



Saudi Arabia to increase minimum wage, make labor reforms in 2021

By Fiona Webster and Stephanie Rosseau
3 Dec 2020

Saudi Arabia's Ministry of Human Resources recently announced an increase to the monthly minimum wage for full-time Saudi workers in April 2021, and introduced a Labor Reform Initiative (LRI) scheduled to take effect on 14 Mar 2021.

Minimum wage increase

The monthly minimum wage will increase to SAR 4,000 (up from SAR 3,000) for purposes of calculating private sector employers' compliance with the Nitaqat program. Introduced in 2011, the Nitaqat program requires companies to employ a certain ratio of Saudi nationals to foreign workers, depending on the company's industry and size. The goal is to reduce the number of unemployed Saudi nationals and to boost private sector employment of Saudis.

Highlights

- Saudi nationals earning SAR 4,000 or more (up from SAR 3,000) will count as one Saudi national under the Nitaqat program calculation.
- Saudi nationals earning between SAR 3,000 and SAR 4,000 will count as one-half of a Saudi national under the Nitaqat program calculation.
- Saudi nationals who work part-time and earn SAR 3,000 or more per month will count as one-half of a Saudi national under the Nitaqat program calculation. Employees who work for more than one employer can be included only in one employer's Nitaqat program calculation.
- Saudi nationals paid hourly will count as one-third of a Saudi national in the Nitaqat program calculation, subject to working 168 hours or more for their employer, and contributing to social insurance.

LRI

The LRI aims to increase labor market efficiencies and attract employers. Highlights include:

- Digitizing employment contracts with a goal of reducing differences in terms and conditions between Saudi nationals and expatriate workers.
- Implementing dispute resolution measures.
- Adding provisions that allow expatriate workers to transfer to a new employer upon expiration of their contracts — without the employer’s consent.
- Reforming final exit visas that allow expatriate workers to leave Saudi Arabia upon expiration of their contracts — without the employer’s consent.

Related resources

- [Information on Nitaqat program](#) (Kingdom of Saudi Arabia)
- [Announcement about minimum wage](#) (Ministry of Human Resources and Social Development, 18 Nov 2020)
- [Labor reforms for private sector workers](#) (Ministry of Human Resources and Social Development, 4 Nov 2020)

Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.