

# **Regulations on the Employment of Human Resources, Insurance and Social Security in the Free Zones of the Islamic Republic of Iran**

## Chapter one: General

### Article 1

In these regulations, the following terms are used in lieu of the corresponding phrases

**Country:** The Islamic Republic of Iran.

**Zone:** Free Trade-Industrial Zone of the Islamic Republic of Iran.

**Secretariat:** The Secretariat of the High Council of Free Trade - Industrial Zone.

**Regulations:** Regulations on the Employment of Human Resources, Insurance and Social Security, subject of Article 12 of the Law on Administration of the Free Trade-Industrial Zones.

**Employee:** A person who works in any capacity under the order of an employer in return for wages or a salary.

**Employer:** Is a natural or legal person under whose order and to his account an employee works in return for wages or a salary

**Workplace:** Is a place, such as industrial, agricultural, mining, construction, passenger transport, services, trading, manufacturing, public establishments or the like, where an employee works under the order of an employer or his representative.

**Wages:** An amount in cash or kind or a combination of both which is paid to an employee in return for performing a task.

**Fixed Wages:** The total sum of wages and fixed fringe benefits paid as by virtue of the profession concerned.

**Salary:** Whenever wages are set and paid on a monthly basis, they are categorized as salary.

**Work Period:** The period during which an employee places his energy or time at the disposal of an employer for performing some task.

### Article 2

All the employees, employers and workplaces in the Free Zone are subject to the provisions of this decree.

#### Note

Persons falling under the scope of National Employment Act and a employment laws and regulations, as well as workers employed in family workplaces whose work is performed exclusively by the owner, his/her spouse and first-degree family members, are exempt from the provisions of these regulations.

### Article 3

Supervision over the implementation of the provisions of this decree, upholding the rights of the employers and employees, and the discharging of obligations in connection with employment contracts shall be vested with the Zone Authority. For the purpose of fulfillment of obligations by employers vis-à-vis their employees, the Zone Authority is empowered to obtain necessary guarantees and, in the event of non-performance of such obligations by employers, to fulfill the employers' obligations or the awards issued by legal or judicial authorities and courts, by way of utilizing such guarantees.

#### Article 4

In cooperation with, and the participation of, employer and employees, the Zone Authority shall provide welfare benefits, needed by workers, such as housing, sport facilities, health and medical services and facilities for the procurement of foodstuff and basic necessities.

#### Article 5

Ministry of Labour and Social Affairs shall, in cooperation with each Zone Authority, establish a Labour and Employment Services Office in each Free Zone. This office shall regulate the labour market and supervise matters relating to work safety and health and other related issues.

#### Note 1

The head of Labour and Employment Services Office shall be appointed by the Minister of Labour and Social Affairs, upon proposal by the Zone Authority.

#### Note 2

The head of labour and employment services office is obliged to dispatch every three months a report on the performance of the said office to the Ministry of Labour and Social Affairs.

#### Article 6

Labour inspectors shall inspect the workplaces subject to this decree. Employers and the Zone Authority are obliged to take measures in prescribed intervals for redressing shortcomings in matters relating to safety and security of the work environment and put into force the legal recommendations of the labour inspectors.

### Chapter Two: Employment Contracts

#### Article 7

An employment contract is a written contract according to which an employee performs certain tasks for an employer for a fixed or unfixed time in return for a specified amount of wages.

#### Note 1

Whenever the work period is not fixed, the date of the completion of a work or project or the activities of the workplace, shall be considered the expiry date of the contract, taking into account the nature and type of the work concerned.

#### Note 2

In cases where the work by its nature is permanent and the work period is not specified in the contract, it shall be considered permanent.

#### Note 3

With respect to contracts for temporary period or specific job, neither party is allowed to unilaterally terminate the contract (except in cases provided for in employment contract). In the event of unilateral termination of the contract by one of the parties, the other party may claim damage through the Board for Settlement of Disputes.

