

## **The Implementation Process of Nationalization of Workforce in Saudi Arabian Private Sector: A Review of “Nitaqat Scheme”**

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The purpose of this paper is to discuss the implementation process of nationalization policy of workforce in Saudi Arabian private sector. Saudi Arabian government has acted recently to boost nationalization of labour market to ensure that a certain quotas are given to private businesses in accordance with their actual performance in their line of business as well as the size of workforce. The scheme that drives this motive is known as “Nitaqat” (in Arabic language means “ranges”). The methodology approach is used to validate the results through panels of discussion about nationalization of workforce in Saudi labour market in service industry of private sector. The statements of Panels’ responses were grouped together to make an overall probability of the events. The objective of the panels of discussion was to find which group among the four: strategy, marketing, human resource and training and education, has the highest percentage of responses in favour of workforce nationalization. The results revealed that strategy group had the major impact among the four groups on the topic. The managers might take a look at the strategic aspect of workforce nationalization carefully when implementing “Nitaqat” scheme. The implications in the long run are educational system and job market will rely on a highly skilled local labour pool. But this will demand drastic shifts in cultural perceptions of work and entitlement.

Keywords: Saudization policy, workforce nationalization, Nitaqat scheme, developmental plans

### **Introduction**

The issue explored in this paper is workforce nationalization scheme known as “Nitaqat” (range) which supplements the earlier policy of job replacement known as “Saudization”. The “Saudization” policy with ambitious targets was aimed at replacing locals with the expatriates upon whom the labour market has traditionally relied upon since last four decades. The “Nitaqat” scheme is promulgated in June 2011 to enhance the effectiveness of “Saudization” policy. The “Nitaqat” scheme literally means evaluating private sector establishments based on the percentage of its local workforce so as to entitle them with certain codes based on their performance. The rationale of this scheme is based on achieving success in workforce nationalization process. The primarily motive behind this scheme is economic, but there are also underlying social and political underpinnings. The “Nitaqat” scheme is designed to boost employment among locals and attempt to protect wages among expatriates.

Although locals and expatriates are equally competent and employable, the studies however, indicate that private enterprises in the Middle East respond more positively to job applicants who are expatriates (The Economist, 1997; Atiyah, 1996; Lumsden, 1993). This is mainly due to behavioural

and attitudinal reasons. Given these circumstances and the necessity of nationalization of workforce opportunities for locals and wage protection for expatriates this paper pursues three primary objectives: i). To explore whether expatriates will continue to be preferable from locals because of their superior job performance at work place in service industry; ii) To examine the impact of “Saudization” variables in four categories such as strategy, marketing, human resource, and training and education in Saudi Arabian service industry; iii) To critically evaluate the latest localization scheme known as “Nitaqat” in the implementation process of workforce nationalization in Saudi Arabian service industry.

Analysis of work performance and its role as a predictor of success for the “Nitaqat” scheme is appropriate and timely because of a shift in emphasis away from job replacement through “Saudization” policy. However, there is increasing scepticism amongst private businesses and some researchers about the effectiveness and work performance of the local workforce in Saudi Arabia (Looney, 2004). The comparative merits of the latest workforce nationalization scheme known as “Nitaqat” is elaborated in this paper, together with the advantages and the challenges of its implementation. The questions are: what is the impact of “Nitaqat” on

individuals, organizations, employed, unemployed, qualified and unqualified, how the “Nitaqat” scheme might achieve the much needed differences in comparison to earlier attempt known as “Saudization”. Just how plausible is “Nitaqat” and examine the impact of “Saudization” variables in four categories in Saudi labour market. The results are expected to facilitate the executives of private sector to understanding the merits and challenges of the latest initiatives and evaluate the barriers of its implementation.

The objective of the panels of discussion is to find which group among the four has the highest percentage of responses. Workforce localization in Saudi Arabia is discussed in the first section of the paper in order to set the scene. The research methodology and approach to the statistical analysis are then described, followed by an account of the results and review of their implication process. Recommendations are then considered before the final conclusion.

