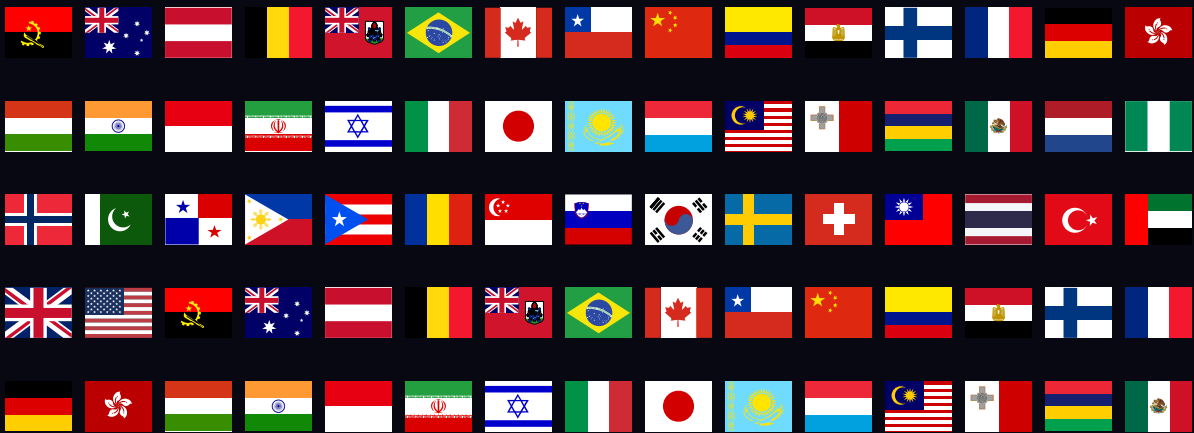


LABOUR & EMPLOYMENT

Iran



Labour & Employment

Consulting editors

Matthew Howse, K Lesli Ligorner, Walter Ahrens, Michael D Schlemmer, Sabine Smith-Vidal

Morgan, Lewis & Bockius LLP

Quick reference guide enabling side-by-side comparison of local insights, including legislation, protected employee categories and enforcement agencies; worker representation; checks on applicants; terms of employment; rules on foreign workers; post-employment restrictive covenants; liability for acts of employees; taxation of employees; employee-created IP; data protection; business transfers; termination of employment; dispute resolution; and recent trends.

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Contributors

Iran



Maryam Ansari
m.ansari@dadflamingo.com
Dadflamingo



Kourosh Majdzadeh
k.majdzadeh@dadflamingo.com
Dadflamingo



Sanaz Hosseini Kolahi
s.hosseini@dadflamingo.com
Dadflamingo



Amirhossein Javan
javan@dadflamingo.com
Dadflamingo



LEGISLATION AND AGENCIES

Primary and secondary legislation

What are the main statutes and regulations relating to employment?

The Labour Code 1990, as amended (the Labour Code) sets out the mandatory terms applicable to all employment relationships. It includes provisions on the basic rights of employees, wages and benefits, working hours and working conditions, and dispute resolution mechanisms.

The Social Security Law 1975 and its implementing regulations establish a national social security system that offers health, disability and life insurance as well as pension plans, while setting out employers' associated statutory obligations.

Directives from the Ministry of Cooperatives, Labour and Social Welfare (the Ministry of Labour) deal with and decide upon various labour matters, such as the minimum wage and benefits for each year.

Other relevant legislation includes:

- the Law on Unemployment Insurance 1990, which adds the regulations on unemployment insurance to the social security system;
- the Law on the Formation of Islamic Labour Councils 1985; and
- the Regulations on Employment, Insurance and Social Security in the Free Trade and Industrial Zones 1994, which address the issue of employment in Iran's free trade zones.

Law stated - 17 March 2023

Protected employee categories

Is there any law prohibiting discrimination or harassment in employment? If so, what categories are regulated under the law?

Under Iranian law, the principle of non-discrimination in the employment of people has been addressed at the highest statutory level in the Constitution. According to Principle 28 of the Constitution, the government is obliged to provide opportunities for employment and equal conditions for obtaining jobs for all people, taking into account the needs of society for various jobs.

Article 38 of the Labour Code provides for salary equality for men and women performing the same work, under the same conditions, at the same workplaces. It also stipulates that discrimination in determining salaries on the basis of age, gender, race, ethnicity, or political or religious beliefs is prohibited. Violations of the aforementioned provisions result in remedial measures, criminal responsibility and the payment of fines by the employer as prescribed in articles 174, 185 and 186 of the Labour Code.

Law stated - 17 March 2023

Enforcement agencies

What are the primary government agencies or other entities responsible for the enforcement of employment statutes and regulations?

The Ministry of Labour is the principal government agency responsible for policymaking in this field, and oversees the enforcement of labour statutes and regulations.