#### Article 8

The continuous nature of work shall have no bearing on the permanence of the contracts concluded for a specified period.

#### Article 9

Observance of the following conditions is essential for the validity of a contract:

- (a) The legitimacy of the purpose of the contract.
- (b) Explicitness of the subject of the contract.
- (c) Absence of legal and religious prohibitions for the parties in possession of the property or the performance of the job concerned.

#### Note

All employment contracts are deemed to be valid, unless proved null and void by competent authorities.

#### Article 10

In addition to containing the exact particulars and identity of the parties, an employment contract must include the following provisions:

- (a) the type of the work, task or duties that an employee is to perform; (b) the salaries, wages and benefits;
- (c) work hours, holidays and leaves of absence;
- (d) the place where the work is to be performed;
- (e) the date of signing the employment contract;
- (f) the duration of the contract, if the work is temporary;
- (g) welfare and motivational benefits to be given to the worker;
- (h) the manner of the settlement of disputes, with due regard to the provisions of this decree;
- (i) the manner of the termination of the contract, with due regard to the provisions of this decree;
- (j) other aspects, warranted by existing conditions and circumstances, which the parties deem necessary to be inserted in the contract.

#### Note 1

Employment contract shall be executed in three copies, one of which shall be kept by the employee, another one by the employer, and the other by the Zone Authority.

#### Note 2

The Zone Authority shall prepare the sample of employment contracts required by workplaces in two languages one of which shall be in Farsi-and put them at the disposal of workplaces.

#### Article 11

The employer may fix a period of time, called probation period, during which either party may, without prior notice or payment of an indemnity, terminate the work relationship.

The probation period shall be agreed by mutual consent of the parties and specified in the

contract, but it shall not exceed one month for unskilled and semi-skilled workers and three months for skilled workers.

In any event, wages and work benefits accruing to a worker whose work discontinues in the course or at the end of probation period shall be paid for the duration of his employment.

#### Note

Probation contracts for a specific job may be entered into only once between an employee and employer.

#### Article 12

Employment contract may be terminated as a consequence of one of the following causes:

- (a) death of an employee;
- (b) retirement of employee;
- (c) total disability of an employee;
- (d) expiry of the tenure of an employment contract concluded for a specified period;
- (e) completion of work in contracts for specific work;
- (g) cancellation of the employment contract by the employer and the employee in cases stipulated in the employment contract in accordance with this decree.

#### Article 13

Whenever the dismissal of an employee is caused by non-compliance with disciplinary work regulations, the employee may complain to the Board of Dispute Settlement provided for in this decree. The said board shall adopt a decision based on the provisions of this decree and the disciplinary regulations applied in the workplace.

#### Article 14

Any change in employment conditions is contingent upon having been provided for in the employment contract and if the circumstances and conditions in the workplace necessitates such a change.

Whenever an employer, without due consideration to the employment contract and without the consent of the employee, initiate a change in employment conditions in such a way that the employee suffers in terms of wages or prestige, the employee is entitled to lodge a complaint with the Board for Settlement of Disputes and seek relief.

### Chapter Three: Conditions of Employment.

#### Article 15

Employment of persons below the age of 15 years is prohibited.

#### Article 16

Daily working hours of a worker shall be decided on by mutual agreement of the parties concerned; but, in any event, working time shall not exceed 176 hours in four successive weeks.

#### Article 17

Day shift work is the work whose duration of performance is from 6 to 22 and night shift is the work which is performed between 22 to 6; mixed shift work is a work performed partially at night and partially during the day.

#### Article 18

Intermittent work is the one which is not typically performed in successive hours, but is rather done in specific hours of day and night.

#### Article 19

Shift work is the work that rotates during the course of a month in such a way that it is performed in the morning or afternoon or at night.

