

Middle East employment reforms 2025

Rebecca Ford of Morgan, Lewis & Bockius delves into the 2025 employment frameworks for KSA and ADGM, highlighting enhanced employment rights and obligations, and their alignment with global standards.

The start of 2025 will keep Middle East HR practitioners and employment lawyers busy, with the introduction of amendments to the Labour Law in the Kingdom of Saudi Arabia, which come into force in February 2025, and new Employment Regulations in the Abu Dhabi Global Markets, UAE, which come into force on April 1, 2025.

Both legal developments are stated to enhance rights and obligations within the employment relationship, and bring the jurisdictions in line with global workforce expectations. Both sets of laws are likely to require employers to adjust policies and practices, and amend existing contractual terms.

This article will consider the key changes in both jurisdictions.

LABOUR LAW AMENDMENTS IN THE KINGDOM OF SAUDI ARABIA

1. Probation

Probation under the existing Labour Law is set at 90 days, with an ability to renew

for a further 90 days, upon agreement by the parties. The amendments enable the parties to agree to a 180-day probationary period at the outset. This will reduce the administrative burden on employers and give certainty to both parties who will know the extent of the probationary period from the beginning of the employment relationship. The amendments also clarify that each party has the right to terminate the contract during the probationary period, whereas under the current Labour Law, it is possible to restrict the right to terminate during probation to one party only.

2. Overtime

Currently, all overtime must be compensated by paying an uplift of 50 per cent of the basic wage. However, the amendments allow the parties to agree that the employee may take time off in lieu of overtime worked, rather than receive a payment. This gives greater flexibility to employers to manage overtime liability

and may be appreciated by employees who would prefer to enjoy time off in lieu for overtime worked.

3. Housing and transport

The amendments include an obligation on the employer to provide either accommodation and transport, or housing and transport allowances.

4. Leaves

The amendments extend paid maternity leave by two weeks, to a total of 12 weeks. Paternity leave for male employees has been added, so that fathers will be entitled to paid leave of three days to be taken within seven days of the birth of the child. Finally, the amendments introduce a new entitlement to paid bereavement leave of three days in the event of the death of a sibling.

5. Duty of equal opportunities

The amendments to the Labour Law will add a duty on employers to refrain from doing anything that would undermine equal opportunities or treatment in employment, whether through exclusion, differentiation or preference between job applicants or employees on the basis of race, colour, gender, age, disability, marital status, or any other form of discrimination.

6. Right of appeal

The existing Labour Law provides that an employer may take disciplinary action against an employee and notify the employee of the disciplinary sanction imposed. Under the amendments, the employee has a right of appeal, to be brought within 30 days of the date of the decision (extended where a public holiday falls within this period).

7. Calculation of limited term period

Non-Saudi employees must be employed under limited term contracts. However, under the current law, where the contract fails to specify the period of the limited term, the Labour Law states that the limited term shall be determined by reference to the expiry of the work permit. The amendments to the Labour Law state that where the contract is silent, the limited term shall be assumed to be for a period of one year, starting from the employee's commencement date. This gives certainty as to the limited term expiry date,

particularly where the work permit and employment dates can become misaligned.

8. Termination of employment

Employees can now resign before their fixed-term contract ends, effective upon employer acceptance or after 30 days without response. Employers may defer resignations up to 60 days. Saudi nationals need only give 30 days' notice (previously 60) for unlimited contracts, while employer notice remains 60 days. These changes modernise employment termination rights while maintaining flexibility for both parties.

9. Other amendments

The amendments also impose wider obligations on employers to train Saudi national employees and provide greater powers to the Ministry of Human Resources and Social Development to impose certain penalties for breach of the obligations under the law.

ADGM EMPLOYMENT REGULATIONS 2024 (the "Regulations")

1. Status of Employee

The Regulations introduce three main changes: First, it simplifies the employee definition to include individuals who either work from ADGM or contractually agree to the Regulations, eliminating the previous requirement for an ADGM work permit. Second, it establishes "remote employees" as those working outside employer premises, whether in or outside the UAE. These remote workers are exempt from workplace health and safety provisions, while non-UAE remote workers are additionally exempt from injury compensation and visa obligations. Third, it clarifies part-time entitlements by distinguishing between two categories: employees working fewer daily hours (who receive full benefits if working the same number of days as full-time staff) and those working fewer weekly days (who receive prorated benefits). This resolves previous ambiguity in part-time worker treatment.

2. Probation periods

The current regulations do not address whether an employee is entitled to certain leave entitlements during the probation period. The Regulations clarify that employees under probation are entitled to sick leave without pay and paid annual

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leave (subject to the employer's approval), but are not entitled to maternity leave or paternity leave.

The Regulations also exclude many of the termination provisions in the Regulations during probation, and state that during the probationary period, either party may terminate the employment contract without cause on no less than one week's written notice.

3. Overtime

The current regulations include specific overtime entitlements, whereas the Regulations state only that an employee may be entitled to overtime pay in respect to any hours worked in excess of the maximum weekly working hours (of 48 hours in a seven-day calendar period), "in accordance with rules or guidance issued by the Registrar".

4. Leave and breaks

The Regulations now include:

- » Bereavement leave, of five paid working days' leave for the death of a spouse, parent, child or sibling, to be used within one month of the bereavement.
- » Nursing breaks for female employees returning from maternity leave, of at least one break per day of not less than one hour in aggregate, for nine months from the date of delivery.

5. Discrimination and Victimisation

The Regulations introduce pregnancy and maternity as protected characteristics, and change discrimination on the grounds of "gender" to "sex", and remove the protected characteristic of "color" contained in the current regulations. In addition, the Regulations have introduced the concept of victimisation, (omitted from the current regulations) that will prohibit an employer from subjecting an employee to a detriment because the employee has done one of the protected acts as defined in the Regulations.

The Regulations also bring in the right of compensation, which was previously contained in supporting rules to the regulations, and have expanded the right, from three years' basic wages to three years' basic wages and allowances (i.e. all pay excluding variable pay).

6. End of service gratuity

Under the current regulations, an employee is not entitled to receive end-of-service

gratuity where the employee is terminated for gross misconduct. However, the Regulations provide that an employee's entitlement to end-of-service gratuity is payable, regardless of the circumstances of termination. In addition, the Regulations allow that as an alternative to gratuity, an employer may give the employee the option, in writing, of participating in a pension or savings scheme in lieu of end-of-service gratuity.

7. Termination

Whilst the length of minimum statutory notice has not changed, the Regulations now provide that an employer may only make a payment in lieu of all or part of the notice period with the employee's written consent, which can only be given on or after notice has been given. This means an employer cannot unilaterally impose payment in lieu of notice in reliance of a pre-agreed contractual term.

The timing of payments due on termination under the Regulations has been relaxed, such that all wages and amounts owing, excluding variable payments, but be paid within 21 calendar days of the termination date (whereas the previous regulations requires the monies to be paid within 14 days). However, importantly, the Regulations now contain a penalty of a day's pay for each day that an employer is in arrears with the payment obligations, subject to a cap of six months' penalty pay. 📌



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