

REVIEWING THE STUDIES ON NITAQAT

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ABSTRACT

The Kingdom of Saudi Arabia implemented the Nitaqat system in 2011 to promote the hiring of Saudi nationals in the commercial sector. The Saudization requirements, which refer to the proportion of Saudi citizens engaged in the company, are used by the system to categorize private companies into various groups. Excellent is the category with the highest level of compliance, followed by green, yellow, and red. Red is the category with the lowest level of compliance. This study offers a critical analysis of the literature on the Nitaqat program's goals, methods, and effects. The research indicates that the Nitaqat initiative has increased Saudi national employment in the private sector, although its implementation has encountered a number of difficulties. The shortage of skilled Saudi citizens for specific employment positions, the high cost of hiring Saudi nationals relative to expats, and the sparse enforcement of fines for non-compliant businesses are a few of the difficulties. The Nitaqat program has a variable influence on business performance and competitiveness; some research discovers favorable impacts while others find negative consequences.

INTRODUCTION

A government initiative in Saudi Arabia called Nitaqat was started in 2011 with the goal of promoting Saudi national employment in the private sector. The program separates private sector businesses into various categories or "ranges" based on the proportion of Saudi citizens they employ. The word "Nitaqat" means "ranges" or "zones" in Arabic.

The program's objectives include lowering Saudi nationals' unemployment rates, increasing their involvement in the labor force, and encouraging the localization of positions that have historically been occupied by foreign nationals. Companies who adhere to the program's rules receive incentives and privileges from the Saudi Arabian government, including priority treatment in government contracts, expedited visa processing, and the chance to hire more foreign workers.

Based on their Saudization Ratio—the proportion of Saudi nationals employed by the company in relation to their overall workforce—Nitaqat assesses private sector businesses. Companies are divided into six different ranges, with platinum being the highest and White being the lowest: Platinum, Green, Yellow, Red, Blue, and White. Companies that fall into the Platinum and Green categories are thought to be in compliance with the program's rules, whereas those that fall into the Yellow, Red, Blue, and White ranges are thought to be non-compliant and might be subject to penalties or restrictions. A few studies are reviewed to understand the trend of studies on Nitaqat.

REVIEW OF LITERATURE

There have been several studies conducted on the Nitaqat system, which is an initiative by the Kingdom of Saudi Arabia to encourage the employment of Saudi nationals in the private sector. The following is a review of the research on Nitaqat studies:

Alzaidi, N. A., Alzahrani, A. M., & Alharbi, A. F. (2020).

This study examines the impact of the Nitaqat program on Saudization rate in Saudi Arabia. The Nitaqat program has a beneficial impact on the Saudization rate, according to the study. According to the report, the government should keep an eye on and improve the Nitaqat program to maintain its efficacy.

Areej, Azhar(2018)

The "Saudization" program of Saudi Arabia seeks to reduce the country's dependency on foreign labor, but it has been more effective in the public sector than the private. This study examines the challenges associated with successfully implementing the policy in Saudi Arabia's hotel sector, with a focus on four- and five-star accommodations. Hotel managers and staff members were surveyed, and interviews with tourism and HR experts and hotel managers were conducted. The study outlines requirements for the efficient application of Saudization and outlines the problems associated with applying this strategy in four- and five-star hotels. It offers suggestions that can help the hotel industry implement the policy successfully.

Abdul Rasheed.CK (2017)

In Kerala, there is an extremely high rate of educated unemployment. Migration to Gulf nations eases the burden of unemployment. Through remittances, migration aids in the beginning of developmental activities in the home nations, while return migration has a negative impact by lowering investment. The primary motivation for the emigration is to take advantage of the work prospects in the Gulf nations. Kerala migrants are being impacted by the drop in the price of crude oil and the ensuing policy adjustments. Nationalization policies were the main cause of employment losses. Following their return migration, migrants are making little money. Their monthly income was greatly increased by migration. After returning, the majority of returning migrants continue to be unemployed. Spending on weddings and welcome parties is relatively high among migrants. Migrants don't tend to save much. Savings behavior is declining in the setting of consumerism. Savings decline during the return migration period may be brought on by either a sharp decline in income, increasing consumption, or ongoing inflation growth.

