

Client Alert

Corporate Governance | M&A

SEPTEMBER 12, 2024

For more information,
contact:

Nabil A. Issa
+966 11 466 9409
nissa@kslaw.com

Haifa Bahaian
+966 11 466 9425
hbahaian@kslaw.com

Tessa Cranfield
+44 20 7551 7567
tcranfield@kslaw.com

Saud Abdullah Aldawsari
+966 11 466 9420
saldawsari@kslaw.com

Salma Alheraiqi
+966 11 466 9400
salheraiqi@kslaw.com

King & Spalding

Kingdom Centre, 20th Floor
King Fahad Road, PO Box
14702
Riyadh 11434
Kingdom of Saudi Arabia
Tel. +966 11 466 9400

Amendments to the Saudi Labor Law

On 6 August 2024, the Council of Ministers approved amendments to the Kingdom of Saudi Arabia (“KSA”) Labor Law and its Implementing Regulations. These will come into force on 19 February 2025, 180 days after being published in the Legal Gazette on 23 August 2024.

These amendments to the Labor Law support the aspirations of Saudi Vision 2030, the KSA’s ambitious roadmap for economic diversification, global engagement and an enhanced quality of life. The KSA Ministry of Human Resources and Social Development (“MHRSD”) explain that they conducted an in-depth analysis and comparison with labor law and practices in several different jurisdictions. The purpose is to create a more attractive work environment for both employers and employees, to enhance job stability, and to increase job opportunities for the Saudi workforce, particularly for women. The amendments also demonstrate an intention to align labor law in the KSA with international standards, in turn improving the country’s position in the global labor market.

This client alert will consider certain key amendments and their potential impact on the KSA labor market.

Significant changes have been announced in relation to **wages, benefits, and leave**. Maternity leave has been extended to 12 weeks on full pay (previously 10 weeks), with six weeks to be taken immediately following the birth. The remaining six weeks are to be taken at the female employee’s discretion, up to four weeks prior to the expected date of delivery. In similar developments, male employees will be entitled to three days paid parental leave, to be taken within seven days of the baby’s delivery. Bereavement leave has also been extended; all employees will be able to take three days paid leave for the death of a sibling. In terms of compensation, subject to the employee’s consent, employers can now offer compensatory leave as an alternative to overtime pay. Further, the amendments provide that as part of each employment package, employers must either provide their employees with accommodation and



transportation, or provide equivalent compensation. Clarification of how both amendments will be set out in the Implementing Regulations.

There are also amendments to **probationary periods** and to **training requirements**. The new amendments offer greater clarity around probationary periods. The maximum duration of the probationary period is now set at 180 days, which is an increase of 90 days from the previous law. The duration of the probationary period must be explicitly mentioned in the employment contract, and both parties are permitted to terminate the contact during this period. Previously, parties were permitted to agree otherwise. The Implementing Regulations, when introduced, will offer clarity as to which holidays will be included in the probation period. Separately, in support of the wider aims of Vision 2030 to enhance the skills and efficiency of the workforce, employers must now formulate training and qualification policies.

The Labor Law has now formally defined "**resignation**" as a written declaration by an employee expressing their desire to terminate a fixed-term employment contract without coercion. This is a significant development, as the concept of resignation was not previously defined under Saudi law. The new definition clarifies an interpretive uncertainty in the law. Prior to the amendment, the text of the law entitled "an aggrieved party" for compensation (equivalent to the remainder of the contract) in circumstances of termination of fixed-term contract without cause. Since resignation is technically a voluntary termination of an employment agreement by an employee without cause, the use of the term "aggrieved party" could have been interpreted to mean that an employer could claim compensation from a resigning employee under a fixed-term contract. The new amendment settles this interpretive uncertainty and sets out the rights of both parties upon the resignation of an employee. Upon resignation, an employee under a fixed-term contract will be entitled to her/his rights under the law (mainly end of service benefits), which forecloses any claim by an employer against an employee for resignation.

