Abstract—This article seeks to provide an overview and introduce the concept of localization of employees in Saudi Arabia and also examines the new job localization program “Nitaqat” with particular reference to the case of Saudi Arabia, in order to pursuing the strategy of Saudization that been introduced at the late of the 90s.

The analysis is based on a number of interviews have been done with HR managers in different economic activities in the Saudi private sector. The initial findings provide valuable insights into the Nitaqat program, its barriers such as the education system that is not market driven, some cultural practices that concerning women in the workforce and some of the local’s habits such as focusing more on prestige than performance. Further, it shows some of HR managers concern about the replacement of their employees. Interview respondents advised enhancing the skills of the local workforce and enhancing the educational system outcomes in the country and linked it to the needed jobs in the country.

Index Terms—Localization barriers, Nitaqat, Saudi Arabia, saudization.

I. INTRODUCTION

Since the middle of the past century and with the discovery of the oil, Saudi Arabia became one of the most desirable countries that attracted millions of foreign labour from all over the world for work on its land. That also caused a huge transformation in the country’s demographical, economic, and social structures.

At the last 20 years of the past century, the Saudi Arabia’s private sector was dominated by the foreign labour, which led to number of economical and social problems. For instance, the unemployment among the Saudi citizen was one of the biggest problems that this issue caused, the over-reliance on foreign labour and the huge amount of remittances that the foreign workers transfer to their home countries each year. This affected both the local economy and the government budget. Recently the Kingdom of Saudi Arabia established a new program “Nitaqat” for supporting the Saudization initiative and to absorb Saudi job seekers. Theoretically, this should reduce the unemployment rate in the country by forcing companies and firms to hire more...

Nitaqat is an Arabic word that means “ranges” or “limits”. The primary goal of this program is to assist the Saudization initiative and to absorb Saudi job seekers. Theoretically, this should reduce the unemployment rate in the country by forcing companies and firms to hire more...
Saudis. The Saudi Ministry of Labour announced the program on June 2011. The program sets penalties for non-compliance with the rules. One of the decisions that accompanied this program was the restriction of foreign workers who had lived in Saudi Arabia for less than 6 years for both red zone companies (companies having less than 10% local workers) and yellow zone companies (from 10-20% local workers). Companies in Saudi Arabia that were not employing enough local workers under the new rules were notified they may have their foreign workers taken away through the non-renewal of visas resulting into the inability to obtain renewed working visas for existing workers. The Saudi Labour Minister mentioned that it was the right time to begin to force companies in the Saudi private sector to hire locals [6].

Nitaqat divided the Saudi private sector enterprises to four zones, currently some of them are situated in the green and excellent ranges which have achieved reasonable and acceptable rates of localization. The enterprises that are located in the yellow and red zones, they did not employ Saudis, or that the Saudization rate is less than acceptable and they are given sufficient time to correct their positions in order to move to the green and the excellent zones by the Saudi ministry of Labour. The aim of the ministry through Nitaqat program is to use Saudization rates as a competitive feature among the private sector firms.

The firms that engaged with Nitaqat and within the excellent and the green zones will be provided with a package of facilities and motivations, making it easier for dealings with their employees and worker unions and gives them sufficient flexibility to achieve the levels of growth. The program also aims to create a much better balance between the advantages of hiring a foreign worker and the Saudi worker by raising the cost of maintaining foreign workers in the red and yellow ranges. Also, Nitaqat can be considered as a monitoring tool for the Saudi labour market that aims to achieve a growth in jobs for local residents in the private sector and to move the unemployment rate in the country to lower levels. Nitaqat, as the Saudi ministry claims, came into place to meet the directives of the country with the ability of changing the expat’s careers to other alternative visa for each two final exit visas. Green zone enterprises have the right to obtain only one grants and not to apply for new visas more than once every two months.

The second stakeholders are the Saudis, in terms of these creations of jobs are for them aiming to absorb and integrate them into the work force in order to improve the development of the national economy. Nitaqat program provides an integrated set of incentives for those companies that are working to increase their Saudi employees, which also clearly defines the consequences faced by those companies that are unable to achieve the needed percentage of Saudi employees or have less than required. As it was mentioned before, Nitaqat classify the private sector enterprises to (4) ranges (platinum, green, yellow and red) as well as enterprises that have less than 9 employees.

