

Just Another Commodity?

A Report on the Situation of Migrant Workers and Swedish companies in Saudi Arabia

Executive Summary

Saudi Arabia is Sweden's most important business partner in the Arab world. The Swedish export to the country has increased by 70 percent the last decade. Six Swedish companies have production plants in the country together with Saudi partners - Volvo Trucks, ABB, Tetra Pak, Arla Foods, Abetong AB and Cardo Door AB.

There is an economic boom going on in Saudi Arabia at the moment. The demand is increasing and the needs for investments are large. These factors attract foreign companies to the country. At the same time, many ethical dilemmas is connected to Saudi Arabia. Trade unions and strikes are prohibited. Women are almost totally excluded from the industrial sector. There is an ongoing discrimination on the labour market on various grounds.

As in other Gulf states, migrant workers constitute the most vulnerable group of the society. They represent almost two thirds of the working force and they hold over 90 percent of the private sector jobs. The majority of the migrant workers come from Asia and other countries in the Middle East. A job in Saudi Arabia often leads to improved opportunities in order to support families in their home countries and to improve their life in other ways, but human rights organizations also report on negative effects.

Human Rights Watch documents, in a report published last year, how foreign low- paid workers are exploited on the Saudi labour market. According to the organization the problems are widespread and the migrant workers are systematically exploited. Unpaid salaries, excessive overtime hours, arbitrary dismissals, forced labour and other inhuman treatment are some of the problems that have been documented by Human Rights Watch. The International Labour Organization (ILO) declares that labour is not a commodity, but according to NGOs in Asian countries, today's migrant workers are considered to be just another commodity and their rights are not respected.

Migrant workers are discriminated in many ways on the Saudi labour market, despite the fact that Saudi Arabia has ratified the ILO conventions against discrimination. They are not allowed to participate in the working committees that the Saudi authorities recently started to allow on larger companies. It is common practice that migrant workers are paid less than their Saudi colleagues, even if they are doing exactly the same job. Each migrant worker must have a sponsor in order to be allowed to work in Saudi Arabia. The sponsor system gives the sponsor, who is often the employer, disproportionate powers. When employed, the migrant worker has to hand over his passport to the sponsor and he cannot change jobs or leave the country without the sponsor's approval.

Having conducted the hard and low paid work for several decades, migrant workers have largely contributed to the construction of the Saudi society. Today the unemployment rates among Saudis are high and therefore the government has launched a so called Saudization process in order to increase the Saudi share of the labour market. Companies are forced to employ more Saudis and migrant workers are replaced by Saudis, not because of bad performance but because of their nationality. Migrant workers have to return to home countries that are marked by poverty and unemployment.

The majority of the employees at the Swedish-Saudi companies are migrant workers. A large part of the

labour is from Asia, while Saudis are often dominating the administrative and higher positions within the companies. SwedWatch's interviews with company representatives show that:

- Migrant workers at the Swedish-Saudi companies often come to Saudi Arabia due to economical reasons. They send most of their salaries to families and relatives in their home countries. The average salary rates vary from 1 500 SEK to 6 000 SEK per month (benefits like housing, transportations, etcetera excluded). The wages are much higher than the minimum wages in the home countries of the Asian workers. In some countries it is difficult though to support a family on 1 500 SEK per month.
- According to international norms everyone, without any discrimination, has the right to equal pay for equal work.¹ ABB and Tetra Pak pay Saudi workers more than migrant workers, even when they perform the same tasks. The companies argue that they have to do this in order to attract more Saudis to their companies. At Cardo Door's joint venture, Saudi Crawford Doors Factory, a Saudi can earn more than three times more than his foreign colleague.
- All the Swedish- Saudi companies keep the migrant workers' passports. Arla's Danya Foods holds the passport even though it is written in the group's Code of Conduct that no employee should have to hand over his or her identity paper to the employer. The practice is prohibited by the UN Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families. The Swedish companies argue that they are forced by the Saudi law to hold the passports.
- ABB, Tetra Pak and AlRashid Abetong are hiring temporary workers from manpower agencies. In these cases the agencies are acting as sponsors, which gives them a great power that might be abused. Only Tetra Pak is making demands towards the agencies in order to make sure that the workers are insured and that they get their over time pay and salaries on time.
- Before they are able to go and work abroad migrant workers usually have high expenses in their home countries. Recruitment agencies in Asian countries often charge illegal fees. Saudi Crawford Doors Factory, Volvo Trucks' AVI and Arla's Danya Foods state that they as employers pay the fees and that therefore their migrant workers should not have to pay anything. However, only Danya Foods is monitoring that no illegal fees are being charged.
- Most of the companies are generous with paid vacation leave, but workers at Arla's Danya Foods and AlRashid Abetong have been working overtime hours that exceeded the legal maximum. According to Danya Foods, the company has been unaware of the legal requirements, but it will now make sure that the working hours are in accordance with the law.
- The ethical risks are high in Saudi Arabia and all the companies seem to be aware of that. Still, the companies don't work thoroughly with their supply chain responsibilities, i.e. making demands towards subcontractors and clients and monitoring their environmental and social practices. According to The OECD Guidelines for Multinational Enterprises companies should encourage when practicable their business partners to respect human rights. Only Volvo Trucks' AVI reports that the company is doing this.
- Trade unions are prohibited in Saudi Arabia and it has long been considered to be impossible to employ women within the industrial sector. Therefore unions don't exist at any of the Swedish-Saudi companies and five out of six don't employ any women. Tetra Pak Saudi Arabia, however, has tried to act within the frames of the Saudi Labour Law. Recently the company employed the first woman within the industry. Employees may make suggestions and express their views anonymously to the management. The latter practice also takes place at Danya Foods.

