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Employment Law in Saudi Arabia: What Foreign Employers Must Pay Attention To

Vision 2030 is reshaping Saudi Arabia's labor market, requiring foreign employers to navigate regulations on Saudization, the Nitaqat Program, and strict compliance. Here's an updated, legally aligned guide.

I. Saudi vs. Non-Saudi Employee Rights

While Article 3 of the Labor Law emphasizes equal employment rights, Articles 26 and 28 (and Article 8 of the Implementing Regulations) prioritize Saudi employment. Employers must comply with Saudization quotas and create job opportunities for nationals. Article 26 mandates that 75% of the workforce be Saudi unless otherwise exempted.

Non-Saudi employees remain under the sponsorship (Iqama) system. As per the Residence Regulations (Art. 2, 5), employers must ensure valid entry and residency permits. Article 6 of the Implementing Regulations prohibits retaining passports or medical cards of expatriates.

2. Understanding the Nitaqat Program

Nitaqat determines an establishment's compliance with Saudization based on industry, size, and occupation. Article 26 of the Labor Law, supported by Ministry programs, enforces quota targets. Establishments falling below these may face service restrictions (Art. 8, Implementing Regulations).

Foreign employers should:

- Use Qiwa platform to monitor status (per Employer Compliance Guide).
- Hire Saudis for exempt roles to offset penalties (Violation Settlement Service).
- Document compliance via the Electronic Establishment Site Management Service.

3. Contract Management

Articles 50–55 of the Labor Law mandate written contracts in Arabic, particularly for non-Saudis. Article 52 specifies contract content, while Article 53 sets probationary terms, capped at 90 days. Renewals convert to indefinite status under Article 55 after three renewals or four years.

Use the unified contract model provided by the Ministry (Annex 5, Implementing Regulations) and register contracts through Qiwa.

4. Daily Compliance Practices

Article 17 of the Labor Law and Article 5 of the Implementing Regulations detail employer documentation duties: records of wages, attendance, disciplinary actions, and contracts. Article 20 prohibits abusive practices, including retention of passports.

Employers must:

- Deposit salaries through the Wage Protection System.
- Maintain Arabic records.

Conduct health checks and file occupational disease reports (Art. 5, Implementing Regulations).

5. Termination and Disciplinary Actions

Termination must align with Articles 74–81 of the Labor Law. Article 80 outlines valid reasons (e.g., misconduct), while Article 77 allows termination with compensation if lawful cause is absent. Documented warnings and progressive discipline are essential.

Employers must also follow:

- Article 54: No end-of-service if terminated during probation.
- Article 75: Notice periods—60 days for monthly paid, 30 for others.
- Article 40: Employer bears Iqama and recruitment fees.

6. Dispute Resolution

Disputes are handled by Labor Courts, and Arabic prevails (Art. 9). Pre-litigation mediation via the Labor Disputes Committee is mandatory. Maintain bilingual contracts for clarity and engage Arabic-speaking counsel.

7. Sponsorship and Mobility

Per Residence Regulations (Arts. 2, 5), legal entry and weekly check-ins for newcomers are mandatory. Employers must renew Iqamas, register workers, and provide insurance. The Labor Reform Initiative now allows job mobility under certain conditions (Employer Compliance Guide).

8. Best Practices for Sustainable Compliance

- Align all policies with Articles 12–13 and use approved internal regulations.
- Regularly update Saudization planning (Art. 8, Implementing Regs).
- Maintain detailed employment records (Art. 5).
- Avoid discriminatory practices (Art. 3).

Conclusion

Legal compliance in Saudi Arabia is dynamic and holistic. By aligning internal practices with current legal texts—Labor Law, Implementing Regulations, Residence Regulations, and Ministry guidance—foreign employers can mitigate risk and contribute to a sustainable labor ecosystem.

"Are you ready to navigate Saudi employment laws with confidence?"

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