

Wage Protection System now applicable to all businesses employing 170 staff or more.

Following the example of other GCC states, the Kingdom of Saudi Arabia implemented a wage protection system (WPS) under which businesses are required to submit wage information to the Ministry of Labour via an electronic service program. Implementation started on 1 September 2013. On 1 June 2015, the seventh phase of the program entered into force under which the rules are now applicable to all businesses employing 170 staff or more.

The program requires the concerned businesses to open local bank accounts for all their employees, to register with the program via the electronic service, to enter all required information, to download a payroll file and to transmit it to the bank (who certifies it monthly) and then to the Ministry of Labor. The payroll file must contain a large number of details, in particular the amount of the employee's basic salary, allowances, deductions and information on the execution status of the transfers.

Businesses that do not comply with the WPS rules are first notified by email and given one chance to correct the errors. If another delay of ten days occurs, an official warning will be issued by the Labor Inspection. After another ten days, if no action is taken, the Labor Office will carry out a site inspection and apply a fine and, possibly, refer the matter to the judiciary for legal action. If a delay of more than two months occurs in submitting a payroll file, governmental services will be denied to the business. After another month, the employees of the business will be allowed to transfer their sponsorship without employer's approval (like in the Nitaqat 'red' category).

The implementation of the program has not been without difficulties because of the initial resistance of the banks to open accounts for low-wage employees, on the one hand, and a legal obstacle, Article 90-2 of the Labor Law, on the other hand. Article 90-2 of the law actually provided that the employer could open bank accounts for his employee only with the latter's consent. However, this problem has now been solved as Article 90, along with numerous other provisions, was amended by Royal Decree no. 46 of 1436H (dated 25/03/2015). The changes will come into force on 24 October 2015.

Further milestone dates for the implementation of the WPS are 1 August 2015 (businesses employing at least 130 staff – eighth phase) and 1 November (businesses employing at least 100 staff – ninth phase).

No milestone date has yet been fixed for the last phase of implementation (businesses employing less than 100 staff). The official reason given for this delay by the Ministry of Labor are logistical problems, i.e. that some small businesses are located in areas without access to bank branches.

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