Jennifer Peck&Conrad Miller (2017)

To inform future quota and Saudization legislation, this paper analyses the overall implications of the Nitaqat program on the labor market with a focus on worker-level effects. They evaluate the aggregate effects of Nitaqat on employment and wages as well as the worker-level effects of the policy on employees at firms in various color bands using worker-level GOSI data and firm-level Nitaqat data. They discover that significant gains in overall employment and entry into the private sector labor market occurred throughout the Nitaqat period. Despite an overall decline in average salaries during the time, wages rose among occupational and educational groupings, pointing to significant changes in the labor force's makeup. Accordingly, the data demonstrates a disproportionate rise in Saudis' employment in comparatively low skill occupations.

Ismayil.P (2015)

Kerala's employment market will be negatively impacted by the Saudi Arabian Kingdom's new initiative to create jobs for young people there. The government should make significant investments in the basic and industrial sectors in order to increase employment possibilities in Kerala. India cannot interfere with Saudization because it is a domestic policy of the Kingdom of Saudi Arabia. However, even if the worker is forced to leave the Kingdom for lack of documentation, he can

return after locating a sponsor and obtaining documentation to allow him to stay. This was previously forbidden. The affected folks feel a great deal of relief as a result. Perhaps this crisis will turn out to be a blessing in disguise for the state's legal migrants, since it will create additional chances for them. The legally employed immigrant worker doesn't need to freak out. Not only Indians are affected by the Nitaqat effect. Millions of undocumented immigrants come to Saudi Arabia from nations including Pakistan, Bangladesh, the Philippines, Egypt, and more. Kerala should seize this chance by enabling future migrants to migrate legally and giving them the necessary training.

Nawaf Alshabri, Malik Khalfan, and Tayyab Maqsood (2015)

This study included a backdrop and introduction to the new localization program called "Nitaqat" in Saudi Arabia and showed the preliminary findings of the data that were related to the program's obstacles. The Saudization drive and Nitaqat program are posing a number of challenges for Saudi Arabia's private sector businesses. The responses and actions of Saudi Arabia's private sector HR managers served as examples of the issues. According to the study's findings, many HR managers believe that obstacles to localizing jobs in the nation include the quality of the education system, which must essentially be upgraded in order to connect it with the demands of the labor market today. Before the implementation of the Nitaqat program, many private sector managers looked abroad to acquire more skilled staff who were willing to work harder for less money because non-locals' salaries were lower than those of locals. In addition, the nature of the jobs and the working hours were cited as obstacles to localizing private sector employment in the nation.

Peck (2014)

He empirically analyzed the effects of quota-based Nitaqat policies on nationalization, firm size, and firm exit in the Saudi's private sector. The research performed a regression kink using a huge data set on the entire universe of Saudi private-sector enterprises. To estimate the program's overall effects, a differences in-differences approach was added to the regression kink results. The study concluded that although the Nitaqat program was successful in increasing Saudi nationals' employment, it had a major financial impact on private businesses and resulted in the closure of 11,000 private businesses within 16 months of its implementation.

Dr. Zakir Hussain(2014)

The article provides a critical analysis of the implications of the Nitaqat program for the Indian workforce in Saudi Arabia and highlights the need for concerted efforts to address the challenges faced by Indian workers. The difficulties faced by Indian laborers in Saudi Arabia are discussed in the article, including the terrible working conditions, low pay, and restricted access to legal and social rights. The author contends that by limiting the employment choices accessible to Indian employees, the Nitaqat program may make these issues worse.

The essay also emphasizes how important it is for the Indian government to deal with the difficulties that Indian employees in Saudi Arabia confront and to collaborate with the Saudi government to assure their welfare and protection.

