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Saudi Arabia's Labour Law & Employment Regulations

Overview

Saudi Arabia is a pivotal and rapidly evolving economy located at the crossroads of Europe, Asia, and Africa, serving as a strategic gateway to the Middle East and global markets. Saudi Arabia, the largest economy in the Middle East and part of the G20, is undergoing massive economic transformation under Vision 2030. With a population exceeding 36 million ([IMF, 2025](#)) and a GDP of around USD 1.08 trillion ([IMF, 2025](#)), the Kingdom is a strategic hub for global trade, energy, and investment.

Backed by strong government reforms, mega-projects like NEOM and the Red Sea Project, and its growing private sector, Saudi Arabia has become a hotspot for regional employment and business expansion. Saudi Arabia benefits from a young and increasingly skilled population, with 71% under the age of 35 ([Reuters, 2023](#)). Its labour market is becoming more dynamic due to initiatives such as Saudization, which boosts local employment, alongside programs aimed at attracting global talent.

In this issue, we explore Saudi Arabia's employment landscape to help you navigate your business.

Basic Country Facts



Capital
Riyadh



Population
36 million
[IMF](#)



Currency
Saudi Riyal (SAR, [ريال](#))



GDP per Capita
USD 30,000 (as of 2025)
[IMF](#)

Saudi Arabia's Government Platforms

1. QIWA

QIWA is a platform launched by the Ministry of Human Resources and Social Development of Saudi Arabia. It aims to streamline labour contract registration and management, employee mobility processes, and to meet the requirements of the Saudization policy.

Functions:

- Labour contract registration and management.
- Approval of labour contract renewals.
- Employee transfer (from one company to another).
- Check company Saudization compliance.

2. MUDAD

Mudad is a payroll and salary payment compliance platform initiated by the Ministry of Human Resources and Social Development to ensure compliance with the Wage Protection System (WPS).

Functions:

- Monitor and verify timely salary payments to employees.
- Audit salary standards to ensure compliance with WPS requirements.
- Review new employee salaries.

3. GOSI

GOSI (General Organization for Social Insurance) is responsible for registering employees in the Saudi social insurance system and managing social insurance benefits.

Functions:

- Employee social insurance registration and contribution management.
- Injury, illness, and disability insurance claims.

4. Muqem

Muqem is a platform for managing foreign workers' Iqama (residence permit) information, under the supervision of the General Directorate of Passports.

Functions:

- Inquire about and renew employee Iqama status.
- Apply for Iqama extensions, updates, and renewals.
- Manage employee exit and re-entry records.

5. Chamber of Commerce Portal

This platform enables enterprises to communicate with the Saudi Chamber of Commerce, handling company certificates, business registration, and commercial documents.

Functions:

- Company registration and certification
- Processing commercial contracts and documents.
- Obtain Chamber membership qualifications and related services.

Labour Law & Employment Regulations

Employment Contracts

Contracts must be in writing (Arabic required for legal validity).

Contract Type	Definition & Duration	Common Use Cases	Legal Framework	GOSI Required	Termination Rules	Typical Industries/Workers
Fix-Term Contract	Contract with specific start and end dates. Converts to open-ended if renewed 3 times or over 4 years (locals).	Project-based or time-bound roles	Saudi Labour Law	Yes	Ends automatically unless renewed; early termination may require valid reason or compensation	Construction, manufacturing, project roles
Open-Ended (Indefinite) Contract	No defined end date. Long-term employment relationship.	Permanent, full-time roles	Saudi Labour Law	Yes	Termination requires valid justification; otherwise, compensation is due	Administrative, local hires, permanent staff
Part-Time Contract	Fewer than 30 hours per week. Salary is pro-rated.	Retail, education, service support roles	Saudi Labour Law	Usually	Termination terms as agreed in contract	Students, part-time workers, flexible staff
Temporary / Seasonal Work Contract	For limited durations (e.g., Hajj season, short-term projects).	Seasonal demands, temporary projects	Saudi Labour Law	Yes	Ends at contract expiration; early termination rare or not applicable	Students, part-time workers, flexible staff
Freelance / Consultant Agreement	Not considered employment; governed by commercial contract. No labour entitlements.	Independent consultants, service providers	Saudi Commercial Law	No	As per contract; no end-of-service benefits or dismissal protection	IT experts, advisors, outsourced professionals

