

Information Note: Details of the Wage Protection System in KSA

Introduction

The Ministry of Human Resources and Social Development in Saudi Arabia launched the Wage Protection System (WPS) on 21/3/1434H based on the ministerial decision no. 803, dated 12/2/1434H, that builds on the decision of the Council of Ministers no. 361, dated 3/12/1429H and the Royal decree no. 5574, dated 17/8/1432H, related to organizing the payment of workers' salaries in the private sector, and on article (22) and (243) of the labour law.

The WPS monitors the payment of salaries to all male and female workers in the private sector (Saudis and expatriates) with a view to creating a database which contains updated information on payment of workers' salaries in the private sector, and identifying the level of commitment of entities to paying salaries on time and according to the agreed value. The WPS has been applied since 1/6/2013, and included in its first stage large-size entities (3000+ workers). On 31/12/2020, the WPS became applied to all entities in the private sector including micro and small-size enterprises (with one or more employees).

What is the WPS?

It is an electronic system that aims to create a database of information on wage payments made to male and female workers in the private sector, and unify the payment methods, so that they all take place through bank transfers and financial institutions authorized in Saudi Arabia, in order to ultimately measure the commitment of entities to paying salaries on time and according to the agreed value.

The WPS targets the following:

The entity	Every entity run by a natural or legal person employing one or more wage employees.
The employee	Every person working for wage for an employer (Entity) under its management or supervision, even if he is far away from the entity.
The bank	An entity authorized to engage in banking business under Saudi laws and regulations.
Mudad platform for wage protection	A technical and financial platform that operates through effective partnership with relevant public authorities, and under the supervision of the Ministry of Human Resources and Social Development.

Benefits of the WPS

For employees

1. Ensuring that the employee receives his salary on time and according to the amount agreed upon, without any delay or manipulation.
2. Ensuring that the recorded data by the employer is identical to that registered with GOSI.
3. Protecting the rights of employees through ensuring transparency of salary information, and the presence of an official reference for wage data in the case of labour disputes around wages.

For employers

1. Reducing labour disputes and creating a healthy work environment that promotes productivity.
2. Ensuring employees' entitlements are among the employers' top priorities.
3. Proving payment of salaries to employees without the need for receipts; and limiting the incidence of false complaints.
4. Providing accurate information needed by the Ministry to publish statistics and data on the labour market, in the interest of all parties including the employer (Entity).
5. Increasing competitiveness in the labour market and attracting national talents.

For the community

1. Providing a healthy level of social welfare, psychological stability and safe work environment.
2. Ensuring provision of social protection to all employees in the private sector after retirement, or in cases of injuries, through consistency of wage data registered with GOSI with the actual wages paid.

For the economy

1. Contributing to raising workers' productivity in the private sector, as a result of protecting their rights.
2. Providing opportunities for establishing new economic entities and creating jobs for Saudi nationals through limiting the incidence of fictitious employers and illegal foreign workers and cover-ups.
3. Providing real and updated data that accurately reflect the situation in the private sector and its future needs.

Objectives of the WPS

Fair competition tool

Entities that comply with the WPS and commit to the timely transfer of salaries of their employees will be able to differentiate themselves fairly and effectively from entities that do not.

The investment environment in the Kingdom

The WPS contributes to improving the investment environment in Saudi Arabia, and the work environment in specific, and is part of the National Transformation Program's initiatives related to raising labour market accessibility and attractiveness. The WPS allows the monitoring of salary

statements, and helps entities through enabling them to manage payrolls and submit employees' wage files.

International commitments

The WPS supports the Kingdom in meeting its commitments to relevant international agreements, including in specific the ILO's convention no. 95 on protection of wages.

International indicators

The WPS had a positive impact on the labour market efficiency indicator, and the sub-indicators related to labour rights.

Protection of labour rights

The WPS helps ensure protection of labour rights in the private sector, and raises the commitment of entities to the timely and full payment of wages.

It also supports transparency of the private sector workers' salary information, and provides a reference source documenting the rights of the employment parties.

Minimizing labour disputes

The system helps minimizing labour disputes and establishing a healthy work environment that promotes high productivity and makes labour rights and entitlements a top priority for employers .

