

# New rules to boost UAE labour market efficiency

Reforms could facilitate move towards knowledge-based economy

- By Abbas Al Lawati, Staff Reporter, and Yazad Darasha, Business News Editor
- Published: 00:00 December 28, 2010



Dubai: The UAE will improve its global standing in labour market efficiency on the heels of the new rules to govern the flexibility of hiring practices, the International Labour Organisation and analysts said.

The reforms will facilitate the country's move towards a knowledge-based economy, said Maurizio Bussi, deputy regional director at the ILO's Regional Office for Arab States.

"There has to be a balance between rights protection and productivity," he told *Gulf News*.

According to a World Economic Forum report, the UAE ranks fifth among 139 countries for retaining national qualified manpower, seventh in flexibility of wage determination, and tenth in professional code of ethics and productivity. However, the ranking drops to 17th on the flexibility mechanisms governing hiring and firing practices.

"The new rules, which allow an employee to switch jobs after two years without the requirement of a no-objection certificate and without facing a six-month work ban, will bring the UAE's labour policies up to international standards and best practice," Dr J.R. Gangaramani, executive chairman of the Al Faraa Group, which employs more than 15,000 people, told Gulf News.

"This will also ensure that unscrupulous employers do not take advantage of their employees in any way," he said. Saqr Gobash Saeed Gobash, Minister of Labour, told the Federal National Council earlier this month that the long-term goal of reforming the sponsorship system is the creation of a flexible labour market.

## Adjustments

"Our labour market must be flexible, efficient and committed to Emiratisation policies," Gobash said.

Companies will need to make some adjustments in the wake of the new rules. But the two-year visa limit will also help employers get rid of non-performers more easily, one consultant said.

"The new rules will increase the competition for jobs and add vibrancy and efficiency to the market," Dr Khalid Maniar, managing partner at consultancy Horwath MAK, told Gulf News.

"It will help firms reduce the three-month hiring gap that exists because they have to import all their staff," he said.

### **More changes ahead**

The new labour regulations are among the reforms that the International Labour Organisation (ILO) had encouraged the UAE Government to make, Maurizio Bussi, deputy regional director at the ILO's Regional Office for Arab States, said.

He added that more such reforms could be expected in the future.

The new rules may make it difficult for companies to retain staff for longer periods. And with the cost of hiring someone from outside the country running to an average of about Dh15,000 per employee, and training accounting for a similar amount each year, this could be a problem. However, with the new regulations, employers will have the freedom to recruit locally, thus cutting training costs, Bussi said.

Dr Ahmad Saif Belhasa, head of the UAE Contractors' Association, said his team is still studying the impact of the new rules.

© Gulf News 2010