Johns Hopkins University, and her B.A. in Economics from the University of Brussels.

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