The Labour Dispute Assessment Board and the Labour Dispute Resolution Board handle disputes over labour claims and the Court of Administrative Justice has jurisdiction over objections to the decisions of the Labour Dispute Resolution Board.

Law stated - 17 March 2023

WORKER REPRESENTATION

Legal basis

Is there any legislation mandating or allowing the establishment of employees' representatives in the workplace?

Principle 26 of the Constitution provides for freedom of association, which includes trade associations or workers' unions. Principle 26, which stipulates that no one can be prohibited from joining associations or be compelled to join one, is reflected in a number of provisions of the Labour Code 1990, as amended (the Labour Code). For example, articles 130 and 131 of the Labour Code provides that, for the implementation of Principle 26, workers from all sectors may establish Islamic labour associations. Note No. 4 to article 131 of the Labour Code states that workers in a given unit may establish one of three associations: an Islamic labour council, union or representative, each of which is individually regulated by its own by-laws.

Similarly, pursuant to article 178 of the Labour Code, any person who compels other persons to join a labour union or other labour association, or prevents them from membership of the same, or if a person obstructs the legal formation of labour associations or the performance of such a legal right, that person's conduct may result in criminal responsibility.

Law stated - 17 March 2023

Powers of representatives

What are their powers?

One of the means of conciliatory dispute resolution mechanisms listed in article 157 of the Labour Code is the involvement of employees' representatives that typically negotiate and engage with the employer and the employees to resolve labour disputes.

Islamic labour councils, unions and representatives typically aim to increase employee welfare. Accordingly, article 135 of the Labour Code provides that, to coordinate their affairs and exchange opinions regarding the implementation of their duties and powers, Islamic labour councils may form coordination centres in their provinces and have a principal coordination centre.

Law stated - 17 March 2023

BACKGROUND INFORMATION ON APPLICANTS

Background checks

Are there any restrictions or prohibitions against background checks on applicants? Does it make a difference if an employer conducts its own checks or hires a third party?

Under Iranian law, there is no express restriction or prohibition against background checks on applicants by employers.

Law stated - 17 March 2023

Medical examinations

Are there any restrictions or prohibitions against requiring a medical examination as a condition of employment?

There is no express restrictions or prohibition against requiring a medical examination as a condition of employment under Iranian labour law. However, an employer may (and, in some circumstances, is obliged to) arrange medical examinations for applicants before they commence employment. As article 90 of the Social Security Law 1975 stipulates that persons employed at workplaces must have the competence and physical capacity compatible with the work to be performed, in some instances, employers are obliged to arrange for the medical examination of applicants before employing them. If, after employment, it is found that the employee did not have the competence and capability to complete the work or the employer delayed the employee's medical examination and, as a result, the insured employee suffered an accident or deterioration in health, the Social Security Organisation will cover the employee's medical expenses and demand the associated costs from the employer.

Law stated - 17 March 2023

Drug and alcohol testing

Are there any restrictions or prohibitions against drug and alcohol testing of applicants?

While there is no reference in the relevant legislation to alcohol testing of applicants, employers may request that applicants present certification verifying the absence of a drug addiction under article 23 of the Bill on Strengthening the Punishment of Drug Offenders for the Purpose of Treatment and Employment of Drug Addicts 1980.

Law stated - 17 March 2023

HIRING OF EMPLOYEES

Preference and discrimination

Are there any legal requirements to give preference in hiring to, or not to discriminate against, particular people or groups of people?

Persons who served in the Iranian armed forces during a war and their family members are given preferential treatment in terms of administrative and employment opportunities that are provided by all publicly funded bodies, including but not limited to ministries and executive bodies, the armed forces, public companies and institutions, and public non-governmental institutions and their affiliated companies. For example, article 21 of the Law on the Provision of Services to Martyrs 2013 provides, among others, that all publicly funded bodies are obliged to allocate at least 25 per cent of their employment needs to the families of martyrs, veterans and freed prisoners of war. According to article 30 of this Law, the Ministry of Cooperatives, Labour and Social Welfare (the Ministry of Labour) and other related entities are obliged to coordinate with the Foundation for Martyrs to employ the requisite workforce, giving priority to veterans and their families.

In addition to veterans and the families of martyrs, article 15 of the Family and Youth Protection Law 2021 provides for special employment facilities at public entities for married people with children.

Private entities are not subject to the hiring preference obligations required of public entities.

The elimination of discrimination and the promotion of equality in employment and occupation are recognised and emphasised under various Iranian laws. For instance, articles 5 and 9 of the Policies on Women's Employment in the Islamic Republic of Iran, approved by the Supreme Council of the Cultural Revolution in 1992, emphasise the necessity of non-discrimination between men and women concerning the conditions of access to employment, wages and benefits.