**Nationalization Policies in Saudi Arabia**

Since the 1970s workforce nationalization policy was enforced formally, however, the noticeable priority was given in the mid-1990s when the sixth five-year national development plan (1995-1999) was launched. This plan proposed a series of diversification and employment generation measures. The sixth national development plan stipulated that over a third of a million foreign workers would leave

their jobs which would be filled by locals. The year 1995 also saw a ministerial decree that local enterprises with a workforce in excess of 20 must replace expatriates with locals at an annual rate of 5% (Ministry of Planning 1995). The seventh national developmental plan (2000-2004) declared that one quarter of all positions in the private domain were to be taken up by locals. Progress was reviewed and revised and targets were set in the seventh national development plan, which stated that Saudi nationals were to occupy at least 25% of private sector jobs by 2004. Businesses were again being urged to replace 5% of expatriates or 150,000 individuals each year. The government also claimed that it was aiming to generate 817,300 new jobs for locals in this period (Ministry of Planning, 2000).

Ambitious targets were retained in the eighth development plan (2005-2009) but amended in 2008 when targets for service industry were reduced from 30% to between 20% and 15% (Ministry of Planning, 2005). The Ministry of Labour report for 2008 indicated that the total registered employment in the private sector amounted to about 6.22 million workers, of whom 13.3 percent were locals. The number of local females employed by the private sector was 36 percent. The employment of locals in private sector constituted 10.7% in manufacturing and some 17.4% in service sectors. Figure 1 depicts the percentage distribution of employment in the private sector as shown in the Ministry of Labour Report figure 10.3, year 2008.

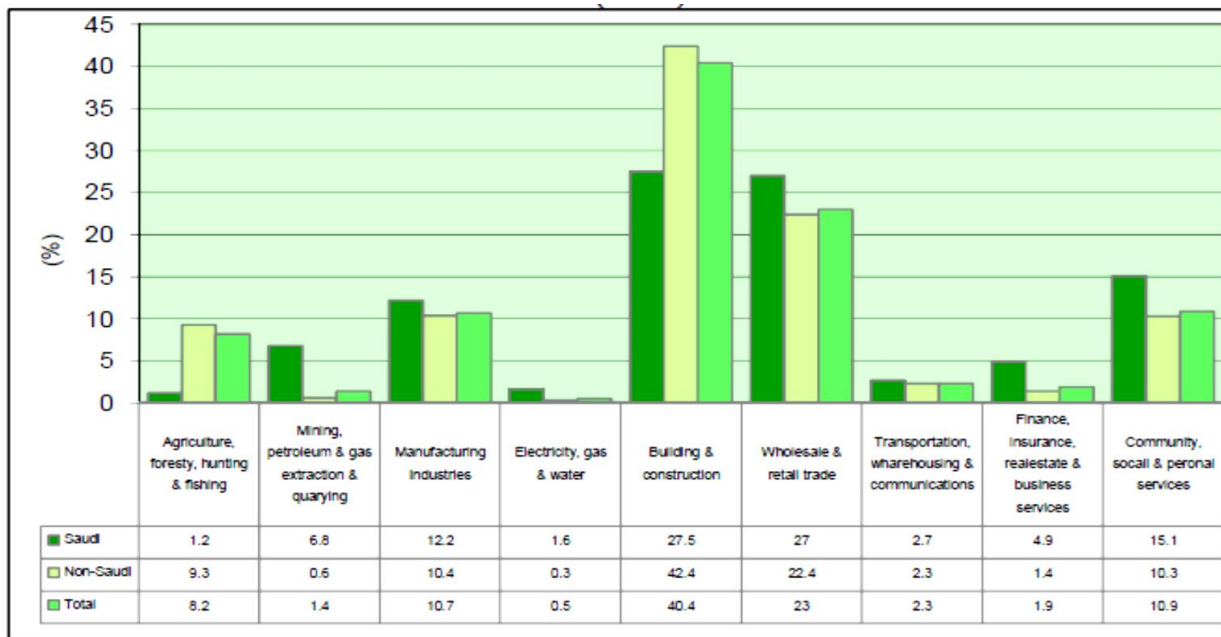


Figure 1. Distribution of employment in the private sector. Source: Ministry of Labour Report (2008).

Although the rate of workforce nationalization was increased during the last three months of year 2011, as a result of the recent developments in “Nitaqat” initiative adopted by the Ministry of Labour in its 9<sup>th</sup> developmental plan (2009-2014), the jobless rate of locals however, could not go down from 10.5 percent. At present, there are nine employed foreign workers now in Saudi Arabia for each single unemployed local. There is also a marked imbalance between labour market requirements and educational provision which is suggested by the graduation statistics in recent years. Over 80% of Saudi university graduates qualify in social sciences and arts disciplines while graduates in service industry such as hospitality and tourism are .8 percent (Wilson, 2004). The labour replacement in hospitality and tourism sector in 7<sup>th</sup> national development plan was expected 30 percent and food retailing 20 percent.