The proportion of the required Saudization to achieve any range is determined now on the nature of the enterprise’s activity and the size of enterprise, and that what has already been achieved. Nitaqat system now compares the companies with peers companies of the same size and economic activity. The justification that “the different nature of my activity” is no longer valid. As it is if the other half of the companies in the same activity and the same size has been able to access a certain percentage of Saudization, the other half can access the minimum of the range. For the future, we must aim to make the Saudi labour market system more responsive, intelligent, and that can be done through three axes:

1) Improve recruitment systems. The ministry do not just want companies in the private sector “to achieve the needed proportion of the Saudization’s rate” but the ministry aims to rise the leadership positions for the citizens in companies. So the ministry works on Nitaqat in order to include and to be focused on the assessing levels of citizens and increase their wages in the total wage in each company, as a measure of wages which is a good indicator for job levels.

2) Raise the skill level of migrant workers, as Nitaqat can be used to assess the skills and qualifications of expatriate workforce and upgrade their qualifications level.

3) Continued the development of Nitaqat program to make it a more accurate and focused towards its desired goals, taking advantage of the experiences of countries such as Canada and Australia, and what makes our labor policies optimally reach in raising productivity and provide job opportunities for citizens in the most promising areas.

The Saudi ministry of Labour take in consideration both of the unemployment and the localization from a holistic perspective and believes in combining long-term solutions through policies that generate opportunities and align output in addition to replacement policies through initiatives and programs that provide short term solutions. Therefore the ministry focuses on the quality factor in their systems in order to achieve the country’s current development plan, which states the need to expedite the growth and development of Saudi human resources in both quality and quantity so that the Saudi’s economy at the end will occupy its proper position on the global competitiveness map.

The Nitaqat localization program that focuses more on the number of Saudi employees in each company rather than their capabilities, it has forced many companies to hire Saudis just to stay away from both red and yellow zones and enter into the green zone in order to get the maximum benefits from the Saudi Ministry of Labor. Some of the benefits that the green zone companies will be able to get are:

1) Receiving visa applications in accordance with the rules of the new employment standards in one condition; if the company maintained its position in the green zone after grants and not to apply for new visas more than once every two months.

2) Green zone enterprises have the right to obtain only one alternative visa for each two final exit visas.

3) the ability of changing the expat’s careers to other occupations, including the careers that are limited to the Saudis; except the excluded careers that were mentioned in the decision of the Council of Ministers (recruitment
officers, reception, commentators and government departments, auditors and treasurers, and security guards).

4) For the enterprises in the green zone, the Ministry is going to continue its services for only 6 months to those enterprises with an expired licenses or certificates of the other government agencies, such as Zakat certificate, professional licenses, commercial register license or municipal license.

5) The ability to renew the work permit visa for foreign workers, regardless of the duration of residence, in one condition; that the remaining duration in that visa is no more than three months on the renewal date.

6) The ability to contract with expats from enterprises that are located in the red zone and transfer their services without their current employer approval (with a condition, the company have to stay in the green range)

7) The ability to contract with expats from enterprises that are located in the red or yellow zones and transfer their services without their current employer approval.

The last benefit of Nitaqat was considered as a disadvantage in reference [7]. He mentioned that the new Nitaqat program allows non local employees who are working with the red or yellow zone companies to transfer their services to companies and enterprises in the green zone without their current employer approval. That issue caused a huge number of employees turnover in both red and yellow zones companies who failed to hire more Saudis.

Reference [7] also mentioned that although Nitaqat helped around 250,000 Saudis in finding jobs since it has been introduced in the country, the program failed to help the majority of these Saudis to stay in their current job and not move from one company to another if they found a better position. According to reference [7] 70% of the companies in the private sector have been suffered in the first year from “employee turnover”. Moreover, the Saudi ministry of labor in their yearly statistical book listed that there are around 400 companies in the Saudi private sector which have ended their businesses due to their inability of meeting the minimum requirements of hiring locals.

A few companies started just to use a way that is well known as “Delusive Saudization” or “Fake Saudization” by which they include just the names of Saudi national as employees in the company’s system in order to avoid penalties that related to Nitaqat. At the beginning of this year the Ministry of Labor has unveiled a “comprehensive plan” to control and end the fake employment.

One of the cases that been raised to the surface recently in the Kingdom is, what the General Organization for Social Insurance (GOSI) published in their statistical yearly book of 2013, which indicates the presence of 104,000 Saudi women registered in their system as working in the construction sector. This incident made many in the country to wonder about the authenticity of that number and the Ministry of Labor were asked to check on it.

