

# Chapter VI: Labor Law

## Termination of Labor Contracts & Labor Disputes

# Termination of Labor Contracts: 1. probation period

- **During** the probation period but no later than its end, the employment relationship may be terminated
  - **for any reason** by either party.
  - **without** any need for **compensation**.

# Termination of Labor Contracts: 2.Resignation

- the **employee** has the right **to withdraw** his resignation **within one (1) week of its acceptance by the employer** and in such case, the resignation would be considered null and void.
- the **employer** should take into consideration that the **resignation is effective upon the lapse of such one (1) week period.**

## Termination of Labor Contracts: 3. Death of the employee

- Labor Law stipulates that the death of an employee terminates an employment contract
- the employer may not send the employee into **retirement** until he is **at least 60 years** of age.

# Termination of Labor Contracts :4.Closure of Business or Downsizing

- the employer must first obtain the **prior approval** of a special committee established for this reason.
- the employer is also granted the **option**, upon obtaining the approval of the committee and, instead of using the right of termination, to:
  1. **temporarily** adjust the terms of the employment contract and/or
  2. assign employees different positions and/or
  3. decrease their remuneration.

# Termination of Labor Contracts :4.Closure of Business or Downsizing

- However, **if the employee refuses** to adjust the terms of his employment contract, the employer shall have the right **to terminate the contract**.
- In this case, **the employer must pay remuneration** equivalent to **one month's** salary per year for the **first five years** of employment and **one and a half month's** salary for **each year** of employment thereafter.



**(5 months salary ) + ( 1.5 month \* number of years after the first five years )**

# Termination of fixed-term Labor Contracts:

## 5.Lapse of time

- In the case of a fixed-term employment contract, the contract will expire on **the last day of its term**.
- **no notice** is required by law to achieve the termination of a fixed-term contract, it is **advisable** that a written notice is sent to the employee prior to the expiry of the contract.
- It is **possible for the parties to agree on the termination of a definite-term contract prior to its expiry**, **subject to** prior notification and if necessary, payment of compensation which would amount to the employee's total salary for the remaining period of the contract

## Termination of Labor Contracts for "dismissal" :6. **grave default = breach of substantial obligations**

- **an employer may terminate** an employment contract concluded for **an indefinite term or definite term** for grave default Or breach of substantial obligations by the employee.
- In case of termination without cause on the part of the employer, the latter will be liable for compensation as a result of the unjustified termination of the employment relationship.
- **compensation for unjustified termination** may not be less than the equivalent of **two months salary** for **each year of service**, in addition to **any other “remedies”**



# Grave Default Acts

1. The pretention of a false identity
2. submission of forged certificates or references,
3. a default by the employee that results in severe loss to the employer
4. the failure or refusal to perform crucial duties
5. failing to observe safety regulations after being notified in writing, provided that such safety regulations were clearly posted;

# Grave Default Acts

6. divulging work secrets causing serious damage to the establishment;
7. competing with the employer in the same field of activity;
8. being found intoxicated or under the influence of drugs during working hours;
9. assaulted the employer or his supervisors during work
10. does not abide by the provisions of law governing strikes.

# Case

- Sarah, a famous designer, concluded a labor contract on October, 2014 with Star Fashion to design their collections for five years for a monthly salary of 20 K \$. By October, 2018 the Chairman of Star Fashion bored of Sarah's designs wants to terminate the contract to deal with a new designer.

**Advise Star Fashion Chairman.**

# Answer

- Star Fashion Chairman cannot terminate the contract before the contract end date which is October 2019 as it is a fixed-term employment contract (lapse of time). Because if he did so, as an employer he would be violating the terms of the contract and this could cause a lawsuit to occur. So, I advise the chairman not to terminate the contract and not to deal with a new designer as he wishes and instead, I advise him to complete the five years period and then he could make a contract with a new designer. However, there are two cases that would occur if he insists on terminating the contract. First, it is possible for both parties to agree on the termination of a definite term contract prior to its expiry and payment of compensation would be paid by the chairman which would be equal to Sarah's total salary for the remaining period of the contract which is equal to one year equals a total of 240k \$ ( $20k \$ \times 12 \text{ months}$ ). The second case, the termination of the contract without cause on the part of the employer would make the chairman pay a compensation to Sarah equivalent of two months salary for each year of service which is equal to 160k \$ ( $20k \$ \times 2 \text{ months} \times 4 \text{ years}$ ) in addition to any remedies. As a result, I suggest that the chairman choose the second case if he insists on terminating the contract as this option would minimize the cost for him

# Labor Disputes Procedures

# Labor Disputes Procedures: 1. Interrogation

- the employer has the right to conduct an interrogation of the employee, in which the employee is interrogated about the facts, on which the dismissal is based.
- Evidence of Non performance by employee :the employer must compile **evidence** of such non-performance in the employee's **employment file**, including at least (as a matter of practice) **evaluations** and assessments of his performance and **three warning letters**

# Labor Disputes Procedures: 2.Amicably settlement

- the **employee or the employer** may request for a **trine committee** formed of :
  1. a representative of the competent administrative authority,
  2. a representative of the Workers' union and
  3. a representative of the Employers Association
- to **amicably settle** any dispute arising out of the employment contract **within seven days from the date of the dispute.**

# Labor Disputes Procedures: 3. The labor committee

- **If no settlement is reached within 10 days** from the date of the above request either party to the dispute may refer the dispute to the **labor committee** within a maximum of 45 days from the date of the dispute **otherwise, the parties' right to refer the matter to court shall lapse.**
- **Labor committee is formed of 5 members:**
  1. 2 judges,
  2. A representative of the competent administrative authority,
  3. A representative of the Workers' union and
  4. A representative of the Employers Association



# Labor Disputes Procedures Summary

1. Interrogation
  2. **A request to trine committee** to amicably settle labor dispute **within 7 days from the date of the dispute.**
  3. **If no settlement is reached within 10 days of the above request to trine committee**, either party to the dispute may refer the dispute to the **labor committee** within a maximum period of 45 days from the date of the dispute.
- **otherwise, the parties' right to refer the matter to the labor committee shall lapse.**