#### Article 20

In accordance with a concluded contract, whenever the work is performed as shift or night-shift work, benefits paid for these types of work shall be fixed on the basis of employment contract, mutual agreement of the employee and employer, and the conditions and circumstances of the workplace.

#### Article 21

Taking off the weekly holiday (Friday), annual paid leave and official holidays shall be subject to the agreement between the parties and, whenever with the agreement of the employee, such leaves are postponed to other days and/or not utilized, due benefits shall be paid on the basis of prior agreement decided by both parties.

#### Article 22

In addition to the country's official holidays, international Labour Day (May 1st) shall also be one of the official holidays for the workers.

#### Article 23

In the event of the termination or expiry of the employment contract, retirement, total disability of the employee and / or closure of the workplace, amount due to an employee on account of unused paid leave shall be paid to him/her and, in the event of his / her death, to his / her inheritors.

#### Article 24

An employee's annual paid leave, including Fridays, total twenty days; holidays other than Fridays, shall not be counted as leave days. For employment lasting less than one year, the said leave is computed in proportion to the days worked.

#### Article 25

Any overtime work performed during a four- week period which exceeds the 176 hours specified in Article 16 of this decree, requires payments of benefits as contained in employment contract.

#### Article 26

The minimum wages paid in the Zones shall not be less than the minimum legal wages of the country.

#### Article 27

Equal wages must be paid to men and women for the same work performed under the same conditions in the same workplace. Discrimination in the amount of wages paid by reasons of age, sex, race, ethnicity and political or religious beliefs is prohibited.

#### Article 28

In cases where, by mutual agreement of the parties, a part of the wages is paid in kind, determination of the cash value for this type of payment must be fair and reasonable.

### Chapter Four: Board of Settlement of Disputes

#### Article 29

Any dispute between an employee and employer arising from the implementation of this decree and that of the employment contract, shall be settled initially in amicable manner.

Whenever disputes are not settled amicably, the matters shall be referred by either party to the Board of Settlement of Disputes within 110 days.

#### Article 30

The board mentioned in the above Article is composed of:

- The employer in question, or his/her fully authorized representative.
- The employee in question, or his/her fully authorized representative.
- The representative of the Zone Authority.

#### Note

The Board of Settlement of Disputes is obliged to examine the case and issue its ruling within 10 days from the date of the receipt of the complaint.

#### Article 31

The rulings by the Board of Settlement of Disputes shall be final and enforceable within 10 days after the date of serving notice to the parties concerned, and shall be executed by the judgment executing section of the justice administration.

#### Article 32

An employee whose employment contract is terminated by the employer may, within 15 days, refer to the Board and request investigation of the case.

#### Article 33

Whenever the dismissal of the employee is judged justified by the Board of Settlement of Disputes, the Board shall confirm his/her dismissal and shall obligate the employer to pay 15 days of salary to the employee for each year of his/her service.

#### Article 34

Whenever the dismissal of the employee is not judge justified by the Board, the employer shall have the option of either reinstating the employee and paying his/her salary for the period of suspension or pay his/her, by way of compensation, 45 days of salary for each years of his/her service.

#### Article 35

Taking into consideration the economic and social conditions and circumstances, the Secretariat of the High Council shall prepare standard labour disciplinary regulations in coordination with the Ministry of Labour and Social Affairs and each Zone Authority, and shall communicate to the Authorities of the Free Zone for implementation.

#### Article 36

The employer of each workplace located in a Zone shall prepare labour disciplinary regulations for his own workplace and put into force, subsequent to obtaining approval from the Zone Authority.

### Chapter Five: Training and Recruitment.

#### Article 37

In coordination with each Zone Authority, Ministry of Labour and Social Affairs shall compile statistics and data, as may be required, on human resources by obtaining them from workplace and institutions established in the Free Zone.

#### Article 38

Through issuance of permits for the establishment of non-governmental employment and recruitment consultancy centers in the Free Zone, the Zone Authority shall provide relevant services.