Probation Period

1. **Maximum Duration:** The probation period must not exceed 180 days (6 months).
2. **Termination During Probation:**
 - Either party may terminate the contract during the probation period without notice and without end-of-service benefits, unless the contract states otherwise.
 - Termination must not be due to discrimination or unlawful reasons.
3. **Re-hiring and Repeat Probation**
 - If an employee returns to the same employer for a different job or role, a new probation period is allowed but must be clearly stated in writing.
 - The same role cannot be subject to multiple probation periods unless at least 6 months have passed since the end of the previous contract.
4. **Benefits During Probation**
 - The employee is entitled to salary and statutory rights (e.g. working hours, rest breaks, overtime pay).
 - No end-of-service benefits are payable if the employee leaves or is terminated during probation.
 - No severance if terminated during probation unless contract says otherwise.
5. **Written Agreement Requirement**
 - The probation terms must be stated explicitly in the employment contract.
 - If not mentioned, the period cannot be applied or enforced.

Minimum Wages (Saudi Nationals Only)

- SAR 4,000/month is the official minimum wage to count a Saudi in Nitaqat Saudization programs.
- No official minimum wage for expats but usually negotiated per industry.

Statutory Contributions

Statutory contributions in Saudi Arabia are mandatory payments that employers must make to government-managed social security programs, primarily through the GOSI. These contributions fund benefits such as pensions, unemployment insurance, and occupational hazard coverage.

1. **GOSI (Social Insurance) – Monthly**
 - Saudi Nationals: 9% (Employee) + 11.75% (Employer)
 - Expats (Injury only): 0% (Employee) + 2% (Employer)
 - *Contributions are based on basic salary + housing allowance
2. **Unemployment Insurance (SANED)**
 - 0.75% (Employee) + 0.75% (Employer)

Mechanism for Gradual Increase in Subscription Rates

Starting from 1 July 2025, a gradual increase will apply to the subscription rate in the pension branch for those covered under the new system who have not previously subscribed. The increase will be 0.5% annually until 1 July 2028, reaching a total rate of 11% for both the employee and the employer, instead of the current 9%.

Employers must adjust their internal systems to implement the increase in accordance with the regulations.

Date	Increase Rate	Employee Share	Employer Share
3 July 2024	No increase	9%	9%
1 July 2025	0.5%	9.5%	9.5%
1 July 2026	0.5%	10%	10%
1 July 2027	0.5%	10.5%	10.5%
1 July 2028	0.5%	11%	11%

Statutory Insurance

In Saudi Arabia, statutory insurance obligations primarily include contributions to the GOSI and compliance with the Compulsory Health Insurance (CHI) scheme.

Item	GOSI Social Insurance (2024 Reform)	Medical Insurance (Cooperative Health Insurance)
Governing Authority	GOSI	CHI (Council of Health Insurance)
Legal Basis	Social Insurance Law – Royal Decree M/22 (1969), amended in 2024 with phased changes effective from July 2024	Cooperative Health Insurance Law (2005), latest implementation rules issued by CHI
Covered Population	<ul style="list-style-type: none"> Saudi employees: pension + occupational injury + unemployment Non-Saudi employees: occupational injury only 	<ul style="list-style-type: none"> All private sector employees (Saudi & non-Saudi) Saudi & Non-Saudi dependents (spouse & children)
Mandatory	Yes	Yes
Contribution Responsibility	<ul style="list-style-type: none"> Saudis: Employer + employee Non-Saudis: Employer pays 2% occupational hazard insurance only 	Fully paid by employer
Wage Base Calculation	Basic salary + housing allowance Minimum: SAR 4,000 Maximum: SAR 45,000	Determined by policy; usually based on job grade or total compensation
Key Benefits	<ul style="list-style-type: none"> Retirement pension (for Saudi) Occupational injury/disability compensation (Saudi & Non-Saudi) Unemployment insurance (for Saudis) Paid maternity allowance (Saudi & Non-Saudi, Paid GOSI ≥1 year) 	<ul style="list-style-type: none"> Outpatient & emergency care Hospitalisation & maternity Vaccines, prescriptions, etc.
Penalties for Non-Compliance	<ul style="list-style-type: none"> Rejected wage submissions GOSI account lockout Fines, back payments, hiring/payroll restrictions 	<ul style="list-style-type: none"> Cannot renew Iqama/work permit Minimum SAR 10,000 fine per person, labour service suspension