The Saudi ministry of labour established follow-up teams from of the ministry employees and they were sent to all cities of the Kingdom of Saudi Arabia. The mission of those teams as the ministry published in their website is to inspect the Saudi’s private sector facilities and the enterprises and see how these enterprises are following Nitaqat and their statues for the Saudization rates through rounds of field inspections. The ministry has recently added 1000 new inspectors in the Kingdom to assist in Nitaqat program.

The ministry said that they are setting penalties that could reach five years’ imprisonment and fines of up to SR10 million (U.S.$2.6 million), in addition to preventing violators from recruiting expatriates, seeking loans and transferring sponsorship from business owners.

The main challenge that faces the ministry of labour is still in the creation of new jobs for Saudi nationals in the private sector.

The ministry aims to create three million jobs by the end of 2015 and six million by 2030. From there, initiatives must to be consistently and simultaneously worked to address three key demands: the demand for jobs, demand of the appropriate Saudi Arabian employees and organizing of market mechanisms.”

1) The demand for the current jobs should include short-term initiatives and long-term initiatives; initially the ministry focus on increasing the demand for Saudi nationals to fill high-quality jobs through replacing a part of the eight million jobs held by expatriates in Saudi Arabia by the Saudi nationals. In the long term, the kingdom of Saudi Arabia need major initiatives to generate additional high-quality jobs, and the main challenge here is the ability to implement long-term plans that their results might shows after a while.

2) Provide the appropriate national employees is the second challenge, The ministry is still providing the best practical training for job seekers as they mentioned it before.

3) The third and final challenge is to organizing the mechanisms of the Saudi's market, where the ministry aims to raise the efficiency of the mechanisms alignment between supply and demand in the labor market and “facilitate” the process of linking job seekers and jobs opportunities.

The ministry main goal is to that Saudi citizens will become the first choice for employers and Job seekers will have the required skills by the private sector employers. Furthermore, The Ministry of Labor is working currently to support Nitaqat program by developing the recruitment mechanisms, providing consulting services and functional training and providing financial and technical assistance for both of employers and job seekers, in order to boost the Saudization initiative.

The ministry has made a significant progress over the past twelve months through a series of new initiatives, which complement and reinforce each other. The ministry also has already been launching a number of initiatives while there are other initiatives that are still in the process of experimentation or in the process of developing their concept.

In the next section a quick overview of a sample of those initiatives that the ministry is working on at the moment and will be presented in the next few months:

1) “Hafez”, is a pilot program aims to support job seekers. The program provides support for job seekers, job matching and basic training for more than a million job seekers from young people. It also provides a subsidy for
job seekers amounting to SR 2,000 per month (full year) to approximately 750 thousand Saudi citizens during their job search.

2) The ministry is working on developing a “comprehensive database” that includes 66 key indicators in the labour market. This initiative is known as “a labour market observatory”. This will help the ministry to track and understand the Saudi’s labour market statistics, performance and results, and reporting accurately to help the decision-making process based on the facts on the part of job seekers and employers and policy makers.

3) Developing the mechanisms of recruitment through launching a number of companies cares for “recruiting and leasing employees”. The aim of this initiative is to provide an easy way of human resources employment for employers in a flexible manner.

4) Intensify the partnerships between both public and private sectors in the field of vocational training. The ministry aims to encourage those strategic partnerships in the provision of training based on the needs of employers to the scientific disciplines, in order to increase the current carrying capacity of the trainees through partnerships of about 10,000 students to total more than 200,000 over the next decade. In this context will be the development of the General Organization for Technical and Vocational Training drastically.

5) The ministry is working to launch a package of programs in order to support small and medium - sized enterprises. The ministry has identified 38 initiatives to stimulate entrepreneurship and growth for small and medium - sized enterprises.

6) The ministry established recruitment centres in order to register job seekers and provide advise them and also to identify gaps in current capacity and skills, and to determine the best qualified people to fill job vacancies. The ministry is aiming to encourage creative partnerships between the public and private sectors in carrying out this role later.

7) The ministry launched a “virtual job market” on the Internet with secure engines for jobs and it has become now accessible to any job seeker who has an Internet connection.

