

The economy in saudi arabia

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Nitaqat, the Localization System for Jobs in the Kingdom of Saudi Arabia: cause for denial of job opportunities for expatriates Guiding Principle In order to reduce the unemployment rate among the Saudi citizens, the Saudi government issued a new system for the localization of jobs in Saudi Arabia under the name of " Nitaqat". The new system replaces the system applied since 1994 under the name of " The Saudization". Nitaqat adopts several principles, which will have impacts on non-Saudis working in the Kingdom.

A. Introduction The economy in Saudi Arabia - as it is the case in other states of the Gulf Cooperation Council (GCC) - depends largely on the existence of a large proportion of expatriates¹ working for various establishments in the private and public sector. However, unlike the other states of the GCC, Saudi Arabia has large number of unemployed citizens², which creates a state of resentment among those citizens. B. The Saudization

In an attempt to reduce the unemployment rate among the citizens, the Saudi government applied a system in 1994 for the localization of jobs under the name of " The Saudization". The basic principal of the system was the requirement to appoint certain percentage of the total workforce of all the establishments existing in the Kingdom from the Saudi citizens. This percentage varies in accordance to the activity of the establishment. Generally the percentage was fixed by 30%.

However, due to several reasons, the system did not achieve the desired objectives and mostly the 30% has not been reached. Now, more than 6. 5 million non-Saudi are working in the private sector of the Kingdom compared to 700 thousand Saudis. In addition, more than 2 million work visas were issued during the preceding two (2) years. C. Nitaqat Therefore, the Saudi

government has endeavoured to find other solutions to eliminate the phenomenon of unemployment among Saudi nationals. The efforts of the government resulted in the implementation of several strategies.

The most important of these strategies was the issuance of a new system under the name "Nitaqat" for localizing the jobs in the Kingdom to replace the system of Saudization. The name Nitaqat means Ranges in Arabic, which actually represents the main idea of the new system as the main obstacles faced the previous system that it was not practical to apply one fixed percentage, regardless of the particular circumstances of each activity, such as the availability of the qualified manpower for certain activities.

Nitaqat divides the labour market into 41 activities and each activity into 5 sizes (Giant, Large, Medium, Small and Very Small) to have in total 205 categories. The performance of the establishment in the localization of the jobs is to be evaluated compared with the similar establishment's activity and size in order to have fair standard for the evaluation. After the evaluation, Nitaqat classifies these establishments into ranges (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, while the system deals firmly with the Red range, which is the range with the lowest localization ratio and gives more time for the Yellow range to adjust their positions, being the medium range. The motive of applying the Nitaqat system is to make the appointment of Saudi citizens represent a competitive advantage for the establishments in the Kingdom. D.

The Rewards to the Excellent and Green Ranges and the Disadvantages of the Red and Yellow Ranges. The MoL has granted the establishments located in the Excellent or in the Green Ranges several advantages by giving the establishments the eligibility to issue work visas for the development of new business. Furthermore the MoL will give them the ability to contract with non-Saudi workers from the establishments of the Red and the Yellow ranges in the Saudi market, which allows such establishments to benefit from their experience and presence.

This will result in granting the establishments that have achieved high rates of localization the opportunity to appoint non-Saudi workers with no need to issue new work visas, which helps to rationalize the recruitment and employment of additional non-Saudi labor. In contrast, the establishments located in the Red or in the Yellow range will be forced to speed the localization of the jobs within the establishments to upgrade their range to the Green or the Excellent range to maintain the expats they have.

Otherwise, the establishments located in these ranges - Red and Yellow ranges - will be denied from obtaining new or alternative visas, lose control over the non-Saudi workers in the establishment as they will have the freedom of contract with a new employer and will not be allowed to obtain new work visas to appoint new-non-Saudis workers or to set up a new subsidiary or branch. DOHA: Thousands of Asian expatriates in Saudi Arabia are facing the prospect of unemployment and deportation with the Saudi government going ahead with its job nationalisation drive, called Nitaqat.

This has sent shockwaves across the tiny south Indian state of Kerala, which has more than half-a-million of its people working in Saudi Arabia. The Saudi <https://assignbuster.com/the-economy-in-saudi-arabia/>

authorities are cracking down on companies that have failed to achieve a job nationalisation target, the deadline for which passed last Wednesday. Law enforcement officials have reportedly booked a large number of expatriates for violating the residency law over the past week and many more are expected to be declared illegal residents.