Work Permit (Expatriates)

Expatriates must obtain a valid Iqama (residency permit) linked to a work permit, which is sponsored by their employer.

- Work Permit (Annual)
- Iqama (Residency)
- Medical Insurance
- Block Visa / Quota

*Fees vary based on company size, Nitaqat status, and exemptions.

Leave & Benefits

Leave Type	Duration & Entitlement	Conditions / Notes
Annual Leave	<ul style="list-style-type: none">• 21 days/year• 30 days after 5 years of service	<ul style="list-style-type: none">• Paid (basic salary + allowances)• Must be used within the year or approved for carry-over
Sick Leave	Up to 120 days total: <ul style="list-style-type: none">• 30 days full pay• 60 days at 75% pay• 30 days unpaid	<ul style="list-style-type: none">• Requires medical certificate• Can be taken intermittently
Maternity Leave	12 weeks (6weeks before + 6 weeks after birth)	<ul style="list-style-type: none">• If service \geq 1 year: full pay• If service $<$ 1 year: 50% pay• Cannot be terminated during leave
Paternity Leave	3 days	After the birth of a child
Marriage Leave	5 days	Marriage certificate may be required
Special Leave	5 days	For death of spouse or direct family member
Hajj Leave	10 days (once during employment)	<ul style="list-style-type: none">• Must have \geq 2 years of service• Must be coordinated with employer
Public Holidays	<ul style="list-style-type: none">• Eid Al-Fitr• Eid Al-Adha• Saudi National Day (23 Sep)• Flag Day (11 Mar)• Founding Day (22 Feb)	<ul style="list-style-type: none">• Official paid holidays• If required to work on an official holiday, they must receive compensatory time-off, not just additional pay• Under Article 24: If a holiday overlaps with a weekend, compensation applies by shifting leave to a working day.

Payroll Method & Wage Protection System (WPS)

Wage Protection System (WPS)

- Mandatory system by MHRSD to monitor and ensure timely and full salary payment.
- Applies to all private sector employers.
- Employers must upload payroll data to the Mudad platform, linked to employee bank accounts.
- Tracks: salary amounts, payment dates, discrepancies, delays.

Payroll Documentation

- Monthly pay slips must be provided to employees (soft or hard copy).
- Must reflect:
 - Gross & net pay
 - All deductions and allowances
 - Number of worked days/hours

Penalties for Non-Compliance

- Delays or inconsistencies in WPS submission can lead to:
 - Suspension of new work visas
 - Suspension of services on Qiwa and GOSI
 - Fines or establishment downgrade in Nitaqat

Payroll Requirements

- Currency: Salaries must be paid in Saudi Riyals (SAR).
- Payment frequency: At least once a month.
- Payment method: Through bank transfer to a local Saudi bank account in the employee's name.
- Payroll must include:
 - Basic salary
 - Allowances (housing, transportation, etc.)
 - Deductions (GOSI, absences, penalties)

Mudad Platform

- Official MHRSD platform used to submit WPS-compliant payroll files.
- Helps track employer compliance and avoid fines.
- Automatically flags salary delays, underpayments, or incorrect reporting.