8) Finally, the ministry is seeking to develop a system of labor inspection in the Kingdom of Saudi Arabia to ensure full compliance with regulations and to enhance the transparency. The ministry is working in collaboration now with the International Labour Organization (ILO) to ensure compatibility of labor inspection with international labor standards.

All the previous initiatives are going to assist the replication program Nitaqat and the main initiative “Saudization”. However, they will not assist in transferring the knowledge of the non-locals to the locals.

In order to transfer foreign workers’ knowledge successfully to the local labour market, the country should act soon to retain the needed knowledge and maintain the competitive advantage of intellectual capital.

Reference [8] argued that employees could be considered valuable assets that help influence the competitiveness of organizations. However, in the case of Saudi’s new localization program, the knowledge that foreign workers hold is their most valuable asset. When employees leave any organization, knowledge leaves with them as well [9].

Accordingly, and in order to transfer knowledge successfully to locals, the organisation should act soon to retain the knowledge held by these workers in order to maintain the competitive advantage of intellectual capital.

According to reference [10], lost knowledge can have an impact on any organization by reducing innovative capacity, reducing organizational efficiency, giving competitors an advantage, and increasing vulnerability. These effects can result from knowledge loss on an organizational scale.

More importantly, losing knowledge due employee replacement across organizations has great effects on a country that go beyond the simple impact on one organization. If Saudi Arabia keeps forcing companies to replace their non-local employees without considering the importance of knowledge transfer and the effects of the employee turnover, the same effects felt on the organizational level would be felt in a tremendous way on a much larger scale.

II. Methodology of the Study

Data for this research were obtained from individual face-to-face semi-structured interviews with 13 Saudi HR managers as well as secondary sources such as recent Ministry of Labour documents and announcements about the Nitaqat program, and articles in Saudi Arabian major newspapers and specialized magazines.

Interviewees were asked to comment about the new localization program in the country “Nitaqat” beside general questions related the HRM policies in the private sector.

In particular, interviews focused on the characteristics of the current HRM framework that is currently used in each company, the new localization program “Nitaqat” and the current phase of the company in Nitaqat zone. Further, the localization barriers from the HR mangers views and the effects of Nitaqat program on the current expatriates in the company. The main Key of the program from their point of view and finally they were asked if that program would enhance the company’s performance by replacing the existing non locals employees with locals.

The result that is going to be listed in the next section is only related to the Barriers of Nitaqat program from the view of 13 HR mangers in the private sector companies in Saudi Arabia. The remaining results will be included and introduced as a part of a PhD study that aims to investigate the Saudi Arabia’s new localization program “Nitaqat”.

III. Initial Results

One of the localization barriers in Saudi Arabia is the qualifications of the Saudi citizen which is linked to the Education Systems in the country as it is not a market driven. This barrier was mentioned by three HR mangers in both green and yellow zones companies. The educational system outcome in Saudi Arabia still needs much attention from the government in order to improve its quality especially in both
managerial and technical skills and also to link it with private sector most needed jobs that still occupied by foreign labour such as project managers.

The other barrier is Job type which is also related to the education system in the country. Throw the data collection phase there was no Saudi project manager no Knowledge management department in all the 13 companies that have been visited for collecting data. This barrier was mentioned by one HR manger in the green zone, three yellow zones companies and three red zone companies.

Salaries were also one of the barriers for localization program. This barrier was mentioned by one HR manger in the green zone, three yellow zones companies and one red zone company. Due to the average monthly wages and compensation between the Saudi nationals’ employees and the non-Saudis and as it is clearly shown in Table I the Saudis wages are much higher than the non-Saudis [11].

Unneeded extra employees in the company were mentioned once by a HR manager in the red zone company. as well as the working hours as a barrier that mentioned by another HR manager in the red zone company and it was from a company that is working shifts in IT and the majorities of their employees are expatriates and singles. This barrier is linked to the social life style to the locals and this barrier need more research to identify the ability of the locals in working night shifts. Out of the 13 HR managers only two managers said that there is no barrier to localize all the jobs in the private sector of Saudi Arabia. Both companies are located in the green zone.

The noticeable issues were some of the practises that some of the companies to absorb as much as Saudis from both male and females parties. One of the ways as well to manipulate Nitaqat is merging with another sister company and includes the Saudis who are working in the other company in the same system. Moreover, hiring female employee is count as hiring two male employees which was also a way to encourage the local companies to absorb as much as Saudis from both male and females parties.