#### Article 39

In coordination with the Ministry of Labour and Social Affairs (the Organization for Technical and Professional Training), and with due regard to Article (9) of the Law on the Administration of the Free Trade-Industrial Zone, the Zone Authority shall establish technical and vocational training centers, in consideration of the requirements of the labour market.

#### Article 40

In cooperation with the Labour and Employment Services Office, as well as the employers, the Zone Authority shall introduce persons who need to be trained to the technical and vocational training centers.

#### Note

Rules concerning the dispatching of such persons for training and the manner of organizing training courses and the like, shall be adopted by the Zone Authority in cooperation with the Labour and Employment Services Office.

## Chapter Six: Employment of Foreign Nationals

### Article 41

All the employers of workplaces established in the Zone are obliged, to the extent possible, to satisfy their labour requirements by employing Iranian workers.

Nevertheless, in such workplaces, the services, expertise and skills of foreign experts can be used, subject to the conditions set forth in this decree.

### Note

The number of foreign employees shall, in any case, not exceed ten percent (10%) of the total number of persons employed in each Zone.

### Article 42

At the discretion of, and upon the request by, the Zone Authority, work permit shall be issued by the Labour and Employment Services Office in the Zone, in accordance with the provisions of Article (41) and the Note thereof.

### Article 43

Foreign nationals who work in the Free Zones shall undertake to train Iranian employees in their field of expertise during the period of their employment. The manner in which the expertise of foreign nationals have to be transferred to Iranian employees shall be determined by the Authority of each Zone.

### Article 44

At the time of the termination of the employment contract, the employer who had entered into an employment contract with a foreign national as well as the foreign national whose contract has expired, are obligated to convey the matter to the Labour and Employment Service Office of the Zone Authority concerned.

### Article 45

Workplaces located in a Zone are required to prepare and communicate to the Zone Authority's Labour and Employment Services Office, once every six months, a list containing the name, nationality, expertise, job and wages of their employees.

## Chapter Seven: Social Security

### Article 46

The Authority of Free Zone is required, independently or jointly with the Social Security Organization and/or insurance companies, to establish a "Fund" or several "Funds" for the purpose of providing medical services, wage indemnities for periods of sickness, pregnancy, partial or total disability, retirement and other similar cases for employees covered by these regulations in the Free Zones.



#### Note

In accordance with laws and regulations on social security, the Social Security Organization may also render, independently, the various insurance services to the domestic and foreign employees engaged in the workplaces located in the Free Zones.

#### Article 47

The employment record of those workers employed in workplaces located in the Free Zone, who, in the past, were subject to the Social Security Act and who had paid social security premiums to the Social Security Organization, as well as the workers subject to the regulations of this decree who have paid social security premiums to the fund, shall be maintained and are entitled to transfer such record to their future employer.

#### Note

Rules and guidelines governing the record of this type of persons and the computation thereof shall be prepared by the Zone Authority and Social Security Organization and approved by the High Council of Free Trade-Industrial Zones.

#### Article 48

Foreign nationals working in the Free Zone are entitled to avail themselves of the benefits of the relevant Fund.

#### Article 49

Foreign nationals authorized to work or reside in the Free Zone shall be subject to the regulations of the “insurer”. In any case, insurance of the foreign nationals shall be undertaken with due consideration to reciprocal agreements.

#### Article 50

Rules and guidelines governing the determination of per capita insurance premiums for foreign nationals, the manner of establishing a Fund or Funds and regulations governing thereof: the relations between Funds and the Social Security Organization and/or other insurance companies, the manner of transferring the insurance record of foreign nationals to the country, and other related issues shall be prepared by the Secretariat of the High Council and the Social Security Organization and approved by a majority of the member of the Ministers of the High Council of the Free Zones.

### Chapter Eight: Miscellaneous

#### Article 51

The conventions and resolutions of the International Labour Organization shall be binding in the Free Zones.

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