Law stated - 17 March 2023

Written contracts

Must there be a written employment contract? If yes, what essential terms are required to be evidenced in writing?

An employment contract, as defined in article 7 of the Labour Code 1990, as amended (the Labour Code), is a written or oral agreement under which an employee agrees to undertake defined work for an employer for a definite or indefinite period in return for wages. The Ministry of Labour has developed standard form employment contracts that are frequently used by public entities and other employers. Deviation from the standard forms is permitted by article 8 of the Labour Code, provided that the forms include terms reflecting the minimum rights of employees as set out in the Labour Code. Under article 10 of the Labour Code, the forms must also set out the following mandatory terms:

- details of the contractual parties;
- work description;
- base salary and benefits;
- working hours, holidays and leave;
- workplace;
- date of execution;
- duration (for temporary employment); and
- terms and conditions of termination (for permanent employment).

Employment contracts concluded in one of the eight Iranian free trade zones are subject to special legislation and must be in writing.

Law stated - 17 March 2023

Fixed-term contracts

To what extent are fixed-term employment contracts permissible?

Iranian law contains no prohibition against fixed-term employment contracts. However, pursuant to a 2019 Directive of the Council of Ministers, the maximum duration of contracts involving non-continuous labour is four years. This Directive identifies the following types of labour as non-continuous by nature:

- all types of employment at workplaces set up for particular tasks that are predetermined to conclude on a specific date (eg, workplaces intended for dam or factory construction, or roadworks); and
- all types of employment at workplaces that are not limited by duration and continue over time, but are not among the main activities and tasks of the workplaces (eg, construction of industrial sheds, buildings or new production lines).

Probationary period

What is the maximum probationary period permitted by law?

Employment contracts may include a probationary period that must not exceed one month for unskilled and semi-skilled employees, and three months for skilled and professional employees. During the probationary period, either party may terminate the agreement without prior notice. If the employer terminates the agreement during the probationary period, the salary for the entire probationary period must be paid to the employee. However, if the employee terminates the agreement during the probationary period, the employer is only responsible to pay a salary for the term of actual employment under article 11 of the Labour Code.

Law stated - 17 March 2023

Classification as contractor or employee

What are the primary factors that distinguish an independent contractor from an employee?

The primary factors that distinguish an independent contractor from an employee are fourfold. The principal distinction between an independent contractor and an employee is that an employee is subordinate to the will and instructions of the employer (per the employment contract), whereas an independent contractor remains independent and is only responsible for bringing about the desired result (per contractual obligations with the service user). Second, an employee is on a business's payroll, so the employer pays the employee their hourly wage or salary while an independent contractor is self-employed and earns income by invoicing the principal for its services. Third, an employee generally completes the work on the premises of the employer using the employer's tools and equipment, whereas an independent contractor provides its own equipment and will be responsible for supplying its own office space. Finally, an employee is often expected to work for certain hours during the day while an independent contractor enjoys more flexibility and is only expected to complete the task for which it was hired.

Law stated - 17 March 2023

Temporary agency staffing

Is there any legislation governing temporary staffing through recruitment agencies?

No.

Law stated - 17 March 2023

FOREIGN WORKERS**Visas**

Are there any numerical limitations on short-term visas? Are visas available for employees transferring from one corporate entity in one jurisdiction to a related entity in another jurisdiction?

The relevant legislation is silent on whether there is a numerical limitation on short-term visas granted to foreign employees. There is no special visa category for employees transferring from one corporate entity in one jurisdiction to a related entity in another jurisdiction (eg, Iran); therefore, such employees would have to proceed through the same process required of all foreign nationals seeking to commence employment in Iran.

An employer authorised by the Ministry of Cooperatives, Labour and Social Welfare (the Ministry of Labour) to employ a foreign national may request for a short-term entry visa with a right to work (issued by the Ministry of Foreign Affairs) for the foreign national. Thereafter, the employer has 30 days as of the date of the foreign national's arrival to obtain a work permit from the Ministry of Labour, in accordance with the provisions of article 3 of the Amendment to the Instructions on the Executive Procedures Relating to Work Permits of Foreign Nationals 2022. If an employer requires the services of a foreign national beyond the previously designated period, the employer must submit a request to renew or extend the work permit to the Ministry of Labour.

Law stated - 17 March 2023

Spouses

Are spouses of authorised workers entitled to work?

Work permits for the spouse of an authorised worker are not expressly addressed in Iranian labour law. Authorised workers with work permits are entitled to apply for family reunification visas for their spouses and their dependants. Since family reunification visas do not grant the right to work, the spouse of an authorised worker is not permitted to work in Iran unless they have separately applied for employment in Iran and have received the requisite authorisation from the Technical Board of Employment of Foreign Nationals under the Ministry of Labour through their Iranian employer.

Law stated - 17 March 2023

General rules

What are the rules for employing foreign workers and what are the sanctions for employing a foreign worker who does not have a right to work in the jurisdiction?