¹ According to ILO Convention nr 97, 100 and 111. The principle is also stated in The Universal Declaration of Human Rights (article 23:2). "Everyone, without any discrimination, has the right to equal pay for equal work."

- The Saudi criminal justice system is seriously violating human rights. A Philipino migrant worker at Saudi Crawford Doors Factory has been arrested and later deported by the mere fact that he was practicing his religion. Another employee is detained waiting for his trial accused of embezzlement and forgery. Danya Foods has reported cases concerning employees to the police. Human Rights Watch recommends that foreign companies that are present in the country insist that certain guarantees of legal protection are being made by the Saudi government with respect to their employees.
- Many Swedish-Saudi companies think that the Saudization process is well needed. The International Confederation of Free Trade Unions (ICFTU) urges the companies to compensate migrant workers adequately if they have to leave their jobs.

Recommendations of SwedWatch and the Church of Sweden

Contribute to the realization of human rights

Swedish companies with production plants in Saudi Arabia are highly dependent on the labour of migrant workers. This report shows the vulnerable situation of migrant workers, due to the fact that their fundamental human rights are not respected. We presuppose that the companies do not take advantage of this situation within their own operations, but actively work for the realization of human rights established within the ILO system and in the universal UN core conventions on human rights. In accordance with e.g the Universal Declaration of Human Rights companies, as important organs of society, have a responsibility to contribute to the realization of human rights.² It is of utmost importance that everyone's right to decent living- and working conditions and the right to life and health are respected.

Contribute to the realization of decent work for all

The SwedWatch report shows that the Swedish companies are working in different ways in order to deal with the ethical risks that they face in Saudi Arabia. In order to handle these risks in a satisfying way, companies need to analyse the risks in relation to their own operations and set up ethical policies and plans of action. The ethical policies should be available in all the languages that are represented within the workplace and they should be reflected in contracts with business partners³, especially with agencies that are engaged during the recruitment process. Companies should bear in mind the possibility to, individually or together with other international companies, inform the Saudi authorities about the changes that they demand.⁴

In the light of this report, we consider it to be of utmost importance that companies analyse the effects of the sponsorship system in relation to their own foreign work force (recruitment practices, conditions during the stay, working conditions, health care, etcetera). Special attention should be paid to the fundamental right of movement and every person's right to keep his/her passport.⁵

² The Preamble of the Universal Declaration of Human Rights. See also The Norms for Transnational Corporations and Other Business Enterprises with Regard to Human Rights E:12 and the first principal of the Global Compact.

³ The OECD Guidelines for Multinational Enterprises 2:10 and the explanatory text of the first principle of the Global Compact.

⁴ The explanatory text of the first principle of the Global Compact.

⁵ The UN's International Convention on the Protection of the Rights of All Migrant Workers and Member of Their Families, article 8 and 21.

As regarding working conditions, companies should contribute to the reduction of discrimination towards migrant workers and women on areas like wages, working conditions, opportunities in respect of employment and advancement.⁶ The work of migrant workers should be valued as highly as the work of the Saudis and remunerated in relation to their positions and performances, not in relation to the situation in their home countries. Wages should at least satisfy basic needs of the workers and their families.⁷

Since trade unions are not permitted in the country, workers should be given the opportunity to communicate their wishes and grievances to the management in other ways⁸, also anonymously and in their own language. They should be informed about current Saudi rules, the OECD Guidelines for Multinational Enterprises and the company's own ethical policy.

The so called Saudization process may affect individual migrant workers in a very negative way. It is important that the foreign workers are informed about how the Saudization process will be implemented within the company and how it will affect them.⁹ Furthermore, companies should adequately compensate migrant workers who have to quit their jobs due to the Saudization process.¹⁰

There is considerable legal insecurity for migrant workers in the country. Companies should support employees that are detained or imprisoned, and their families if they are present in Saudi Arabia. They should urge the Saudi state to treat the employees in accordance with internationally proclaimed norms.¹¹ The need for legal assistance, and financial support for this, is especially important.

Dialogue and co-operation

The Church of Sweden has been working for several years in the region in order to improve the situation of migrant workers. Based on this experience, we would like to contribute to the future consideration of the ethical dilemmas that are raised in this report. One possibility is to create a forum for dialogue between companies in the region, where also institutions like the Swedish Trade Council could participate.

6 The OECD Guidelines for Multinational Enterprises 4:1d, the ILO Convention no 97 (Migration for Employment Convention) and the ILO Recommendation no 151 (Migrant Workers Recommendation). The rights of migrant workers are also described in Convention nr 143 and Recommendation no 86 and 100.

7 The ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy 34.

8 See for example The ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy 58.

9 The ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy 26.

10 Recommendation of the International Confederation of Free Trade Unions.

11 Recommendation of Human Rights Watch.