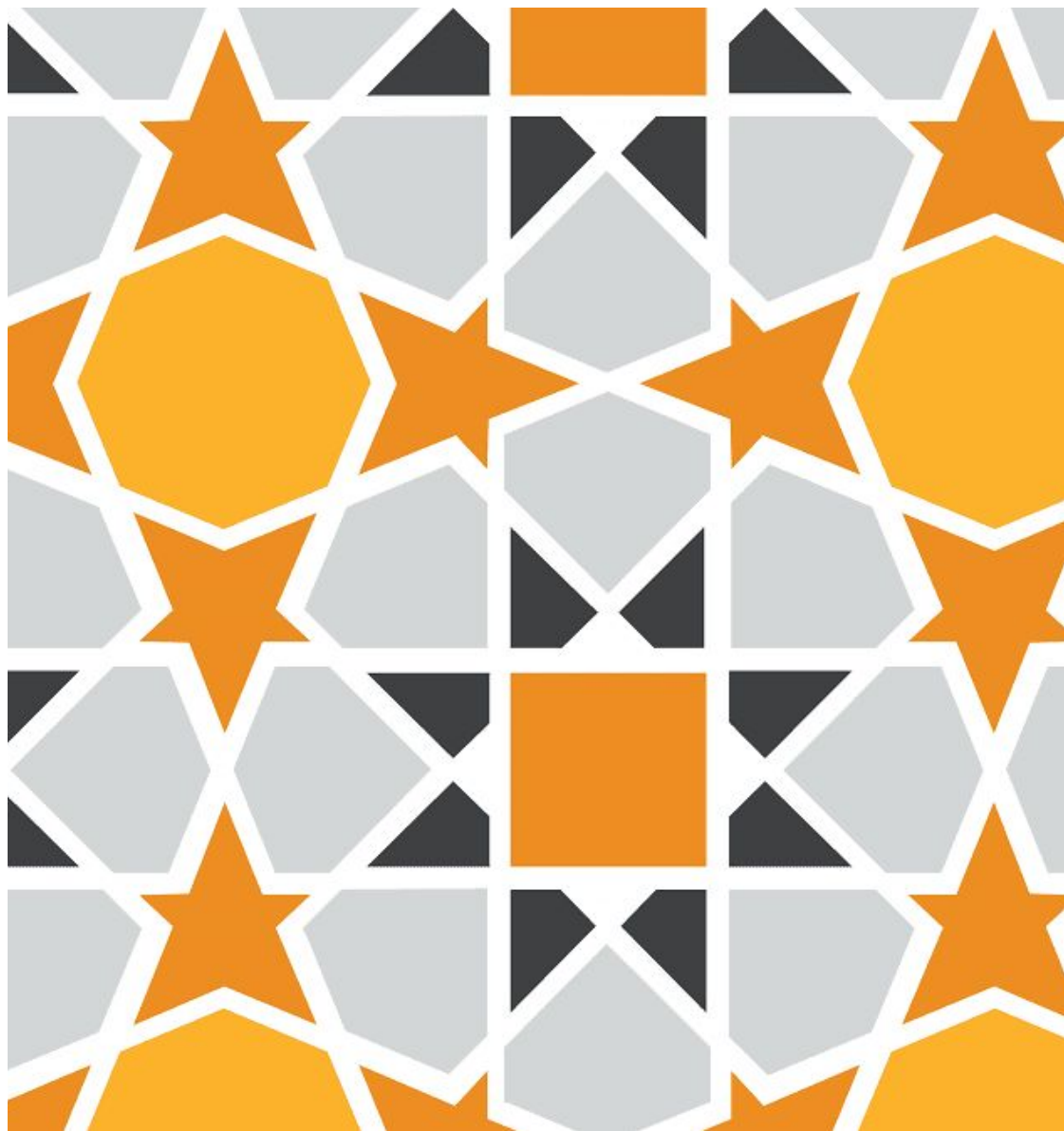


Sultanate of Oman - Key changes to the new Oman Labour Law

September 2023





In brief

The eagerly anticipated Oman Labour Law was recently issued on 25 July 2023 through Royal Decree 53/2023 (New Law). The New Law, which came into effect on 26 July 2023, brings significant changes to Oman's labour landscape, in order to further the country's objectives set out in its Vision 2040 national agenda. The new law, replaces the previous Royal Decree 35/2003 (old law).

We outline a number of the key changes introduced by the new law below.

In detail

Changes to Fixed Contracts

Conversion of fixed-term contracts to unlimited term contracts. Fixed term contracts will no longer automatically convert to unlimited term contracts upon renewal. However, if the employment continues for more than five years, the contract term will automatically be treated as unlimited.

