

Insights

IRAN CONFLICT – NAVIGATING LABOR & EMPLOYMENT LEGAL STRATEGY

Apr 07, 2026

EVOLVING IMPACT OF THE CONFLICT

The longer the Iran Conflict persists, the greater the uncertainty regarding business in Saudi Arabia. It is becoming increasingly difficult for Saudi companies to efficiently and timely execute their existing contracts and to plan for contemplated projects and initiatives in Saudi Arabia. In view of this uncertainty, messaging from various governments and unease of employees and their families in Saudi Arabia, many companies are assessing alternatives and associated risks and costs of adjusting their workforce to align with the current environment. Key questions include what to do with their workforce in terms of in-person staffing in Saudi, how to respond to expat employees' concerns and how to react to mixed messages received from the Saudi government and the home governments of expat employees regarding Saudi safety, security and travel advisories and practical difficulties. This article briefly looks into some of the potential labor and employment implications arising from the Iran Conflict and practical steps that may be taken by to minimize the associated risks.

THE CURRENT REGULATORY POSITION IN SAUDI ARABIA

While the current situation has semblance to the COVID-19 pandemic in terms of consequences (e.g., travel difficulties and delays, use of remote work schedules), the current situation is NOT like the COVID pandemic from a Saudi regulatory perspective. During COVID, the business community and the public were subject to numerous COVID pandemic specific regulations and orders in Saudi Arabia. Whereas, as noted, in the current situation there have been no express Saudi declarations, orders or legislation to date. Some regulators have issued specific orders that seemingly recognize that it is not 'business as usual': (a) temporarily suspension of the documentation and certification requirements for issuance or renewal of licenses and work permits for maritime units operating in Gulf waters; and (b) Ministry of Interior permitting holders of expired visas to either extend their stay in Saudi or exit the Kingdom without paying any overstay fines. That said, these orders are specific with limited application, and no related/similar order has to date been issued by the relevant Ministry of Human Resources and Social Development (MHRSD).

Unless and until general or overarching orders or regulations are issued by the Saudi Government which impact the conduct of business in Saudi Arabia, each employer in Saudi will need to consider its employment contracts and applicable Saudi laws including the Labor Law and the various “Saudiization” regulations and programs which promote employment of Saudi nationals. Under Saudi Labor Law employment relationships are by contract, registered and recognized formally on the MHRSD’s Qiwa portal, and that such contracts include certain employee benefits and protections which cannot be waived by the employee. Any employer action, therefore, impacting such contractual arrangement would require adequate caution and sufficient justification.

PRACTICAL CONSIDERATIONS FOR WORKFORCE MANAGEMENT

As a preliminary matter, it is important to recognize that many employers have a few “categories” of employees, and the action plan for one category may not work for the other. Each category carries different levels of legal exposure – for example, a redundancy action against Saudi national employees will not only require a well-thought-out and justifiable business case and situation specific “valid reason to terminate”, but will also need to be considered for the purposes of Saudiization and MHRSD’s mass layoff directives.

This inevitably means that the employers will find themselves evaluating measures such as adjustments to working patterns, changes in role or location, to more serious steps such as non-renewal or termination. Some options are inherently lower risk, such as allowing accrued leave to be taken earlier, while others such as termination will require significant thought, planning and execution. Even in low-risk measures, practical challenges still exist – for example, an employer will need a Saudi employee’s consent to have him relocated to a different location for a period of more than 30 days in a year. Additionally, the Saudi Labor Law restricts unilateral changes, and amendments agreed during employment may later be contested as invalid settlements.

In light of the foregoing, employers must ensure that they develop a carefully crafted strategy to manage their labor and employment matters. The strategy should ensure that all actions are taken pursuant to well-thought-out and justifiable business plans. Wherever possible, employers should also seek to obtain employees’ written consent before implementing any changes in the MHRSD portal. Taking these steps will help minimize the risk of litigation, regulatory action, and unnecessary disruption to workflow.

Please contact any of the following team members if you have questions on the issues raised in this article.

RELATED CAPABILITIES

- Corporate

- Employment & Labor

MEET THE TEAM



Othman S. Alshmry

KSA Managing Partner, Al Khobar /
Riyadh

othman.alshmry@bcplaw.com

[+966 13 817 9335](tel:+966138179335)



Samuel E. Eversman

Partner, Al Khobar / Riyadh

sam.eversman@bcplaw.com

[+966 53 437 4777](tel:+966534374777)



Muhammad Hassan

Associate, Al Khobar

[muhammad.hassan@bcplaw.co](mailto:muhammad.hassan@bcplaw.com)

[m](mailto:muhammad.hassan@bcplaw.com)

+966 13 817 9335

This material is not comprehensive, is for informational purposes only, and is not legal advice. Your use or receipt of this material does not create an attorney-client relationship between us. If you require legal advice, you should consult an attorney regarding your particular circumstances. The choice of a lawyer is an important decision and should not be based solely upon advertisements. This material may be "Attorney Advertising" under the ethics and professional rules of certain jurisdictions. For advertising purposes, St. Louis, Missouri, is designated BCLP's principal office and Kathrine Dixon (kathrine.dixon@bclplaw.com) as the responsible attorney.