

Comments on Saudi payment delays in Newsweek ME, 10 Aug 2016

The original article titled "[A Crisis At Hand](#)" was published on 10th August 2016 in Newsweek Middle East; comments highlighted below.

A Crisis At Hand

When governments don't pay companies, salaries get delayed and migrant workers suffer

Mohammed, a Lebanese man in his thirties, spends his days worrying about how he will repay the loans he has taken against his overdue salary payments. He has sold his car, his furniture, sent his wife back to Lebanon, and currently lives with a friend in Saudi Arabia waiting for Saudi Oger to pay him what he is owed.

Saudi Oger, the company Mohammed and over 30,000 employees work for, is one of the Kingdom's larger construction conglomerates. Similar to its Saudi competitor the Binladin Group, it has been facing financial troubles, strains of hefty debts, and delayed government projects and payments.

Both Saudi Oger and Binladin group were denied access to new government contracts over the past year, which added to their financial burdens.

"We haven't been paid since last October," Mohammed (not his real name) tells Newsweek Middle East. "My parents send me money from Lebanon every now and then, after I used to transfer money to them. Currently the guys [fellow workers] here are borrowing money from each other just to make ends meet," he adds.

Like millions of migrant workers in the Arab Gulf region, Mohammed left his native Lebanon to work abroad to provide for his family.

Little did he know that the reputable company he happily joined, owned by Lebanon's former prime minister and Saudi sheikh, Saad Hariri, would bail out on him and leave him in a sticky situation.

And he isn't the only one in this tough spot. Tens of thousands of migrant workers across the Gulf Cooperation Council countries (GCC), mainly in Saudi Arabia and Kuwait, have been stuck in a similar situation, unable to provide for their ticket back home or even buy food as their money runs out, their salaries remain unpaid, and for many, their jobs terminated.

Most of these workers hail from India, Philippines, Pakistan, Nepal and Lebanon.

Over the past year, oil prices have failed to reach their past glory levels above \$75 per barrel and have stagnated around \$40pb, with many fearing the prices may further slide.

The Bad News

For oil consumers, that forecast is nothing short of winning the jackpot. Their economies will not be burdened by climbing oil prices and would perhaps allow them to focus their spending on socio-economic and development-related projects. However, for oil exporting economies, who eagerly await the Organization of the Petroleum Exporting Countries' meeting towards the end of November for a possible revival in oil prices, the revenues from their black gold commodity are down. The prolonged drop in oil prices has impacted the hydrocarbon-rich GCC states' revenues, forcing most oil producers/exporters in the Middle East to cut back on spending, and many are hedging for possible historic deficits in their national budgets this year—perhaps for the first time.

As a result, economists tell Newsweek Middle East that some GCC governments have delayed in paying companies that are executing projects on their behalf, mainly construction companies. The trickle-down effect from the delayed government payments affected the companies dealing with it, and some were even forced to shut down due to lack of work.

“The drop in oil prices has resulted in delayed projects, and a delay in government payments for months... This may lead to a liquidity crisis, especially in Saudi Arabia, with the lending process and economic and financial cycles suffering because of the cash shortage,” says Nasser Saidi, a renowned economist. And when companies fail to pay salaries, banks will not be able to retrieve loans they have granted, and subsequently this will filter through to the economy and lead to a shortage in liquidity.

“The delay has also impacted the company suppliers among others and the situation may further snowball,” adds Saidi, who is also a former Lebanese minister of economy and industry and the former vice governor for the Lebanese Central Bank.

Kuwait’s Migrant Workers

Raj, an Indian migrant worker in his thirties, toils for 12 hours a day working at Kuwait’s airport for \$150 a month, which barely covers his family’s needs and his food expenses. And even that payment gets delayed most of the time, he tells Newsweek Middle East.

Like thousands of fellow migrant workers in Kuwait, most of the foreign employees at government facilities are hired via private contractors, and according to some workers, scoring a job in a government facility “is like buying a lottery ticket. You never know if you would be happy ever after, or live for months without being paid.”

Raj’s salary barely makes ends meet, and he is forced to illegally work in side jobs to survive and help his family. Begging, living on charity, delivering food and cleaning houses are but some of the jobs that most low-income migrant workers resort to, to be able to send money back home.

He and dozens of other workers at the airport have protested in the past against delayed cheques, which they did not receive for nearly three months, according to him, but the situation persists.

According to a Kuwaiti union official who preferred to remain anonymous, there are “other companies in Kuwait which have delayed payments for months, but that most employees fear to

file a complaint because they believe that they wouldn't see their money then."

There were 4,223 complaints by Indian migrant workers between July 2015 and July 2016, related to a delay in salaries, according to Hind Al Sabeeh, Kuwait's minister for social affairs and labor, as well as the minister for planning and development.

"That is less than one percent of the total Indian workers in Kuwait," she adds.

Under Control

In the UAE, the situation is different as the Ministry of Labor makes sure there is a financial guarantee against each employee secured by the company. The ministry directly intervenes to solve issues related to delayed payments and often helps in sending workers back home or transfers them to a new work facility if they wish to.

"An employer cannot run from his obligations," says Habib Al Mulla, chairman of Baker & McKenzie Habib Al Mulla law firm. "There is a system that protects the workers' wages, and the government forces the employer to register with the ministry of labor which monitors the flow of salaries. Everyone has to be registered in this system," he adds.

According to the Deputy Chief of Mission at the Indian embassy, there have been some individual cases in the UAE, and the embassy helps every time a case is brought to its attention.

However, news of people being laid off is not unusual in the UAE, though it doesn't happen as often and on a large scale as is the case in Saudi Arabia and Kuwait.

Several government-related entities' (GRE) employees, including in the capital Abu Dhabi, for example have been recently laid off. The reason given by one company is: everyone over the age of 60 will be out by law.

Meanwhile, Mohammed says the Lebanese consulate and embassy are yet to provide any help.