The new regulations outline specific resignation procedures. If the employer does not respond to a resignation notice within 30 days, it is considered accepted. Employers can now delay acceptance for up to 60 days if business interests necessitate it. Employees can also withdraw their resignation within 7 days, provided it has not yet been accepted.

Employment ends on the earlier of: (i) the date the resignation is accepted; (ii) 30 days after submission if no response; or (iii) upon expiry of any employer-issued delay.

There have also been amendments to the rules on **contract termination** for "open-ended" contracts. The notice period for terminating an indefinite contract has been modified to 30 days if given by the employee, and 60 days if given by the employer. Additionally, a labor contract can now be terminated if a company is declared bankrupt by the competent court. These updates aim to provide clarity and structure to resignation and contract termination processes in the Kingdom.

In a significant move towards ensuring fair and equitable employment practices, the Labor Law now explicitly mandates that employers must provide **equal treatment** to all employees, subject to other applicable laws. We do not foresee the new requirement to affect the priority given to Saudi nationals under Saudi Arabia's Saudization requirements. Nevertheless, without prejudice to an employer's Saudization obligations, the amendment guarantees equal access to professional opportunities and benefits, regardless of any individual characteristics or circumstances. This marks an important step forward in promoting a more inclusive and meritocratic labor market in the Kingdom.

Alongside the push for greater equality, the updated labor law has also introduced **new penalties** on companies that fail to obtain the necessary licenses from the MHRSD to engage in manpower supply activities. A new penalty is now introduced in the law to address this specific violation which ranges between SAR 200,000 to SAR 500,000. This



crackdown on non-compliant recruitment practices is part of broader efforts to better regulate the Saudi labor market and ensure fair treatment for all workers. By imposing stricter penalties, the government aims to discourage exploitative hiring practices and create a more transparent and accountable system.

These latest regulatory changes demonstrate Saudi Arabia's commitment to fostering a labor environment that prioritizes equality, fairness, and compliance with established rules and regulations. As the Kingdom continues to modernize its economy, such measures are crucial in safeguarding the rights and interests of both employers and employees alike.

In conclusion, these recent amendments to Saudi labor law signify a major shift in the Kingdom's approach to its workforce. By clearly defining employee and trainee rights, formalizing resignation and termination procedures, and introducing penalties for non-compliant recruitment practices, the new regulations aim to create a more equitable and transparent labor market.

Such changes are crucial in supporting Saudi Arabia's long-term strategic goals of fostering a dynamic and competitive business environment. By safeguarding employee protections and enforcing fair employment practices, the government is demonstrating its commitment to cultivating a labor force that can drive the Kingdom's economic diversification and growth. These developments mark an important step forward in modernizing Saudi Arabia's work culture and aligning it with international best practices in line with the country's Vision 2030.

Employers should commence preparing for compliance with the new amendments including by revising their current internal human resources policies to implement the new changes, notifying their employees of their additional rights under the new amendments, ensuring that they only engage with manpower supply companies that are licensed by MHRSD, ensuring that their new and current employment contracts do not conflict with the new amendments, and continuously monitor new implementing regulations and circulars by the MHRSD on the new amendments.

ABOUT KING & SPALDING

Celebrating more than 130 years of service, King & Spalding is an international law firm that represents a broad array of clients, including half of the Fortune Global 100, with 1,300 lawyers in 24 offices in the United States, Europe, the Middle East and Asia. The firm has handled matters in over 160 countries on six continents and is consistently recognized for the results it obtains, uncompromising commitment to quality, and dedication to understanding the business and culture of its clients.

This alert provides a general summary of recent legal developments. It is not intended to be and should not be relied upon as legal advice. In some jurisdictions, this may be considered "Attorney Advertising." View our [Privacy Notice](#).

ABU DHABI	CHARLOTTE	DUBAI	LONDON	NORTHERN VIRGINIA	SILICON VALLEY
ATLANTA	CHICAGO	FRANKFURT	LOS ANGELES	PARIS	SINGAPORE
AUSTIN	DALLAS	GENEVA	MIAMI	RIYADH	TOKYO
BRUSSELS	DENVER	HOUSTON	NEW YORK	SAN FRANCISCO	WASHINGTON, D.C.