Employers must seek an opinion (ie, authorisation) from the Ministry of Labour prior to the execution of any employment contract with a foreign national under article 128 of the Labour Code. Foreign nationals are not permitted to gain employment in Iran unless they obtain a valid work visa and a valid work permit, per article 120 of the Labour Code.

Unauthorised employment relationships with foreign nationals are considered offences under article 181 of the Labour Code and are subject to fines. Employers are considered to have breached the Labour Code if they:

- retain foreign nationals as their employees without appropriate authorisation;
- allow their foreign employees to continue working after the expiry of their work permits;
- employ foreign employees in positions that are not stipulated in their issued work permits; or
- fail to report the termination of an employment relationship with a foreign national.

Law stated - 17 March 2023

Resident labour market test

Is a labour market test required as a precursor to a short or long-term visa?

For the Ministry of Labour to issue work permits for foreign nationals, it must verify that the following conditions are satisfied, as set forth by article 121 of the Labour Code:

- on the basis of the Ministry of Labour's available data, there are no Iranian jobseekers that have the requisite education and expertise who may be suitable for the task;
- the foreign national has the necessary knowledge and expertise for employment in the task; and
- the knowledge and expertise of the foreign national can be relied upon for skill transfer to Iranian nationals.

Such an assessment must be conducted by the Technical Board of Employment of Foreign Nationals under the Ministry of Labour and applies largely to publicly funded entities. No other legislation or jurisprudence detailing the practical aspects of the labour market test with respect to private entities have been adopted or applied.

Law stated - 17 March 2023

TERMS OF EMPLOYMENT

Working hours

Are there any restrictions or limitations on working hours and may an employee opt out of such restrictions or limitations?

Working hours must generally not exceed eight hours per day. However, this restriction can be amended by agreement to include fewer hours on certain days and more hours on other days, provided that working hours per week do not exceed 44 hours for regular jobs and 36 hours per week for exceptional categories of labour (involving underground labour, difficult labour or other dangers as set forth by articles 51 and 52 of the Labour Code 1990, as amended (the Labour Code)). For labour involving employee shifts, under article 57 of the Labour Code, working hours may exceed these weekly restrictions provided that working hours over four consecutive weeks do not exceed 176 hours.

Law stated - 17 March 2023

Overtime pay – entitlement and calculation

What categories of workers are entitled to overtime pay and how is it calculated?

Employees that are assigned additional work are entitled to overtime pay. Overtime pay is permissible under article 59 of the Labour Code provided that:

- employees consent to work overtime;
- employees are paid 40 per cent more than their normal hourly rate for each hour of overtime labour; and
- overtime hours do not exceed four hours per day.

Under article 60 of the Labour Code, in exceptional circumstances and at the employer's discretion, an employee may be assigned up to eight hours of overtime work per day provided that the above conditions are met and the additional overtime hours are necessary to:

- prevent a foreseeable event or repair any damage arising from such an event; or
- restore the activity of their workstation where activity ceased as a result of a natural disaster, such as an earthquake or a flood.

Law stated - 17 March 2023

Overtime pay – contractual waiver

Can employees contractually waive the right to overtime pay?

No. Article 8 of the Labour Code stipulates that the conditions contained in employment contracts are only effective if they do not include terms that are less preferential than the rights provided in the Labour Code, which also includes the right to overtime pay. Therefore, any waiver of statutory rights – such as the right to overtime pay – included in an employment contract is considered null and void.

Law stated - 17 March 2023

Vacation and holidays

Is there any legislation establishing the right to annual vacation and holidays?

Employees are entitled to 26 days of paid leave each year, which does not include public holidays per the Iranian calendar, under article 64 of the Labour Code. Up to nine days of unused paid leave may be carried over to the subsequent year under article 66 of the Labour Code. In the case of an employment relationship that has lasted for less than one year, the employee's paid leave entitlement for the year is assessed pro rata based on their length of service.

Law stated - 17 March 2023

Sick leave and sick pay

Is there any legislation establishing the right to sick leave or sick pay?

Employees are entitled to paid sick leave but must provide a medical note to the employer. Periods of paid sick leave ranging from 15 to 60 days per year require the approval of a medical professional designated by the Social Security Organisation and periods of paid sick leave that exceed 60 days per year require the approval of the Medical Committee under the Social Security Organisation. Subject to approval by the Social Security Organisation, periods of sick leave are included in an employee's pensionable service, as set forth by article 74 of the Labour Code.

Law stated - 17 March 2023

Leave of absence

In what circumstances may an employee take a leave of absence? What is the maximum duration of such leave and does an employee receive pay during the leave?

