

SAUDI ARABIA

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Labour reform firmly on the Government's agenda

By Sara Khoja



Alongside its introduction of the Nitiquat system in August 2011 (designed to promote the employment of KSA (Kingdom of Saudi Arabia) nationals in the private sector), the Government has announced a series of measures to rationalise the labour market and close the gap between employment in the private and public sectors.

The latest measures, discussed and approved by the Shoura Consultative Council, include:

Working hours:

- Adoption of a 5 day, 40 hour working week (hours in excess being classified as overtime);
- The grant to all employees of a 2 day week-end;
- A rest break of 30 minutes following 5 hours of continuous work.

Unauthorised absence:

- Amendment of the Labour Law's article 80 with respect to termination for unauthorised absence. The current article provides for termination without notice and payment of end of service gratuity, if an employee is absent for 10 consecutive days (provided a written warning is issued after 5 days) or for 20 non consecutive days (provided a written warning is issued after 10 days). The amended provision provides for unauthorised absence of 30 non consecutive days (with a written warning issued after 20 days) and 15 consecutive days (with a written warning issued after 10 days).

Contracts:

- Fixed term contracts will convert into unlimited term contracts upon the third renewal of a fixed term (currently this is on the second renewal) or if the total length of service under a series of fixed term contracts is 4 years (currently the period is 3 years).

Once discussed by the Shoura Council the measures require a Council of Ministers resolution followed by a Royal Decree to come into effect. On December 17th, 2013, the Ministry of Labour confirmed that the amendments on working hours will be introduced within the next three months. There is as yet no clear implementation date for the other proposed amendments to the Labour Law.

A key proposed amendment which will provide greater certainty for employers is to provide a statutory formula for calculating compensation for unjustified termination of employment; the proposed formula being:

- 15 days' remuneration for each year of service where the employment contract was unlimited;
- Payment for the remainder of the term where the employment contract was for a fixed term; and
- Provided that in either case, the compensation is no less than 2 months remuneration.

The Government is also working on putting in place bilateral agreements with labour exporting countries including India, Sri Lanka and the Philippines in order to regulate recruitment of workers through agencies, safeguard working conditions, and living conditions.

Over the coming months, further amendments to the Labour Law are expected and the key imperative is to tie these reforms into

employment opportunities for KSA nationals as well as to ensure the education system is providing skilled candidates suitable for private sector employment. To this end the labour reforms are also linked to Government initiatives to provide technical training and on the job skill acquisition. The Human Resources Development Fund has introduced a number of subsidies to private sector employers to encourage training programmes (for example with car manufacturers, food and beverage manufacturers and software companies involved in research and development) whereby KSA nationals' remuneration is subsidised and funding provided for training programmes.

The current focus is simply on increasing the numbers of KSA nationals employed (an important target with current youth unemployment running up to 30 percent for those under 25 in many parts

of the Kingdom) but going forward a focus will be on the quality of jobs and KSA candidates as the Government seeks to change the culture of the workforce from a predominantly public sector one to a private sector one; and the reversal of many private sector employer's mindsets from 'importing the worker you need' to 'training the worker you need.'

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