Mohamed Ramady (2013)

Due to its high unemployment rate, Saudi Arabia has had to radically rethink its current "localization" policies. As a result, it has implemented the Nitaqat or quota system, which places local businesses in different color-coded zones based on the percentage of Saudi nationals they employ and imposes fines for non-compliance. The government is aware that, even as eager partners, the private sector must play a significant role in job creation, yet one in five of the private businesses operating in the Kingdom are still far from reaching Saudization goals. The Saudis are unwilling to replace expatriates at

present wage levels for many unskilled and semi-skilled sectors, thus the government is also giving incentives to enterprises that achieve their Nitaqat quotas. This is because the Saudis are aware that the private sector's dependence on foreign cheap labour is creating a problem. The study investigates the effects of implementing the so-called Hafiz system, which would set a monthly minimum salary for the private sector of SR 3,000, on overall national economic development and productivity.

Jayaraj, V. R (2013)

Nitaqat, a policy that requires all businesses to hire a minimum amount of Saudi citizens, if implemented, will result in the loss of jobs for nearly two million expats in Saudi Arabia, a large portion of whom are Indian. Kerala stands to lose a lot as a result of the Saudi move, given there are tens of thousands of Malayalees employed there. According to the program, which divides registered businesses into four categories based on compliance (Blue, Green, Yellow, and Red), businesses with more than nine employees are required to employ at least 10% Saudi nationals, and those employees must be hired in accordance with the employment terms, including compensation, set forth by the Saudi government.

Saudi Hollandi Capital (2012))

It discussed the impact of the Nitaqat program on the Saudi economy and provided an outline of the program. The article focuses on a few of the elements that led the Saudi government to implement the Nitaqat, including the failure of the Saudization program, the substantial presence of foreign workers, the high rate of unemployment among Saudis, the rise in the number of young people, and regional unrest. The Nitaqat program is said to have increased employment opportunities for Saudi citizens and decreased outward remittances as its positive effects, while potential negative effects include a mismatch in the skills of the local labor force, higher costs for private businesses, a decrease in FDI inflow, and business closures.

Howard & Prakash, Chin & Prakash, and Prakash (2011)

They examined at how hiring quota-based regulations for Indian minorities affected the Indian labor market. They discovered that hiring quota-based policies benefited some minority groups' employment outcomes in India by raising their chances of landing salaried jobs and encouraging them to choose higher-skilled occupations, which in turn increased household consumption spending.

Sanket Mohapatra (2011)

While the Nitaqat initiative seeks to decrease reliance on foreign labor and increase employment of Saudi citizens, the essay contends that it is only likely to achieve minimal success. The author makes the case that the initiative might result in the hiring of less qualified Saudi natives rather than more qualified foreign workers who might be more beneficial to the economy and more productive.

The author also emphasizes the difficulties in implementing the program, such as the scarcity of skilled Saudi workers and certain businesses' reluctance to hire Saudi citizens because of their alleged lack of knowledge and expertise.

The article's conclusion emphasizes the necessity for a comprehensive plan to support Saudi national employment that includes expenditures in training and education as well as the creation of a more favorable business climate. The author also emphasizes the necessity of striking a balance between the hiring of Saudi citizens and foreign workers in order to maintain the Saudi economy's steady growth and competitiveness.

S Irudaya Rajan(2011)

The study discusses about how the Kerala economy, which depends heavily on remittances from expatriates working in the Gulf countries, has been affected by the global financial crisis. The author emphasizes the important contribution made by Kerala emigrants in the Gulf nations, who make up a sizable share of the labor force in these nations. According to the author, the global financial crisis, which decreased oil prices and slowed the economies of the Gulf states, had a substantial effect on Kerala emigrants, who experienced job losses and decreased remittances. The study talks about the difficulties the Kerala economy is facing as a result of the drop in remittances, such as a loss in investment, consumption, and overall economic growth. The author contends that in order to lessen reliance on remittances and to ensure the state's long-term economic stability, the government and policymakers of Kerala must create a more diversified and robust economy.

Fakeeh, Manal S. (2009)

In his doctoral dissertation, he addressed the paradox of Saudi nationals' tremendous income and high unemployment in the Kingdom. By examining the flaws in the program's implementation by the public and private sectors, he also made an effort to decide whether Saudization is the answer to Saudi Arabia's unemployment issue. The study's methodology was based on interviews with key stakeholder group representatives, including policymakers, business owners, and employees in the Jeddah region of Saudi Arabia. The study came to the conclusion that although policymakers are aware of the challenges that Saudization policies offer for private enterprises and their reluctance to use them, they still see Saudization as an economic and social imperative.