The Unemployment among locals is not only an economic, but a social issue. Working in service sector such hospitality and tourism is considered a social stigma for locals and there are fears about the repercussions of the presence of a large community of young men and women without work, especially in an era of rising tensions in Islamic countries (Wilson, 2004). These unemployed young men and women could have been employed in service sector if their perception about this sector had been changed. The role of women in the workplace and restrictions imposed by a society which insists on gender segregation is a matter of another debate (Hari, 2008). A Human Resource Development Fund (HRDF), backed by US\$1 billion, was also installed with a mission of promoting training across the country. Various schemes have been initiated in a bid to facilitate the “Saudization” process and its acceptance by all stakeholders, often involving cooperation with other agencies. Ambitious targets were retained in the eighth development plan running until 2009 (Ministry of Planning, 2005), but amended

in 2008 when those for the various services industries were reduced from 30% to between 20% and 15%. These changes were attributed to increasing oil revenues easing diversification imperatives, rather than falling unemployment (Arab News, 2008). The new rules stipulate that the quota of Saudis working in factories should never fall below 15% in the first two years of their operation or three years from the date of licensing. The recruitment of overseas workers is prohibited in 20 professions and the hiring of foreigners in other fields is not encouraged, with several deterrents in place. Various fees are levied on the employment of foreign staff and there are sometimes complex bureaucratic procedures to follow with penalties for non-compliance. It should perhaps be noted that the Kingdom’s mode of governance is conducive to a certain style of decision making which does not brook opposition, a situation which might be seen as positive regarding policy execution. There are, however, serious practical difficulties of enforcement and policing pertaining to “Saudization” and progress has not been as rapid as the authorities might have wished. With the exception of banking and the gold retail business, original “Saudization” targets have not yet been achieved. There has been unexpected and strong resistance from some quarters and criticisms that rigid quotas are an impediment to business operations (EIU, 2009).

### The “Nitaqat” Scheme

This scheme was introduced to enhance the effectiveness of “Saudization” policy so as to reduce the level of unemployment among youth in the Kingdom. The following graph is an illustration of the unemployment level in Saudi Arabia in year 2011.



Figure 2. Unemployment rate. Source: International Monetary Fund’s 2011 World Economic Outlook.

Although the above graph states 10 percent unemployment rate among youth in the Kingdom, the Ministry of Labor's (MOL) website however, states 15 percent. In addition, according to the MOL the number of expatriates working in the private sector is very large, compared to locals. The number of expatriates in private sector is 6.5 million, whereas the locals are no more than 700,000. In addition, the number of locals working in service sector has not improved since the enactment and implementation of "Saudization" policy from 1992 to this date. This happened mainly because of the stigma attached to service industry. In addition, main business colleges in the Kingdom universities have not adopted service sector's curriculum such as hospitality and tourism to this date. The job replacement in hospitality and tourism industry has been limited, hence "Saudization" policy remained unsuccessful in this industry. In Saudi Arabia, although job linked to hospitality and tourism activities have reached to 670,000, employing 110,000 locals who represent about 28 percent of the total manpower in the country (SCTA, 2012). The "Nitaqat" scheme is introduced to enhance the effectiveness of "Saudization" policy even more. The "Nitaqat" scheme appears stricter but it is relatively easier for organizations to implement the steps laid out by the Ministry of Labour website. The MOL has also taken the extra step by digitizing the whole process and designing a solver program on its website to assist organizations acclimating themselves with the new program.

The service sector's companies being labour intensive are against any such ban on issuing work visas to import expatriates. They argue that the ban on issuing such work visas will result negatively on Saudi economy in general. The hospitality and tourism jobs require vocational education and training. They are also lowly paid. Hence unattractive to locals who look for jobs with limited education but with decent pay package. While companies themselves can provide on-the-job training, service industry will remain lowly paid industry. The MOL however, views "Nitaqat" scheme as a balancing act between contributing to the Saudi economy, and reducing the number of work visas of expatriates so as to hire local citizens. It has provided Internet-based "Virtual Labor Market" for the computer-savvy younger generation. The labour challenges facing service industry are formidable. They will

only be overcome by the determination of government, universities and jobless youngsters themselves -- to understand the nature of the low paid industry and to embrace the "Nitaqat" scheme.

