

Termination on notice under the new Oman Labour Law

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The employment law landscape in Oman has been transformed with the new Labour Law promulgated by Royal Decree 53/2023 (**Labour Law**). The Labour Law introduces important new provisions that regulate the procedure for termination, aimed at ensuring an equitable process for both employer and employee.

This article explores the grounds under which employers are permitted to terminate an employment contract with notice under the Labour Law. It is of a general nature only and is not a substitute for specific legal advice.

- **Retirement age:** Under the old law, the retirement age was set at 60 years. However, the Labour Law links retirement age to the Social Protection Law. This might mean a requirement for employers to keep track of the applicable retirement age under the Social Protection Law and also potentially extends the working years for some individuals.
- **Omanisation:** Employers can now terminate an employment contract if they wish to comply with their Omanisation obligations, as they are permitted to replace an expatriate employee with an Omani citizen. This provision underscores the government's commitment to increasing employment rates among Omani nationals.
- **Poor performance:** The concept of termination for poor performance has been introduced for the first time in the Labour Law. This provision allows employers to terminate an employment contract for poor performance, provided that the employee is given notice and a minimum of six months to improve their performance. This is a significant shift as it empowers employers to take action in managing poor performance. If the terminated poor performer is Omani, then the employee hired to replace that person must also be Omani.
- **Redundancy:** Redundancy has been introduced for the first time in the Labour Law as a valid ground for termination. In the event of a closure of a business (in full or in part), a reduction in commercial activity, or change in its production system that directly impacts the number of workers required, the law now recognises these events as valid grounds for termination. If an employer chooses to terminate on this ground, then the Labour Law requires them to notify the Ministry of Labour three months before a termination takes effect.
- **Economic reason:** An "economic reason" is defined as the accumulation of losses in two consecutive years and is now a valid ground to terminate an employment contract. Failure to make a profit or the cessation of a commercial activity or a branch as a result of not being commercially feasible do not qualify as economic reasons. An employer is required to obtain the approval of a Ministry of Labour committee before any termination for an economic reason, which is aimed at permitting the termination to the extent necessary for the business to survive and avoid becoming bankrupt.

While the abovementioned grounds are clearly stated in the Labour Law, they do not fall under an exhaustive list. We have witnessed a willingness from the Omani courts to accept other grounds if an employer can demonstrate the termination was for good cause and they did not abuse their right to terminate with notice.

We recommend that any termination is always supported by valid reasons and robust evidence, as the courts in Oman often view the employee as the vulnerable party in an employment relationship.

By understanding the provisions of the Labour Law and adapting to them, employers can ensure their operations align with the government's vision for a balanced and dynamic workforce in Oman.

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