



Saudi Arabia Further Modernizes Employment Laws in the Kingdom – An Employer's 6-Step Compliance Guide

Insights

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In recent years, the Kingdom of Saudi Arabia has made significant changes in the labor sector, primarily focused on promoting equality in the workplace and prioritizing employee autonomy. Powered by the ambitious Vision 2030, a government program aimed at achieving increased economic, social, and cultural diversity, the Kingdom has demonstrated its focus on reforming labor laws to create a more diverse, inclusive, and favorable work environment. Here is an update on the latest efforts along with a six-step compliance plan for employers.

Increased Protections for Saudi Workers

The Kingdom of Saudi Arabia recently announced its plan to introduce an amended series of fines and penalties that may be imposed on employers for labor violations across various public and private industries. More specifically, the Saudi Arabian Ministry of Human Resources and Social Development (MHRSD) amended the schedule of violations and penalties issued in Ministerial Resolution No. 92768. Under the proposed scheme, fines for labor violations will be assessed based on the size of the company.

According to Saudi Arabian labor classifications, Category A includes entities with 50 or more employees within the Kingdom, Category B covers entities employing between 21 and 49 employees, and Category C is reserved for entities with 20 employees or less.

In addition to previously identified categories of sanctionable conduct, such as hiring outside of Saudization quotas (a government mandate that requires private sector employers to provide more job opportunities to Saudi nationals and hire a minimum percentage of native employees) and weather-related labor violations, companies with employees in Saudi Arabia now face possible fines up to SR 8,000 (approx. \$2,200 USD) per violation for, among other things:

- failing to comply with protection, safety, and occupational health standards;
- employing foreign employees without proper permits;
- discrimination on the basis of sex;
- employing minors;
- providing insufficient childcare support to employees;

- withholding passports from migrant workers; and
- failure to timely pay wages.

Vision 2030's scope of increased protections does not end there. In January 2023, the MHRSD announced a new national policy aimed at promoting equal opportunities and preventing discrimination in the employment sector. Although the MHRSD has not announced when this policy will take effect, it is expected to be passed by the Legislature and implemented before the end of 2023.

The proposed policy contains a number of significant developments, including:

- Revising existing policies to clearly define what constitutes discrimination;
- Identifying methods for preventing discrimination;
- Introducing initiatives to promote equality in the workplace; and
- Establishing novel procedures for marginalized groups to enter and remain in the Saudi workforce (which aligns with the Kingdom's ongoing efforts towards increasing Saudization rates).

Increased Protections for Migrant Workers

Vision 2030 does not only affect Saudi nationals. Some reforms are aimed at increasing protections for migrant workers as well. For example, in November 2020, the MHRSD launched a Labor Reform Initiative (LRI) to replace the existing sponsorship system, which governs foreign worker mobility in Saudi Arabia.

Previously, foreign workers sponsored by employers in Saudi Arabia required the permission of their employer to change jobs, open a bank account, travel out of the country, and complete various other administrative tasks such as viewing job postings and inputting transfer requests. The LRI was designed to be an effective tool against fugitive employees and human trafficking exploitation and was signed into law through the passage of Resolution No. 51848/1442, which took effect on March 14, 2021.

The LRI, through Resolution No. 51848/1442, has provided millions of foreign workers in the private sector with increased job mobility since its inception. It allowed foreign employees for the first time to leave their jobs without the consent of the employer upon the expiration of their employment contracts, or before the expiration of the employment contract, provided that the worker had been in the Kingdom for at least one year and provided 90 days' notice to the employer.

The MHRSD has also established new rules allowing foreign workers to exit and enter the Kingdom without their employer's permission. Instead, employees may make such requests directly through the Saudi government's online platform. This is a significant change from previous practices, where

foreign employees could not leave the Kingdom without first obtaining an exit and re-entry visa from their employer. The same was true for emigration. Previously, employers were required to sign a “final exit visa” for migrant employees who wished to return to their respective home countries. Today, an employer’s consent for emigration is no longer required. Certain categories of employees regulated by industry-specific laws might be exempt from these new procedures.

Employer’s 6-Step Guide for Compliance

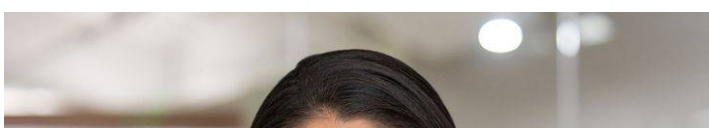
As countries around the globe develop reforms and new laws to provide more rights and protections to domestic and foreign employees and to modernize their labor laws, it has become increasingly important for employers with international operations or employees to update their policies and keep apprised of changes as they occur. This can be a difficult task, but employers can employ the following best practices:

- Establishing and periodically updating company policies that promote a safe working environment and provide avenues for employees to raise grievances about discrimination, equal opportunity in the workplace, and any other concerns;
- Providing training to senior leadership and managers on applicable anti-discrimination, equal opportunity, and other laws and best practices in the locations where the company operates;
- Revising migrant worker contracts to conform with legal updates promulgated by Vision 2030;
- Ensuring proper documentation of communication with employees regarding these and other topics;
- Reviewing employee contracts to ensure any restrictive covenants are compliant with local laws and sufficient to protect the company’s interests; and
- Keeping apprised of global developments and changes to migrant worker protections and treatment, paying special attention to quotas or other requirements pertaining to indigenous or country nationals.

Conclusion

We will continue to monitor the increased protection of employees in Saudi Arabia, the greater Middle Eastern region, or any other regions of the world, and provide updates as warranted. If your company operates in the Middle East, contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in our [International Practice Group](#) for additional information. Make sure you are signed up for [Fisher Phillips’ Insight System](#) to receive the most up-to-date information direct to your inbox.

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