### The Implementation of "Nitaqat" Scheme

The "Nitaqat" scheme has been defined and its objectives explained in the MOL Website, but how does it work in entities of an organization that are in different sectors is not elaborated fully well. For instance, an organization that has two subsidiaries that deal in different sectors, each subsidiary will be dealt with as a separate entity, thus this organization will have two entities. For example, Al-Tazij Company, a well known food retail firm in Saudi Arabia has several entities (chicken breeding, chicken processing, fast-food retailing etc.). The Website however, groups entities into four categories only in terms of total number of employees.

1) Small: (10-49) employees, 2) medium: (50-499) employees, 3) large: (500-2999) employees and 4) Huge: (more than 3000) employees. Each employee is required to be registered by the company they work so as to be recognized. The number of local employees should be those that are on the social insurance database, the number of expatriates will come from the Ministry of Interior Affairs.

Not only does the "Nitaqat" scheme differentiate entities in terms of size, it also groups them in accordance with their sectors. The total number of sectors considered by the MOL is 41. The MOL's website contains a table of the whole 41 sectors with a description for each one. These include: food, lodging, conference centres, marriage halls, insurance, banking, telecommunication, oil and gas, construction etc. The companies must identify which sector his/her company belongs to in order to figure out the percentage of "Saudization" level they are required to reach. The "Nitaqat" scheme does not put all entities in one pot. The entities are further divided into 164 groups (41 sectors x 4 sizes). Each group will be categorized into four zones of "Nitaqat" scheme. Each sector will have its own required percentage of "Saudization" policy in each zone. The percentage of localization is calculated with the help of the following:

$$\% \text{ Saudization} = \frac{\text{average number of local workers}}{\text{(Average number of locals + average number of expatriates)}}$$

After the MOL divides the entities into the four categories, those who are in excellent or “green” ranges will gain the advantage of permission to import expatriate workers. Furthermore, these entities will also be able to bring expatriate workers from companies that are in the non-satisfactory “yellow” and “red” ranges. The non-satisfactory companies will not be allowed to bring any expatriate workers, hence not issued visas, until they revert to “green” range. The companies in the yellow category however, are given a grace period of nine months and red category six months, to improve their status by hiring more locals before the deadlines of penalizing measures are in place. Yellow companies are not able to extend their expatriate employees’ work visas beyond six years, while red companies are not able to

renew the visas of their workforce. Among 41 sector classifications, the companies are again categorized as 5 divisions on the basis of the number of the employees i.e., employees between 1-10, 10-49, 50-499, 500-2999 and 3000 above (small, medium, large and big/giant) Employees 1- 10 will not come under the “Nitaqat” scheme.

The classification of the employment sectors and required “Saudization” percentages depend on two factors: the activity of the company; and the number of employees working for the company. For example, if a company is engaged in food retail activity, the “Saudization” percentages that determine under which category the company is classified will be contingent on the number of people it employs, as follows (“Saudization Updates 2011”, 2):

Table 1. The “Saudization” percentage and “Nitaqat” for wholesale and retail sector.

<i>Wholesale &amp; Retail Trade</i>	Red		Yellow		Green		Premium
	From	To	From	To	From	To	From
No. of employees							
10-49	0%	4%	5%	9%	10%	26%	27%
50-499	0%	4%	5%	16%	17%	33%	34%
500-2999	0%	9%	10%	23%	24%	34%	35%
3000+	0%	9%	10%	24%	25%	36%	37%

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Premium and Green organizations are companies that have substantially exceeded the prescribed “Saudization” requirements. These companies are able to take advantage of varied type of governmental entitlements and benefits: Yellow organizations are companies that are in compliance with “Saudization” requirements, hence subject to many restrictions. They benefit from governmental entitlements and benefits. Red organizations are companies that are substantially non-compliant with “Saudization” requirements. They are given six months to improve their status by hiring more locals otherwise, they are denied renewal of visas for their expatriate workforce. Furthermore, Resolution No. 50 sets out a number of sanctions applicable to companies that were not in compliance with “Saudization” policy requirements. The following three sanctions, provided for in Resolution No. 50, will continue to apply alongside the “Nitaqat” scheme: inability to apply for Saudi government tenders, inability to

apply for Saudi government loans and inability to apply for Saudi government incentives otherwise available to the private sector.