Al-Asmari (2008)

He gave some background information on the Saudization initiative, which the Saudi government is using to promote domestic labor and supplant foreign labor with Saudi citizens. The study came to the conclusion that more work needed to be done to improve local human resource development and lessen reliance on foreign labor in the business sector. Advances in education and training, the introduction of job-replacement policies, and the promotion of career options by the Saudi government did not suffice to address these problems. The report emphasized the significance of matching Saudi Arabia's educational system to the country's actual labor market demands.

The government's initiatives to solve the issues the Saudi labor force is facing are highlighted in the article's conclusion, including the growth of the human resources industry and the adoption of regulations to encourage the hiring of Saudi citizens. The author emphasizes the importance of carrying out ongoing initiatives to develop a Saudi Arabian labor market that is more inclusive and sustainable.

Alfiya mol

Return migration to Kerala from Saudi Arabia is a common problem faced by India. The return migration is a new phenomenon in which returning from the overseas countries to their home country. Saudi Arabia is the third largest remittances paying country, next to the US and Switzerland in the world. The economic recession in the overseas countries carried a big role in the sudden return of the employees from those countries. The major reasons examined are the oil boom and economic recession affected in gulf countries in the last few years, the expiry of the contract, ill health, poor working condition, family issues and decreased demand of Kerala workers in the employment sector.

Sharon Stanton Russell(1986)

This study examines the connection between remittances, which are an important source of income and development for

many developing nations, and international migration. The author looks at a number of variables, such as the degree of economic development, political stability, and the availability of employment possibilities in the home country, that affect migrants' decisions to send money home. According to the author, different migrants have different reasons for sending money home, and remittances can be used as a tool to combat poverty and advance economic growth in the host nation. The difficulty of effectively tracking and quantifying remittances is another topic covered in the paper. To better comprehend the impact of remittances in the global economy, the author recommends the necessity for stronger data collecting and monitoring mechanisms.

CONCLUSIONS

The Nitaqat program is being implemented in a phased manner. After the formal announcement of the program in June 2011, all companies were asked to update their employee information both at the General Organization for Social Insurance (GOSI) and the Ministry of Interior to calculate their nationalization levels. In the second phase of the program starting September 11, 2011, Saudi Arabia's Ministry of Labor started suspending services such as transfer of visas, issuance of new visas and opening files for new businesses or branches of companies in the Yellow and Red bands. Following the implementation of the third phase on November 27, 2011, companies in the Red band are not allowed to renew work permits of expatriates, while foreign employees in those companies are permitted to shift to companies in the Excellent and Green bands without the current employer's consent. Earlier regulation required the foreign employee to work for at least two years with the current sponsor before shifting the job. The final phase was enforced on February 23, 2012, following which companies in the Yellow band are not allowed to renew work permits of foreign employees who have stayed for six years and more in the Kingdom. To continue their stay beyond six years, foreign employees of companies in the Yellow band would have to move to Excellent and Green companies, which they could do without the consent of their employer from February 23, 2012. Since employment permit is compulsory for getting the 'iqama' (the residential permit) the expatriate workers would become illegal residents when denied the renewal of the work permit and thus have to leave the kingdom by their own or will be deported. It is relevant to take into account the impact of 'Nitaqat' on socio economic scenario of Kerala economy where most of the people depend on Saudi Arabia for their livelihood.

Nitaqat divides the Saudi labor market into 41 activities and each activity into 5 sizes as Giant, Large, Medium, Small and Very Small to have in total 205 categories. Nitaqat classifies establishments into ranges various as Excellent, Green, Yellow and Red based on the ratio of the citizens working in the establishment. The Excellent and Green range, which are the ranges with the highest localization ratios, will be rewarded with incentives. The new law proposes to deal firmly with the Red range, the range characterized by the lowest localization ratio. More time is given to the Yellow range to improve their positions, it being the medium range. Therefore, the policy affects severely are those who work at firms comes under red zone.

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