It also contributes to reducing the number of wage- related disputes between employers and their employees in the private sector.

Compliance tool

The WPS provides employers with information and guidelines to enable them to implement the WPS.

It ensures that entities in the private sector electronically transfer salaries to their employees through the system.

Further, it creates a database with updated information on wage payments to employees in the private sector.

The WPS aims to measure the commitment of entities to paying on time the right amount of salary as per the contractual agreement between the employers and their employees.

Phases of the WPS

Phase I

WPS-Version I:

- WPS is an electronic system which monitors the payment of salaries to all male and female employees in the private sector (Saudis and expatriates).
- WPS was implemented in 17 phases.

Phase II

Development of wage protection through Mudad platform:

- Easy to use
- Faster processing
- Provides many services to facilitate the experience of employers and protect the rights of employees.

The Wage Protection System- Phase I

WPS requirements

- Registration of the entity with the GOSI.
- Use bank transfers to pay salaries of employees in the private sector.
- Transfer salaries on a regular basis and within an acceptable timeframe.

WPS file

- According to a format adopted by the Ministry of Human Resources and Social Development, the WPS file documents the salaries paid to male and female employees in the private sector, based on which compliance rates are calculated and establishments' violations of wage payment are determined.
- The data in the WPS file is divided into two sets: i) a vertical group that includes a summary of brief information about the file and the entity submitting the WPS file, and which are not repeated in the file; and ii) the content group which includes the key elements in the wage file sent by the entity to the bank and it includes repeated information of each transaction to each employee.

Implementation of the WPS

- The entity shall open a bank account with one of the banks operating in Saudi Arabia and sign a wage protection agreement.
- The entity representative shall issue an order to the bank to pay weekly/monthly salaries, and attaching a detailed statement of salaries.
- The bank shall provide the entity representative with a wage protection file stamped according to the form adopted by the Ministry of Human Resources and Social Development.
- The entity shall register through the electronic unified port at Mudad, that is the official operating platform of the WPS platform and shall send its file through the platform.
- Mudad system processes file data through linking with the GOSI database and ensuring conformity with the registered data.
- The system shows the commitment rate of the entity according to the following compliance equation: $(\text{Number of committing employees} / \text{Number of GOSI-registered employees} + \text{Number of non-GOSI-registered employees} \times 100)$

The Wage Protection System -Phase II

Mudad platform

Mudad Digital Platform

As one of initiatives of Vision 2030, and in order to improve the contractual relationship, Mudad was launched to regulate wage payments. Mudad is an e-system that includes prompt and accurate information on the status of salaries and aims to facilitate and document salaries through liaising with many authorities.

Launch of Mudad December 2020

Mudad Benefits:

1. Integration with Governmental Authorities



2. Ease of use

Transferring salaries through a direct linkage with banks and automatic upload to the WPS

3. Fast processing

Processing wage protection files and prompt creation of violation reports

4. A unified comprehensive interface for all compliance data

Easy creation and documentation of employees' contracts and identification of the commitment rate of the entities.

Platform Services

Mudad provides a professional e-system for small and medium-size entities to help them organize administrative processes related to monthly wages and transfer them through direct linkage with the banks. It also shows prompt and accurate information of employees through linking with GOSI. The update of wage protection information happens promptly and electronically at the Ministry of Human Resource and Social Development.

Entity data management service

The system provides all data of the entity directly through GOSI

Employee Management service

The system provides all data of employees directly through GOSI

E-Payment service

The owner of the entity can issue:

- A digital wallet automatically
- Payroll cards automatically

Payroll Management service

Entity owner can preserve and process payroll data of its employees along with adding deductions and providing allowances and rewards

Platform Systems

Payroll Management system

Mudad provides an e-system for small and medium-sized enterprises to help them organize administrative processes related to monthly wages and transfer them through direct linkage with the banks. The system shows prompt and accurate information on male and female employees through linking with GOSI. Wage protection information is updated at the Ministry of Human Resources and Social Development through direct and automatic linkage.

The PMS links entities automatically with the following authorities:

- GOSI
- Banks and financial institutions
- WPS

Compliance System

Government system for protection of wages and documentation of contracts, that helps preserving the rights of all parties of the contractual relationship to ultimately promote a safe and attractive work environment.