Restructured Leave Provisions

The New Law changed the existing structure and provisions pertaining to various categories of leave, by introducing new circumstances for leave in some instances, and extending others. A summary of the new leave provisions are as follows:

Accompanying a patient: The New Law introduces 15 calendar days leave per year for Omani national employees to accompany a patient (the patient must either be a spouse or the employee must have a relationship up to the second degree with the individual).

Special leave: Employees can now request a special leave without pay, subject to an employer's consent. For the duration of the special leave, an employee will bear all social security contributions (if any) on behalf of themselves, the employer and the government.

Paternity leave: Paternity leave of 7 calendar days has been introduced for male employees.

Sick leave: The New Law increases an employee's entitlement to paid sick leave from 10 weeks up to 182 calendar days (subject to meeting certain conditions) as follows: 100% pay for the first 21 calendar days, 75% pay from the 22nd to the 35th calendar day, 50% pay from the 36th to the 70th calendar day, and 35% pay from the 71st calendar day to the remaining 182 calendar days.



Unpaid special leave: Emergency leave appears to have been replaced with a new “unpaid 'special' leave”, provided at the request of the employee with no apparent time restrictions, provided that the employee covers all statutory contributions to the Social Protection Fund during the leave period.

Maternity leave and unpaid childcare leave: Maternity leave has been increased from 58 days to 98 days, and additional “unpaid childcare leave” has been introduced that can be taken for up to 1 year.

Secondment

- **Temporary assignment:** The New Law now allows employers to temporarily assign employees to work for another employer, aimed at facilitating business operations and reducing the need to recruit foreign labour, thereby mitigating associated costs.

Termination

- **Poor performance:** Employers are now allowed to terminate employees for poor performance, provided they have notified the employee of the performance issues and the employee fails to improve their performance within six months of the notification.
- **Unfair termination:** Compensation for unfair termination is now capped at 12 months' pay. Previously, the Old Law provided for a minimum of three months' salary without any cap.
- **Anti-discrimination:** Notably, the New Law has introduced provisions explicitly prohibiting the termination of an employee as a result of their gender, ethnicity, race, language, religion, creed, social status, disability, pregnancy, having a child or need to breastfeed.

Redundancy

- **Redundancy requirements:** Employers are expressly permitted to terminate employment contracts due to economic reasons. A committee consisting of members from the Ministry of Labour, Ministry of Commerce, Industry & Investment Promotion, the Oman Chamber of Commerce, and the General Federation of Trade Unions of Oman will review any redundancy requests. They may either approve the requests or alternatively, propose another solution such as reducing working hours, working days, salaries, and offering sabbaticals in order to maintain business operations, without resorting to terminations. Employers are unable to cite their inability to generate profits, the shutting down of company operations, or closure of specific branches due to feasibility challenges as grounds for claiming 'financial loss'.



Omanisation

- **Strategies for localising the workforce:** Employers must share with the Ministry of Labour their yearly strategies for localising their workforce. This data, which includes specifics such as the count of Omani workers, wages, gender diversity, and available job positions, must be publicly accessible within the workplace.
- **Promoting Omanisation:** The New Law expressly permits the termination of non-Omani employees where the reason for termination is to replace them with an Omani national.
- **Training and leadership:** The New Law requires every company to create a plan for selecting and training Omani national employees for leadership positions, and making sure this plan is implemented.

Working Hours

- **Reduction in working hours:** Daily working hours have been reduced from 8.5 hours to 8 hours (40 hours per week) excluding breaks.

Revision to Social Security and Gratuity Schemes

- **Social Protection Law:** The Social Protection Law was issued in the same week as the New Law. Under this law, a "savings fund" will be established, however the effective date is yet to be published. This is linked to the new end of service benefit provisions in the New Law where expats are now entitled to a full month's salary for each year of service.
- **End of service gratuity:** The Old Law restricted the payment of the end of service gratuity to employees who completed at least one year of service. The New Law has removed this restriction and permits the pro-rata payment of end of service gratuities for part of a year, even when an employee has completed less than one year of service.

Non-Compete Clauses

- **Non-compete restrictions:** Non-compete clauses can be agreed upon if an employee has access to confidential information or an employer's clients. Such clauses are valid for a maximum of two years and restricted to the geographical area where an employer conducts their business activities.

The takeaway

The implementing regulations for the New Law are expected to be issued in the coming months, which will provide further insight into how the New Law will operate in practice.

If you have any questions or need further guidance on how these changes may impact your organisation, please do not hesitate to contact us. Our team of legal experts are ready to assist you in navigating the New Law effectively.

www.pwc.com/me

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

Mohammed Yaghmour

Middle East Tax & Legal Services Leader

T: +971 56 406 3384

E: mohammed.yaghmour@pwc.com

Darcy White

Tax and Legal Services Partner

T: +968 2455 9154

E: darcy.white@pwc.com

Gaurav Kapoor

Tax Partner

T: +968 9389 1546

E: gaurav.x.kapoor@pwc.com

©2023 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

Thank you

©2023 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.