Maternity and paternity leave

Pursuant to a 2013 Directive by the Council of Ministers on the duration of maternity leave for employed women and incentive leave for spouses, female employees are entitled to nine months of paid maternity leave and male employees are entitled to two weeks of paternity leave. Subject to approval by the Social Security Organisation, periods of maternity leave are included in the employee's pensionable service.

Educational leave

Employees are entitled to two years of unpaid leave to pursue their education. This period can be extended for another

two years. During educational leave, the employment contract may be suspended, as set forth by article 16 of the Labour Code.

Special paid leave

Employees are entitled to three days of paid leave upon marriage and upon the death of their spouse, parent or child, as set forth by article 73 of the Labour Code.

Hajj leave

Employees are entitled to one month of paid or unpaid leave to perform the Hajj (the obligatory pilgrimage to Mecca) on one occasion during their employment, as set forth by article 67 of the Labour Code. This provision does not distinguish between Muslim and non-Muslim employees, and is silent as to whether non-Muslim employees are entitled to an equivalent period of leave.

Law stated - 17 March 2023

Mandatory employee benefits

What employee benefits are prescribed by law?

Mandatory payable benefits, as outlined in articles 34 and 36 of the Labour Code, primarily comprise housing allowance, contributions for basic necessities and foodstuff, per-child allowance, and monthly severance pay (provided that the employee has worked for at least one year). Mandatory benefits are determined annually and announced by the Supreme Labour Council.

At the end of each Iranian year, employees who have worked for at least one year are entitled to a new year bonus of an amount equivalent to their monthly base salary for at least 60 days. Annual legislation specifies the maximum new year bonus that may be paid to employees; however, employers are not obliged to adhere strictly to the maximum limits and may grant new year bonuses that exceed the maximum bonus amount. In workplaces that customarily pay more than the maximum statutory limits, the employer is obliged to follow the same practice with respect to the new year bonus. Employees who have worked for less than one year receive a new year bonus of an amount that is assessed pro rata based on the duration of their employment relationship.

An employee assigned to work outside the employer's main workplace is entitled to an additional allowance, which must not be less than the regular fixed daily wage of the employee. Any commuting costs must also be compensated by the employer. An out-of-workplace assignment, as defined in article 46 of the Labour Code, involves the employee travelling at least 50 kilometres from the main workplace to carry out their assigned tasks or instances where the employee is obliged to stay at least one night at the site of the assignment.

Law stated - 17 March 2023

Part-time and fixed-term employees

Are there any special rules relating to part-time or fixed-term employees?

Part-time and fixed-term employment contracts are subject to the same statutory requirements as permanent employment contracts.

Law stated - 17 March 2023

Public disclosures

Must employers publish information on pay or other details about employees or the general workforce?

Apart from the statutory obligation of publicly funded bodies to publish information regarding the remuneration of certain categories of high-level executives, employers have no obligation to publish information on pay or other details about their workforce.

Law stated - 17 March 2023

POST-EMPLOYMENT RESTRICTIVE COVENANTS

Validity and enforceability

To what extent are post-termination covenants not to compete, solicit or deal valid and enforceable?

Post-termination restrictive covenants are valid and enforceable to the extent that there are reasonable grounds for their inclusion in the employment contract. While the permissible duration of such covenants is undefined in the Civil Code, they must not be unspecified and indefinite so as to result in indefinite deprivation of rights, which may invalidate the covenant pursuant to article 959 of the Civil Code.

Law stated - 17 March 2023

Post-employment payments

Must an employer continue to pay the former employee while they are subject to post-employment restrictive covenants?

There is no statutory obligation for an employer to pay a former employee while they are subject to post-employment restrictive covenants. In any case, the former employee may seek employment benefits through unemployment insurance under article 7 of the Law on Unemployment Insurance 1990.

Law stated - 17 March 2023

LIABILITY FOR ACTS OF EMPLOYEES

Extent of liability

In which circumstances may an employer be held liable for the acts or conduct of its employees?

Employers who are subject to Iranian labour laws are responsible for compensating damages resulting from the conduct of their administrative staff or workers in the course of their work, unless it is proven that the employer took all necessary precautions as required by the circumstances or if, after taking all necessary precautions, it was impossible to prevent the loss arising from the conduct of the employee, as set forth by article 12 of the Civil Liability Law 1960. The employer may request compensation from the worker if the latter is found liable according to the Law.

Law stated - 17 March 2023

TAXATION OF EMPLOYEES

Applicable taxes

What employment-related taxes are prescribed by law?

Salaries sourced in Iran are subject to income tax on the basis of marginal rates for each income tax bracket as determined annually in the applicable Budget Law. The Budget Law for the solar Hijri calendar year 1402 (2023–2024 in the Gregorian solar calendar) imposes the following marginal tax rates on annual salaries:

- up to 1.2 billion Iranian rials: exempt;
- 1.2 billion to 1.68 billion rials: 10 per cent;
- 1.68 billion to 2.76 billion rials: 15 per cent;
- 2.76 billion to 4.08 billion rials: 20 per cent; and
- above 4.08 billion rials: 30 per cent.