### Methodology

The method to receive responses from panels was based on statements delivered to panel A and panel B. Their responses were grouped together to make an overall probability of the events. In constructing our questionnaire two methods were adopted to collect the data. The first one was administering the online survey: the received responses were sent directly to our organization’s server. An e-mail was sent to 1000 service industry executives in all three regions. Out of this number, a total of 535 questionnaires received some 427 were found useful for further analysis. business women and men requesting them to participate in the survey. The mailing list was provided by the Eastern Region Chamber of

Commerce in Dammam and Jeddah. The second one was the drop-off and pick-up method: two sets of the questionnaire were handed to both businesswomen centre and businessmen centre in three regions Chamber of Commerce, requesting businesswomen and businessmen to participate. In terms of time and effort in our questionnaire, we used statements such that we could calculate an overall probability of the events for both the panels. Table 2 provides the

events and their respective probabilities. To establish the highest degree of reliability, the instruments were pre-tested on a small sample (n = 45) of randomly selected respondents from the larger sample. The correlation of random split-halves for internal consistency for the survey ranged from 0.60 to 0.89 and the step-up formula ranged from 0.83 to 0.90. These results suggested that the instruments were reliable.

Table 2. The events and the probabilities of the panels.

Event	Probability of the Panels
(1) The workforce localization strategy is well defined and its objectives for the service industry are clear.	56.50
(2) Government guidelines for workforce localization through "Saudization" and "Nitaqat" are general in nature and proposals for its implementation are fairly flexible.	64.47
(3) To be successful in the service industry, the workforce localization through "Saudization" and "Nitaqat" scheme should not be implemented too rapidly	69.78
(4) The "Saudization" strategy along with "Nitaqat" scheme is justified for workforce localization on the basis of national interest.	80.58
(5) There must be a degree of flexibility regarding implementation of the workforce nationalization through "Saudization" strategy and "Nitaqat" scheme in service industry to ensure an efficient transition from an expatriate to a local workforce.	80.38
(6) The "Saudization" strategy along with "Nitaqat" scheme is likely to be cost effective for service industry..	51.32
(7) The quota system of the "Saudization" strategy along with "Nitaqat" scheme will hamper the growth of service industry.	53.85
(8) The quota system for workforce localization through "Saudization" strategy and "Nitaqat" scheme will lead to a decline in the standards of service delivery.	55.23
(9) Gold and jewellery markets attract foreign tourists and are therefore likely to be a sector in which the "Saudization" strategy along with "Nitaqat" scheme will be successful.	53.18
(10) Business programs in the kingdom's universities prepare graduates well for employment in service industry.	41.04
(11) Service industry related education, training and professional certification have an important role to play in the rapid implementation of the "Saudization" strategy and "Nitaqat" scheme.	83.39
(12) Vocational colleges which offer hands on training for Saudi youths to take up employment in the service industry are important to the success of the "Saudization" strategy and "Nitaqat" scheme.	67.87
(13) Professional certification programmes offered by accredited institutions in America and elsewhere have been helpful in developing service skills and therefore will contribute to the success of the "Saudization" strategy and "Nitaqat" scheme.	62.82
(14) Sufficient attention is given by universities and training centres in the kingdom to service industry manpower issues and information technology.	62.25
(15) It is necessary to improve the English language proficiency of the service industry's workforce in Saudi Arabia.	86.37
(16) The establishment of the Human Resource Development Fund (HRDF) has proved helpful in the implementation of the "Saudization" strategy and "Nitaqat" scheme.	57.08
(17) The "Saudization" strategy along with "Nitaqat" scheme will be more productive in service industry if it is implemented at the grass roots level, rather than the middle and top levels of management.	59.20
(18) The "Saudization" strategy along with "Nitaqat" scheme will encourage the setting up of more small and medium sized service industry businesses if it is to be successful.	66.95
(19) Saudi Arabian work ethics and culture are barriers to the success of the workforce localization strategy in service industry.	63.59
(20) Adoption of the work ethics of the West, in combination with Saudi Arabian culture, would improve the quality of the Saudi Arabian service industry workforce.	71.10
(21) The Saudi Arabian workforce does not like taking orders or instructions, especially from female supervisors.	66.41
(22) Women are not well represented in service industry workforce, especially at a supervisory level, and therefore cannot play a significant role in workforce localization strategy.	67.59
(23) Streamlining of service industry is one of the requirements for joining the World Trade Organization (WTO) in 2005.	50.20
(24) Labour market policies for service industry need to be developed in line with the objectives of the job localization strategy.	78.91

The 24 events mentioned above are grouped into four different categories as shown below with respect to their events' response probabilities. Also, we have supplied the total addition of the response probabilities for each group to be used as comparison. The comparison would involve taking the weighted percentage for each group's total with

respect to the total of the four groups as shown in the last graph.