IV. CONCLUSION

Nitaqat program is an enormous opportunity for the Kingdom of Saudi Arabia, provided that it is applied correctly. If it is successful, the program could reduce the country’s unemployment rate and minimize the remittances that foreign workers transfer to their home countries.

This paper provided an introduction and background of the Saudi’s new localization program “Nitaqat” and presented initial results of the data that was linked to the barriers of Nitaqat program.

Private sector companies in Saudi Arabia are facing a series of difficulties relating to the Saudization initiative and Nitaqat program. The problems were illustrated by the answers and the reactions of the HR managers in the private sector in Saudi Arabia. As this study findings indicated, many HR managers believes that the barriers of localizing jobs in the country are linked to many thing such as the quality of the education system in the country which need essentially to be improve and upgrade in order to link it with the current jobs market needs. Also, the salaries of the non-local are less than the locals which made many of the private sector managers before the application of Nitaqat program to look overseas and hire more talented staff who were willing to work harder for less pay. Moreover, the type of the jobs and the working hours were mentioned as barriers for localizing the private sector jobs in the country.

This paper looked at one particular part of the problem with the current situation in Saudi Arabia, and highlighted the barriers of Nitaqat program from the HR managers view in the Saudi Arabia’s private sector. The effectiveness of HRM in facilitating the movement of knowledge, and the role of both knowledge management, the HRM in supporting employee replacement processes, are parts of a PhD study that aims to investigate the Saudi Arabia’s new localization program “Nitaqat”.

TABLE 1: AVERAGE MONTHLY WAGES: COMPARISON OF SAUDI NATIONALS AND NON-SAUDI (IN S.R.)

<table>
<thead>
<tr>
<th>Main Occupation</th>
<th>Saudis Nationals</th>
<th>Non-Saudis</th>
<th>Percentage non-Saudi to Saudi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, technical and related work</td>
<td>9394</td>
<td>4758</td>
<td>51%</td>
</tr>
<tr>
<td>Administrative</td>
<td>14858</td>
<td>13160</td>
<td>88%</td>
</tr>
<tr>
<td>Clerical</td>
<td>6212</td>
<td>3816</td>
<td>61%</td>
</tr>
<tr>
<td>Sales</td>
<td>4537</td>
<td>2127</td>
<td>47%</td>
</tr>
<tr>
<td>Services</td>
<td>3975</td>
<td>1261</td>
<td>30%</td>
</tr>
<tr>
<td>Agriculture, animal husbandry and fisherman</td>
<td>3191</td>
<td>1000</td>
<td>31%</td>
</tr>
<tr>
<td>Production, transport, equipment operator and related work</td>
<td>5420</td>
<td>1519</td>
<td>28%</td>
</tr>
<tr>
<td>Not reported</td>
<td>3963</td>
<td>2512</td>
<td>63%</td>
</tr>
<tr>
<td>General average</td>
<td>7034</td>
<td>2354</td>
<td>33%</td>
</tr>
</tbody>
</table>


Throw the data collection phase and the interviews there were many different topics and aspects were discussed in order to find a way to move the company from one phase to another higher one. Many solutions and ideas were arisen. The noticeable issues were some of the practises that some of the companies found in order to manipulate Nitaqat program such as by hiring unneeded locals that are not actually working in the company but they include their names in the system “delusive or fake Saudization”. The ministry explained that fake employment is “where a business enlists a Saudi with the social security body without actually employing him in order to achieve its Saudization quota”. In June 2013 the minister of labour announced that the ministry found over than 600 firms practicing the fake Saudization, hence, the ministry of labour in Jan 2014 prepared a draft regulation that include a penalty for employers who involved in fake Saudization by facing 5 years imprisonment and a fine of up to 10 million riyals.

One of the ways as well to manipulate Nitaqat is merging with another sister company and includes the Saudis who are working in the other company in the same system. Moreover, hiring female employee is count as hiring two male employees which was also a way to encourage the local companies to absorb as much as Saudis from both male and females parties.
The study will further examine the links between Human Resource Management and Knowledge Management in order to understand the impact of both knowledge management and HRM strategies on organizational effectiveness in order to avoid losing knowledge that might be a result of replacing non-locals with locals and maintaining the competitive advantage of Intellectual capital. Furthermore, the study will suggest some strategies to transfer the needed knowledge to new employees.

REFERENCES


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