Employers are required to withhold the income tax obligations of employees from their monthly salary and remit them directly to the tax authority.

Law stated - 17 March 2023

EMPLOYEE-CREATED IP AND CONFIDENTIAL BUSINESS INFORMATION

Ownership rights

Is there any legislation addressing the parties' rights with respect to employee inventions?

Pursuant to article 5(E) of the Law of Patents, Industrial Designs and Trademarks 2007, where an invention occurs as a result of employment or contract, the economic rights over the invention belong to the employer unless there is an agreement to the contrary. If an employment contract is silent on this matter and an invention arises in the course of the employment relationship, the economic rights over the invention belong to the employer and the moral rights over the invention belong to the employee. In line with the above, article 6(B) of the Law on Protecting the Rights of Computer Software Creators 2000, in the absence of contrary agreement, recognises the employer as the owner of the economic rights over, and the right to modify and develop, the computer software if the work is created by the employee within the scope of their employment.

Law stated - 17 March 2023

Trade secrets and confidential information

Is there any legislation protecting trade secrets and other confidential business information?

The Electronic Commerce Act 2004, under article 64, stipulates that the violation of trade secrets in the context of electronic transactions is a crime and, under article 75, any violation of trade secrets is punishable by imprisonment and fines. Article 65 of the Electronic Commerce Act 2004 defines 'electronic trade secrets' as data messages that include information, formulas, patterns, software and programs, tools and methods, techniques and procedures, financial information, customer lists, business plans and similar items that have independent economic value and are not available to the public, and reasonable efforts have been made to preserve such secrets.

Additionally, the broad reach of article 1 (scope of civil liability) of the Civil Liability Law 1960 and article 45(K)

(professional abuse or abuse of information) of the Law on the General Policies Pertaining to the Implementation of Principle 44 of the Constitution 2007 provide for the protection of trade secrets and confidential information. Accordingly, any violation of trade secrets or other confidential business information (in cyberspace or otherwise) may lead to civil or criminal liability, or both, for the offender in respect of the owner of the information.

Law stated - 17 March 2023

DATA PROTECTION

Rules and employer obligations

Is there any legislation protecting employee privacy or personnel data? If so, what are an employer's obligations under the legislation?

The fundamental right to privacy is enshrined in the Constitution, which prohibits disclosure of private correspondence and communications unless permitted by law.

More specifically, the Electronic Commerce Act 2004 regulates data protection. Article 58 stipulates that the storage, processing or distribution of any data regarding a person's ethnicity, race, ideological or religious views, ethical characteristics, or physical, mental or sexual condition is prohibited without that person's express consent. A breach of this prohibition is punishable by one to three years of imprisonment.

Under the Cybercrimes Law 2009 , unauthorised access to protected data is punishable by imprisonment of between 91 days and one year or fines, or both.

Finally, the Charter of Citizens' Rights 2016 includes a number of privacy rights (including prohibitions against unlawful search, and provisions on the collection, processing, use and disclosure of personal information and communications). The Charter is a declaration issued by the President and, as such, does not have the force of law. It can be viewed, however, as a guideline for government authorities.

Law stated - 17 March 2023

Privacy notices

Do employers need to provide privacy notices or similar information notices to employees and candidates?

No.

Law stated - 17 March 2023

Employee data privacy rights

What data privacy rights can employees exercise against employers?

While there is no express legislation regarding the privacy rights of employees (in the context of an employment contract) that describes the rules and punishments for employers who violate such rights, employees may rely on the Constitution, the Electronic Commerce Act 2004, the Cybercrimes Law 2009 and the Charter of Citizens' Rights 2016 to file a complaint against an offending employer.

Law stated - 17 March 2023

BUSINESS TRANSFERS

Employee protections

Is there any legislation to protect employees in the event of a business transfer?

Article 12 of the Labour Code 1990, as amended (the Labour Code) stipulates that any type of change of ownership of the workplace, including but not limited to a sale or transfer in any form, change of production capability, merger, nationalisation and death of the owner, shall have no effect on the contractual relationship between the employer and the employees whose contracts have been executed, and the new employer shall undertake the obligations and rights of the former employer. Thus, in the event of a business transfer, the rights of the employees shall be protected against the new employer. Neither the former nor the subsequent employer can rely on the event of a business transfer to abscond from their legal obligations towards employees.

Additionally, according to article 21(H) of the Labour Code (as appended by article 41 of the Law on Removing Obstacles to Competitive Production and Improving the Financial System of the Country 2015), in the event of a change in the legal structure of the workplace, the Ministry of Cooperation, Labour and Social Welfare is obliged to cover the employees of the workplace with unemployment insurance for six to 12 months and return the employees to the workplace in the amount mentioned in the contract after the structure is modified.

