

CHANGES TO THE SAUDI ARABIAN LABOR LAWS



The new amendments to the Saudi Arabian labor laws (initially announced in a Royal Decree No. M/46 of 05/05/1436H) came into force on 18 October 2015. The reforms follow the Saudi Ministry of Labor's ongoing efforts to strike a balance between the creation of a dynamic marketplace for foreign businesses and protection and development of the local workforce.

A number of changes have been made. We set out below a summary of some of the key areas that have undergone amendments:

Probationary periods

The probationary period can now be extended up to 180 days. An employee however may not be placed on probation more than once by the same employer, unless the employee is placed in a new position or was not engaged by the same employer in the last six months.

Relocation

The employee's written consent is required before any geographic relocation which would entail the relocation of the employee's place of residence. Temporary relocations of up to 30 days per annum are permitted however.

Notice periods

Open-ended contracts are now subject to 60 days' termination notice for employees who are engaged and paid on a monthly basis. A minimum of 30 days' is required for those engaged on other terms.

Leave

Employees serving their notice periods are now entitled to eight fully paid hours per week or a full day per week to look for alternative employment.

Compensation

Unless the parties agree in advance and in writing on the amount of compensation payable upon termination without "valid reason", the party terminating the contract will have to compensate the other with either:

- A wage equivalent to 15 days for each completed year of employment, in indefinite term contracts.



- The balance of wages for the remaining employment term, in the fixed-term contract.

In each case, the minimum amount of compensation may not be less than two months' wages.

Unauthorised leave

Employers may terminate the employee's contract without compensation in the event the employee is absent from work "without a valid reason" for either:

- More than 30 non-consecutive days a year.
- For more than 15 consecutive days within a year.

In the first case, a prior written warning must be delivered to the employee after 20 days of non-consecutive absence and in the second case the warning must be delivered after 10 days of consecutive absence.

Renewability

Fixed term contracts that are renewed more than three times (or upon the employee accruing four years of continuous service, whichever comes sooner) will automatically convert into indefinite term contracts.

References and sanctions

Departing employees have the right to request upon termination a service certificate setting out details of their employment. The employers are prohibited from giving negative references which could hinder the employee's chances of securing alternative employment.

Employers are also required to maintain written records of any fines imposed on their employees. The information required includes the worker's name, their remuneration, the date, the reason for and the amount of the fine imposed.

Leave

A number of amendments increasing short-term leave have been introduced.

- **Maternity leave:** female workers are now entitled to 10 weeks' maternity leave fully paid, to commence maximum four weeks before the expected date of delivery. The leave can also be extended for an additional month on an unpaid basis.
- **Marriage and bereavement leave:** leave due to marriage or death of an immediate family member has been increased from three to five days.
- **Paternity leave:** leave has been increased from one to three days.

Training requirements

An employer with more than 50 employees is required to provide training to at least 12% of its total number of Saudi Arabian employees. Employer must be able to provide documentary evidence of the training.

Working hours

Employees' daily working hour limit has been increased from 11 to 12 hours provided that the employees do not work for more than five consecutive hours.

Company policies and employment contracts

All companies are now required to establish written internal by-laws as per the standard form applied by the Ministry of Labor. Companies are also required to follow the form of employment contract prepared by the Ministry of Labor.

Work injuries

Employers must provide financial aid to employees temporarily unable to work due to injuries suffered at work

at the rate of 75% of the employees' wage. In the event of non-recovery, the employer will need to compensate the employee for such injury.

Enforcement

The Ministry of Labor inspectors are no longer authorised to close businesses "on the spot". All potential violations must be reviewed by the Ministry of Labor.

Depending on its severity, any violation of the law may be subject to monetary fines or business suspension or closure.

Finally, the new amendments provide the Minister of Labor with a discretionary right to grant a financial reward of up to 25% of the total amount of collected penalties against any information that assists inspectors or others in revealing violations of the Labor Law.

Conclusion

As well as a general increase in rights of employees, the amendments were intended to narrow the gap between employment in the private and public sectors. An increase in Saudization and rights of employers to manage employees, particularly when dealing with employment termination, have been well received.

It remains to be seen as to how the Ministry of Labor will enforce these new laws and carry out its terms in practice, however the transparency these amendments provide to both employees and employers no doubt offer a better foundation for working relationships going forward.



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