**Strategy**

As shown in the chart below the event 15 has the highest response rate among all the events in the subject group.

Group	Event	Probability of the Panels
STRATEGY	(1) The "Saudization" and "Nitaqat" is well defined and its objectives for service industry are clear.	56.50
	(2) Government guidelines for "Saudization" and "Nitaqat" are general in nature and proposals for its implementation are fairly flexible.	64.47
	(4) The "Saudization" and "Nitaqat" is justified on the basis of national interest.	80.58
	(15) It is necessary to improve English language proficiency of manpower in service industry in Saudi Arabia.	86.37
	(17) The "Saudization" and "Nitaqat" will be more productive in service industry if it is implemented at the grass roots level, rather than the middle and top levels of management.	59.20
	(23) Streamlining of service industry is one of the requirements for joining the World Trade Organization (WTO) in 2005.	50.20

**Marketing**

The chart given below shows that event 24 has the highest response rate among the entire events in the subject group.

Group	Event	Probability of the Panels
Marketing	(3) To be successful in service industry, the "Saudization" and "Nitaqat" should not be implemented too rapidly.	69.78
	(6) The "Saudization" and "Nitaqat" is likely to be cost effective for service industry.	51.32
	(8) The quota system of the "Saudization" and "Nitaqat" will lead to a decline in the standards of service delivery.	55.23
	(18) The "Saudization" and "Nitaqat" will encourage the setting up of more small and medium sized service industry businesses if it is to be successful.	66.95
	(20) Adoption of the work ethics of the West, in combination with Saudi Arabian culture, would improve the quality of the Saudi Arabian service industry workforce.	71.10
	(24) Labour market policies for service industry need to be developed in line with the objectives of the "Saudization" strategy and "Nitaqat" scheme.	78.91

**Human resource**

The chart given below shows that event 5 has the highest response rate among the entire events in the subject group.

Group	Event	Probability of the Panels
Human. Resource	(5) There must be a degree of flexibility regarding implementation of "Saudization" strategy and "Nitaqat" scheme in service industry to ensure an efficient transition from an expatriate to a local workforce.	80.38
	(7) The quota system of through "Saudization" and "Nitaqat" will hamper the growth of service industry.	53.85
	(9) Gold and jewellery markets attract foreign visitors and are therefore likely to be a sector in which "Saudization" and "Nitaqat" will be successful.	53.18
	(16) The establishment of the Human Resource Development Fund (HRDF) has proved helpful in the implementation of "Saudization" and "Nitaqat".	57.08
	(22) Women are not well represented in service industry workforce, especially at a supervisory level, and therefore cannot play a significant role in "Saudization" and "Nitaqat".	62.25
	(19) Saudi Arabian work ethics and culture are barriers to the success of "Saudization" and "Nitaqat" in service industry.	63.59

### Training and education

The chart given below shows that event 11 has the highest response rate among the entire event in the subject group.

Group	Event	Probability of the Panels
Training and Education	(21) Saudi Arabian hospitality and tourism industry workforce does not like taking orders or instructions, especially from female supervisors.	62.82
	(10) Business programs in the kingdom's universities prepare graduates well for employment in hospitality and tourism industry.	41.04
	(11) Hospitality and tourism related education, training and professional certification have important role to play in the rapid implementation of the "Saudization" and "Nitaqat".	83.39
	(12) Vocational colleges which offer hands on training for Saudi youths to take up employment in the hospitality and tourism industry are important to the success of "Saudization" and "Nitaqat".	67.87
	(13) Professional certification programmes offered by accredited institutions in America and elsewhere have been helpful in developing hospitality and tourism skills and therefore will contribute to the success of "Saudization" and "Nitaqat".	62.82
	(14) Sufficient attention is given by universities and training centres in the kingdom to hospitality and tourism manpower issues and information technology.	62.25

Through these charts show the response probabilities of panels for all the events in each group and then calculated the weighted average for each group. The objective of this exercise is to find which group among the four has the highest percentage of response rate. In chart 5, the strategy group shows that it has the major effect among the rest of the group in the "Saudization" and "Nitaqat" topic. Surely, having a well planned and studied strategy would play a major role in implementing the right concept. Eventually, we feel all the four groups are very important when it comes to implementing the new national goal.