Termination & Severance

- Notice Period: 30 days
 - Severance Pay:
 - < 2 years: Half month's salary per year
 - 2+ years: One month's salary per year
- *Based on final wage (basic + fixed allowances)

End of Service Benefits (EOSB)

1. Employee Resigns (Article 85):

Service Period	EOSB Eligibility
Less than 2 years	No EOSB
2 – less than 5 years	1/3 of full EOSB
5 – less than 10 years	2/3 of full EOSB
10+ years	Full EOSB

2. Employer Terminates the Contract (Article 84):

The employee is entitled to full EOSB unless dismissed under Article 80.

EOSB Calculation Formula:

- ½ month salary for each of the first
- 5 years
- 1 month's salary for each additional year

3. Termination under Article 80

Requires clear evidence and documentation. No EOSB is due if employees are dismissed for serious misconduct, such as:

- Fraud
- Assault
- Repeated absence without reason
- Breach of confidentiality, etc.

4. Special Cases (Still Entitled to Full EOSB)

Force majeure or company violation. Women resigning within 6 months of:

- Marriage
- Childbirth

5. Payment Timeline (Article 88)

- EOSB must be paid within 1 week of the termination date.
- Can be paid in a lump sum or per company policy if agreed in writing.

Termination Scenarios

Termination Scenario	Notice Period	EOSB Eligibility	Legal Risk
✓ Mutual Agreement	As agreed	EOSB if service > 2 years	No legal risk
✓ End of Fixed-Term	No notice (if not renewed)	EOSB if > 2 years Condition: must not renew	No risk → Art. 74
✓ Resignation (By Employee)	60 days / 30 days	EOSB prorated Condition: employee must serve notice	If no notice → liable Art. 85
✓ Termination with Cause (By Employer)	No notice	✗ No EOSB Condition: valid cause + documentation	No risk if justified Art. 80
⚠ Termination without Cause (By Employer)	60 or 30 days or pay in lieu	✓ Full EOSB Condition: valid reason required	High legal risk → Art. 77
⚠ Resignation without Notice (By Employee)	No notice (if employer breached)	✓ Full EOSB Condition: breach by employer	✓ No risk → Art. 81

Other Deductions & Exemptions

- Legal Deductions: Must retain at least 50% of net salary post-deductions
- Non-Taxable Benefits: housing, transport, EOSB, insurance, travel, per diem

Compliance Tips for Employers

- Register employees in GOSI, QIWA, and Mudad within the first week
- Monitor WPS submissions monthly
- Maintain digital contracts on QIWA
- Ensure salary alignment across QIWA, GOSI, and Mudad

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To find out more about our events, follow us on [LinkedIn](#)!

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2-3 Jun

National HR Conference 2025



Thailand

17-18 Jun

Thailand HR TECH Conference & Exposition 2025



Singapore

10 Jun

Building an AI-First Nation: Empowering Businesses with Singapore's Leading AI Initiatives



25 Jun

SME Centre@SCCCI Partners for Business Growth
Building Resilience: Navigating Rising Costs and Adapting to Trade Reality



Saudi Arabia

19 Jun

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Japan

25-27 Jun

Japan HR Expo Spring 2025



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IHK-Außenwirtschaftstag NRW /
Foreign Trade Day NRW 2025 (AWT)



26 Jun

Setting Up Your Business in Germany:
Seminar for Chinese Start-Ups, Investors and
Company Representatives



Taiwan

26-28 Jun

AI TAIWAN Future Commerce Expo



About BIPO

Established in 2010 and headquartered in Singapore, BIPO is a trusted provider of payroll and people solutions in **over 170 global markets**.

Our comprehensive HR offerings include **Human Capital Management solutions**, **Global Payroll Outsourcing**, and **Employer of Record services**, powered by our award-winning HR Management System and Athena BI (Business Intelligence) platform.

At BIPO, we deliver customised services and scalable tech-enabled solutions that automate processes, simplify workflows, and generate actionable insights.

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