

Introducing of unemployment Insurance law in Kuwait

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Kuwait has recently introduced a number of new laws in an effort to update its legal system.

One of these laws relates to the subject of social insurance, namely unemployment insurance law. In general, social insurance is a system whereby people receive benefits or services in consideration for contributions made to an insurance program.

BACKGROUND

The government of the State of Kuwait created the Public Institute for Social Security (“PIFSS”) in order to guarantee the continuous welfare of the Kuwaiti population through the application of a social security system. This system is funded by payments from both employers and Kuwaiti employees. Pursuant to the Social Insurance Law (Law No. 61 of 1976), an employer is required to register its new Kuwaiti employee within 10 days of employment. Upon registration, the employee and the employer are to pay a certain percentage of the employee’s salary into the PIFSS fund. Larger companies, though required to register an employee within 10 days of employment, often do so periodically throughout the year for efficiency purposes. The employer who files a late registration pays a nominal fee.

In addition to the PIFSS system, Kuwait has also created the Manpower and Government Restructuring Program to ensure the continued welfare for citizens employed in the private sector. In general, the Manpower and Government Restructuring Program provides Kuwaiti citizens with a monthly supplement to the citizen’s salary depending on the educational background of the citizen: the higher the education, the higher the supplement. Unlike PIFSS, the employee is responsible for registering themselves in the Program, not the employer.

THE UNEMPLOYMENT INSURANCE LAW

In order to further expand on the Kuwait social insurance system, a permanent government-financed social security fund for the protection of workers against unemployment has been established. The Unemployment Insurance Law (Law No. 101 of 2013 Concerning Unemployment Insurance) was introduced in late April 2013 to provide insurance against unemployment and offer social security for Kuwaiti employees in the private and oil & gas sectors in case of their dismissal. Eligibility is limited to Kuwaiti nationals who must be

between 18-60 years old

capable of working

not entitled to receive a pension

have been employed for at least six months from the application date of the Unemployment Insurance Law. Accordingly, Kuwaiti employees were first eligible for unemployment benefits from 1 November 2013.

Under the Unemployment Insurance Law, employees are entitled to 60% of their last monthly

salary for a period of six consecutive months following unemployment, whether in the case of resignation or termination. Both the employer and the Kuwaiti employee must each contribute to this social insurance fund. Pursuant to the Unemployment Insurance Law, each Kuwaiti employee and his employer shall owe a monthly contribution of 0.5%; in addition, the public Treasury will also contribute 0.5%. These contributions are to be deducted retroactively from the application date of the Unemployment Insurance Law, which is 1 May 2013, for all employees already registered with PIFSS from that date. This contribution amount is to be calculated in relation to the total salary in the basic insurance and the salary in the supplementary insurance at a maximum of KD 2,750 (USD 9,721) per month. All provisions of the Unemployment Insurance Law are to be applied in accordance with the Social Insurance Law, briefly discussed above.

To receive unemployment insurance benefits, the unemployed Kuwaiti employee must apply to the Manpower and Government Restructuring Program. Such an application must be within six months of the end of service date. If an insured is registered with the Manpower and Government Restructuring Program within 30 days from the date employment ended, then the insured will be paid unemployment compensation from the eighth day that employment ended. Conversely, if no such registration occurred, the compensation will be payable from the date the application was submitted.

The Unemployment Insurance Law sets out certain instances where unemployment insurance benefits can be suspended or not granted altogether including but not limited to the following instances: (i) the insured has rejected a job that is suitable for him (suitability is to be determined by the Minister of Finance); (ii) the insured refused to join a training course as required by the Manpower and Government Restructuring Program; and (iii) the insured has a private business. In addition, the Unemployment Insurance Law protects unemployment insurance benefits from being seized or attached unless in relation to payment of alimony; however, such payment is limited to 25% of the unemployment compensation.

As from May 2013, the total contributions owed to the social insurance funds, through its different arrangements, by Kuwaiti employees shall be 8% of the employee's monthly salary and for the employers, the total contribution shall be 11.5% of the employee's monthly salary.