### A Critical View of the Implementation

Although the main purpose of "Saudization" and "Nitaqat" was to boost employment among local citizens and reduce the number of expatriates, most companies however, have started hiring locals even if they are unqualified. Some companies have begun hiring less qualified or even unqualified locals to get away from the red category and to fill positions. Most companies are now hiring locals with low salaries, demanding that they only show up and register their name in the daily attendance sheet. This causes the companies huge losses. However, some companies decided to hire locals for SR2000 (US\$532) a month in a training program that ends with employment. After two years of training, the local trainees will be hired in the company with a monthly salary of SR3000 (US\$800) to SR4000 (US\$1065)." Such a long-term strategy program was considered better

than hiring unqualified locals to implement "Saudization" policy.

One of the foremost issues with this program is the fact that firms are resorting to hire under qualified or unqualified locals, just to achieve the required quota and the percentage of "Saudization". This will harm the Saudi economy and labour market in years to come, not to mention the controversial moral ground upon which this is based on. There should be emphasis on *quality* rather than *quantity in the implementation process*. The hiring of unqualified or proxy employees will not have any benefits in the long run. One way to overcome this issue, while at the same time meeting the "Saudization" quota, is a long term strategy of first training the potential employees then hiring them for full-time employment.

As for the ethical issue associated with "Nitaqat" scheme, it is fair to mention the human rights concern. It has been observed that the party that suffers the most out of "Nitaqat" scheme is the expatriate worker. There is no justification for the worker paying for the employer's mistakes or lengthy delays in governmental red tape. In fact, the MOL should tackle the issue before the arrival of the expatriate employee, rather than causing him to get fired from his position at that organization.

One might provide a counter point that "Nitaqat" scheme grants increased mobility to expatriate employees. They have the ability to move from one employer to another. In that way, those who are employed by organizations in red and yellow categories can work for those in green and "excellent" ranges (Arab News, 2011). However, in



pursuit of this objective an expatriate worker has to face at least four conditions. First, the employees must prove his stay of six years in the Kingdom. Second, he must prove at least two years of continuous work with the company that intends to quit. Third, the transfer is allowed after the expiry of the work permit. Fourth, an expatriate is allowed to transfer to the “green” category company only if his employer is still in “yellow” or “red” category.

It is important to note that the illegal visa trade and coverup-business is rampant in the Kingdom causing negative impact on the implementation process as well as on the economy. In addition efforts to address unemployment problem is hampered due to this phenomena. According to experts some 3 million expatriates are not needed in the labour market. If the MOL takes strict action to implement “Saudization” policy through “Nitaqat” scheme vigorously the black market of visas should be put to an end. The provision to restrict expatriates to stay in the Kingdom six years under the red or yellow category companies will effectively boost “Saudization” policy backed by “Nitaqat” scheme, hence creating opportunities for young Saudis to enter Kingdom’s lucrative service sectors.

## Conclusion

All things considered, “Nitaqat” scheme is expected to boost employment among local citizens and businesses in the long run. This is more important in the private sector than the public sector, for formerly mentioned reasons, and especially since Saudi Arabia is trying to diversify its economy away from being heavily oil-dependent (Arab News, 2011). The general consensus indicates that “Nitaqat” scheme is viewed as a potential success story. A recent survey that was done by the Eastern Province’s chamber of commerce in 2011 shows that an excess of 50 percent of Saudi businessmen were optimistic about “Nitaqat” scheme and believed that it will contribute to job creation for local citizens. In fact, 63.52% of the total sample of 392 businessmen agreed that “Nitaqat” scheme will assist in lowering the unemployment rate among local citizens in the Kingdom. 25.26% disagreed, and 11.22% were unsure (Saudi Gazette, September 4, 2011). The employment of women in retail sector and female stores was implemented recently despite the challenges. To our assessment, the “Nitaqat” scheme possesses enormous potential in years to come. The implications relate to the high wage environment of local employment which might exert pressure on inflationary spiral. If the local citizens aren’t armed with high disposable income the

support to the growth of local economy will dissipate. Another implication relates to long run educational system and job market which rely on highly skilled local labour pool. But this demand will create drastic shift in cultural perceptions of work, regulatory entitlement and institutional framework.

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