

Insights

SAUDI ARABIA'S EVOLVING LABOR LANDSCAPE: A CONSOLIDATED LEGAL UPDATE

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Summary

Saudi Arabia's labor and employment framework continues to evolve through a series of changes. The combined effect of the changes is reshaping how employers engage, manage, and deploy talent across the Kingdom. This update provides an overview of changes in three areas: the Qiwa platform, Labor Law amendments, and workforce deployment and mobility initiatives, including Premium Residency and the Ajeer frameworks.

The Qiwa Portal: A System-Based Employment Regime

All labor relationships in Saudi Arabia are subject to the Saudi Labor Law and oversight by the Saudi Ministry of Human Resources and Social Development (MHRSD). Employment relationships (and the contract terms for each relationship) are required to be registered with the MHRSD on the Qiwa portal. Each employer establishes an account in the QIWA system which is integrated with the systems for Saudiization (NITAQAT), Wage Protection (MUDAD), social insurance (GOSI) and immigration/visa status (Ministry of Interior (Muqem)). Any change and any "issue" arising with respect to an employee or the employer's status in any of these systems instantly is reflected across and impacts the other systems.

QIWA is how employment must be offered, accepted, amended and how expat employment transfers are processed. Moreover, QIWA requires the use of its template contract without modification of most terms with exception of adding free form "Additional Clauses" which are valid if they do not contradict the QIWA template terms or Saudi Labor Law. Notably, the standard QIWA template contract provides for each employee that "This contract replaces all previous verbal or written agreements and contracts if any". As a result of this mandatory integration clause, each Employer's use of appropriate "Additional Clauses" to incorporate its non-standard terms in the QIWA system is critical because the QIWA system contract will be the first and generally controlling source contract in the event of employee compliant or dispute.

In a recent development, the wage clause in each employee's QIWA contract has been granted a direct enforcement status, permitting employees to directly lodge and enforce a claim against their employer on the Ministry of Justice's 'Najiz' portal, in the event of non-payment of wages in a timely manner. Such a claim would be enforced without going through MHRSD or Labor Court channels. This development is being rolled out in 3 phases, where only the 3rd phase, pertaining to indefinite term employment contracts, remains and shall become effective in August 2026.

In view of these developments, cooperation and integration of the employer's Legal and HR functions is fundamental for the employer to mitigate exposure to employee claims and to maximize compliance and uniformity of employer's Saudi employment terms and practices.

Labor Law Amendments: Greater Clarity and Structured Flexibility

Saudi Labor Law has gone through several material changes over the years with the most recent substantive changes becoming effective in early 2025.

Employee Resignation: A notable change is the addition and formal recognition of the, otherwise previously missing, concept of 'resignation' in Labor Law for fixed-term contract employees. Per the newly added Article 79 Bis of the Labor Law resignations by fixed-term contract employees must be submitted in writing and without reference to any "effective date" as the law now gives the employer discretion regarding the timing of the effectiveness of resignation, within prescribed limits. More specifically, resignations are deemed accepted if not addressed by the employer within 30 days of delivery to the employer. Employers may accept the resignation and specify the effective date of resignation any time between receipt of notice and up to 60 days from receipt with justification (i.e., employer can require such employee to work a notice period/not make resignation effective for up to 60 days from the date of notice of resignation). The employee may withdraw his/her resignation if the employer has not provided notice of acceptance within 7 days of delivery of the notice.

Overtime Compensation: Recent amendments introduce flexibility in compensating for 'overtime pay'. Now, subject to employees' consent, employers may provide compensatory leave to employees instead of the overtime pay.

Housing and Transportation Allowances: Employment contracts must address the provision of housing and transportation in kind or by allowances.

Maternity Leave: Increased to 12 weeks from 10, of which 6 must compulsorily be taken immediately following the childbirth and the other 6 at employee's discretion.

Probation Period: May now be set at up to 180 days from the outset and the contract may be terminated by either party during probation.

Indefinite Contract Termination: The notice period for terminating an indefinite employment contract by a Saudi national employee, for a valid reason, has been reduced to 30 days. Employer notice remains 60 days minimum.

Penalties: Stricter employer penalties have been introduced for Labor Law violations.

Internal Work Regulations/Employee Handbook: Revisions have been introduced in the standard format Internal Work Regulations.

Workforce Deployment and Mobility: Premium Residency and the Ajeer Framework

Ajeer System

Ajeer is a temporary hiring/recruitment/sourcing mechanism whereby entities with a temporary need for a human resource may contract with another entity to provide its personnel under certain conditions. Ajeer is suitable only where the providing and receiving entities are registered within the Kingdom and with MHRSD. There are various Ajeer recruitment options available, each with their own form of permits and applicable conditions. The impact on the provider and beneficiary entity with respect to Saudiization/NITAQAT position varies depending on the specific Ajeer service utilized.

Premium Residency

The Premium Residency (PR) programme allows eligible expatriates to self-sponsor their residence, reducing reliance on the traditional employer sponsorship model. Eligibility is linked to professional, financial compensation thresholds, or investment criteria, particularly for specialised professionals, researchers, and executives. A PR holder is not counted in the employer's NITAQAT calculation (i.e., not considered as a Saudi nor an expat for the purposes of NITAQAT/Saudiization). Employers may support their eligible expat executives to obtain PR in the Kingdom to improve Saudiization status.

Occupational Fitness Testing

Recently, 'Occupational Fitness Testing' has been mandated to ensure all employees are occupationally fit for the role they are being hired for. This requirement stems from the Saudi Labor Law and has been placed under the regulatory purview of the National Council for Occupational Safety and Health through the Occupational Fitness & Non-communicable Diseases Examinations Regulation.

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

Related Capabilities

- Employment & Labor

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