In the public sector, according to the Law on the General Policies Pertaining to the Implementation of Principle 44 of the Constitution 2007, workers and employees must be provided support during the privatisation and transfer of state-owned companies. For example, article 16 of this Law provides that, to protect human resources, maintain the level of employment and ensure the continuity of production in the enterprises subject to transfer, the transfer board is obliged to insure all employees of each company against unemployment before the transfer.

Law stated - 17 March 2023

TERMINATION OF EMPLOYMENT

Grounds for termination

May an employer dismiss an employee for any reason or must there be 'cause'? How is cause defined under the applicable statute or regulation?

Pursuant to article 27 of the Labour Code 1990, as amended (the Labour Code), the employer is allowed to dismiss an employee for valid reasons, such as when the employee fails to perform their duties or violates the disciplinary regulations of the workplace after having been given a written warning. Prior to such a dismissal, the employer requires the approval of the workplace's Islamic labour council and, if the Islamic labour council agrees, the employer can terminate the employment relationship upon paying the employee's arrears.

Law stated - 17 March 2023

Notice requirements

Must notice of termination be given prior to dismissal? May an employer provide pay in lieu of notice?

Under Iranian labour law, employers are not generally required to give notice to an employee prior to their termination. However, when terminating delinquent employees or employees who have violated disciplinary rules, article 27 of the Labour Code requires employers to give written warnings to defaulting employees to be entitled to the right to

terminate. In addition, under article 21 of the Labour Code, an employment relationship may be terminated in accordance with the termination provisions agreed upon between the parties, which may include the obligation to give prior termination notice. Payment in lieu of notice is not available under Iranian labour law.

Law stated - 17 March 2023

Dismissal without notice

In which circumstances may an employer dismiss an employee without notice or payment in lieu of notice?

Under Iranian labour law, such dismissals are not available to employers.

Law stated - 17 March 2023

Severance pay

Is there any legislation establishing the right to severance pay upon termination of employment?
How is severance pay calculated?

Upon termination of an employment relationship in which an employee has worked for their employer for one year or more, the employer must make a severance (service) payment to the employee that is equivalent to one month of wages for each year of service. The severance payment is calculated on the basis of the employee's final monthly salary payment, as set forth by article 24 of the Labour Code. The same requirement applies with respect to the termination of a temporary employment relationship, for which the severance payment is proportional to the duration of employment and is also calculated based on the employee's final salary payment. It is common practice for employers to settle severance payments at the end of each calendar year.

Where termination is due to a work-related deterioration of the physical or mental health of an employee, the employer must pay an amount equal to two months of the employee's final salary payment for each year of service. Such a deterioration must be confirmed by the Medical Committee under the regional Health and Treatment Organisation per article 32 of the Labour Code.

An employer that terminates an employment relationship due to redundancy must make a severance service payment equal to 45 days of the employee's final monthly salary payment for each year of service per article 20 of the Labour Code.

Law stated - 17 March 2023

Procedure

Are there any procedural requirements for dismissing an employee?

If an employer fails to provide valid reasons or gain the approval of the workplace's Islamic labour council for the dismissal of an employee, the latter may be protected from dismissal.

Law stated - 17 March 2023

Employee protections

In what circumstances are employees protected from dismissal?

According to articles 15, 16, 17 and 19 of the Labour Code, in certain cases, employers are not permitted to terminate an employment relationship and, if an employer ceases to work with an employee, this would be considered an illegal dismissal. In such cases, the employer may be obliged to continue engaging the employee and paying their wages as of the date of their return to the workplace. These cases include the following:

- If all or part of the workplace is closed as a result of force majeure (or another event outside the will of the parties) and it becomes impossible for the employee to fulfil their obligations, the employer is not permitted to terminate the employment relationship within the period of closure. In such cases, the employer may not dismiss the employee because the employment contract is suspended.
- The employment contract of employees who take educational leave or other unpaid leave in accordance with the Labour Code may be suspended for the duration of the leave (ie, for up to two years) and employers may not dismiss employees during this period.
- If the employee is detained by law enforcement but the detention does not result in a conviction, the employer cannot dismiss the employee for this reason and the employee's role will be suspended during the detention period.
- The employer may not dismiss the employee if the latter is called upon to serve in the armed forces. In such cases, the employment contract is suspended and the employee is required to return to work no later than two years after the end of their service. If, in this period, the position of the employee is made redundant, the employee must be retained under employment conditions that are similar to those applicable to their previous position.

Law stated - 17 March 2023

Mass terminations and collective dismissals

Are there special rules for mass terminations or collective dismissals?

Iranian labour law is silent on the issue of mass terminations and collective dismissals, which are therefore impermissible.

Law stated - 17 March 2023

Class and collective actions

Are class or collective actions allowed or may employees only assert labour and employment claims on an individual basis?

Although unions are generally permitted to organise collective action in compliance with Iranian law, the details and procedures required for such actions are unregulated.

Law stated - 17 March 2023

Mandatory retirement age

Does the law in your jurisdiction allow employers to impose a mandatory retirement age? If so, at what age and under what limitations?

Article 76 of the Social Security Law 1975 provides that men and women who have paid social security premiums for a period of at least 10 years may request to retire once they have attained 60 or 55 years of age, respectively. However, according to article 78 of the same Law, the employer may request the Social Security Organisation to impose retirement on employees who continue to work for a minimum of five years past their statutory retirement age.

Law stated - 17 March 2023

DISPUTE RESOLUTION

Arbitration

May the parties agree to private arbitration of employment disputes?

Article 157 of the Labour Code 1990, as amended (the Labour Code) provides that any employment dispute that is not settled by conciliatory means (by recourse to the local Islamic labour council or through negotiation with employees' representatives) must be settled by the dispute settlement bodies defined therein; namely, the Labour Dispute Assessment Board and the Labour Dispute Resolution Board. If an employment contract contains terms and conditions that go beyond the mandatory requirements of the Labour Code (eg, with respect to post-employment restrictive covenants or the payment of late payment damages), the parties may agree to submit disputes relating to the interpretation or application of such matters to arbitration.

Law stated - 17 March 2023

Employee waiver of rights

May an employee agree to waive statutory and contractual rights to potential employment claims?

Article 8 of the Labour Code stipulates that the conditions contained in employment contracts are only effective if they do not include terms that are less preferential than the rights provided in the Labour Code. Therefore, an employee cannot waive statutory or contractual rights to potential employment claims by agreement or compromise with the employer. Any such waiver included in an employment contract is considered null and void.

Law stated - 17 March 2023

Limitation period

What are the limitation periods for bringing employment claims?

There are no limitation periods for bringing employment claims.

Law stated - 17 March 2023

UPDATE AND TRENDS

Key developments and emerging trends

Are there any emerging trends or hot topics in labour and employment regulation in your jurisdiction? Are there current proposals to change the legislation?

Updates to the statutory minimum wage and mandatory benefits are revised and determined annually by the Supreme Labour Council pursuant to a determination by the Committee on Wages, and are announced within the week prior to the start of each Iranian new year. The monthly minimum wage and mandatory benefits for the solar Hijri calendar year 1402 (2023–2024 in the Gregorian solar calendar) are approximately 68 million Iranian riyals.

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Law stated - 17 March 2023

Jurisdictions

	Angola	FTL Advogados
	Australia	People + Culture Strategies
	Austria	Schindler Attorneys
	Belgium	Van Olmen & Wynant
	Bermuda	MJM Barristers & Attorneys
	Brazil	Cescon, Barriau, Flesch & Barreto Advogados
	Canada	KPMG Law
	Chile	SCR Abogados
	China	Morgan, Lewis & Bockius LLP
	Colombia	Holland & Knight LLP
	Egypt	Eldib Advocates
	Finland	Kalliolaw Asianajotoimisto Oy
	France	Morgan, Lewis & Bockius LLP
	Germany	Morgan, Lewis & Bockius LLP
	Hong Kong	Morgan, Lewis & Bockius LLP
	Hungary	VJT & Partners
	India	AZB & Partners
	Indonesia	SSEK Law Firm
	Iran	Dadflamingo
	Israel	Barnea Jaffa Lande
	Italy	Zambelli & Partners
	Japan	TMI Associates
	Kazakhstan	Morgan, Lewis & Bockius LLP
	Luxembourg	Castegnaro
	Malaysia	SKRINE

	Mauritius	Orison Legal
	Mexico	Morgan, Lewis & Bockius LLP
	Netherlands	CLINT Littler
	Nigeria	Bloomfield Law
	Norway	Homble Olsby Littler
	Pakistan	Axis Law Chambers
	Panama	Icaza González-Ruiz & Alemán
	Philippines	SyCip Salazar Hernandez & Gatmaitan
	Puerto Rico	Morgan, Lewis & Bockius LLP
	Romania	Muşat & Asociații
	Singapore	Morgan Lewis Stamford LLC
	Slovenia	Law firm Šafar & Partners
	South Korea	JIPYONG LLC
	Sweden	Advokatfirman Cederquist KB
	Switzerland	Wenger Plattner
	Taiwan	Brain Trust International Law Firm
	Thailand	Pisut & Partners
	Turkey	Bozoğlu Izgi Attorney Partnership
	United Arab Emirates	Morgan, Lewis & Bockius LLP
	United Kingdom	Morgan, Lewis & Bockius LLP
	USA	Morgan, Lewis & Bockius LLP