The labour ministry has identified about 250, 000 small and medium-sized enterprises that have failed to comply with the Nitaqat provision of employing at least one Saudi national in the 'red' category. The deadline for complying with the provision passed on March 27, said a report carried by Khaleej Times yesterday. According to Nitaqat provisions, the ministry will not renew work permits of employees in the 'red' category. This means they will have to leave the country. The Saudi cabinet has already passed a law to arrest and deport such workers.

According to Saudi newspapers, about two million expatriates are likely to lose their jobs as a direct result of implementation of the Nitaqat policy. The workers are mainly from India, Pakistan, Bangladesh, Sri Lanka, the Philippines, Egypt, Yemen, and Indonesia. Indians constitute the largest chunk of expatriates in Saudi Arabia, and among them Keralites are the largest group. According to a recent study by Kerala-based Centre for Development Studies, the number of Keralites in Saudi Arabia in 2011 was 574, 739, said the daily.

Nitaqat will hit Keralites the hardest as a substantial number of them are working in small and medium-sized enterprises. The majority of Keralites in Saudi Arabia are from the northern Malabar region of the state, said the report. Kerala yesterday urged the Indian government to intervene in the

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matter so that Saudi Arabia takes a liberal approach to implementing the Nitaqat policy. The new policy might lead to denial of job opportunities to a large number of expatriates from India, especially from Kerala, Chief Minister Oommen Chandy said in a letter to Prime Minister Manmohan Singh. It has come to my notice that the Kingdom of Saudi Arabia has initiated strong steps to implement the Nitaqat law to expand employment avenues for its nationals, which may ultimately lead to the denial of job opportunities for expatriates," he said. Conceding that there were limits to Indian intervention in internal policy decisions of Saudi Arabia, Chandy said: " but an appeal to the Saudi Arabian authorities to give more time for the implementation of Nitaqat may give breathing space for the expatriates and avoid immediate repercussions. " :::::::::: ARTICLES:::::::::

What Nitaqat means for Kerala::::: By P M Mathew 13th April 2013 07: 25 AM
The Nitaqat (classification) law being implemented by the Kingdom of Saudi Arabia makes it mandatory for Saudi Companies to reserve 10 per cent of jobs for Saudi nationals. Saudi Arabia has very strong socio-economic reasons to justify such a policy. Unlike other Gulf countries Saudi Arabia itself has large number of unemployed citizens. According to recent estimates the unemployment rate among Saudi nationals has reached 12 per cent. It is also reported that more than 6. million non-Saudis are working in the private sector of the Kingdom compared to 7, 00, 000 Saudis. In 2012 there were 3, 40, 000 firms in the Kingdom that did not employ any Saudi. Of late there is a growing feeling of resentment among the citizens of Saudi Arabia resulting from the labour market competition they face from expatriate workforce. The Nitaqat law is aimed at eliminating unemployment and localising jobs in the

Kingdom. Nitaqat seeks to replace the 1994 scheme of Saudization which required 30 per cent of the jobs to be reserved for Saudi citizens.

Saudization scheme failed due to the inherent loopholes in the system and the targeted 30 per cent localisation of jobs could not be achieved. The new law, Nitaqat, divides the Saudi labour market into 41 activities and each activity into 5 sizes (Giant, Large, Medium, Small and Very Small) to have in total 205 categories. Nitaqat classifies establishments into ranges (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 localisation ratios, will be rewarded with incentives.

The new law proposes to deal firmly with the Red range, the range characterised by the lowest localisation ratio. More time is given to the Yellow range to improve their positions, it being the medium range. The most recent additions to the Nitaqat law that an expatriate worker should work only under his sponsor and the worker is not meant to perform any job other than the one mentioned on his job card have raised much panic among the expatriate workers. More over the Saudi government has increased the fee for renewing labour cards (iqamas) to SAR2, 500 from SAR100.

The strict implementation of the Nitaqat law recently has raised much concern in Kerala. Majority of the Indian migrant labour in Saudi Arabia are from Kerala. In 2011, some 5, 70, 000 Keralites were working in Saudi Arabia. Though the impact of Nitaqat would be on less than 3 per cent of this migrant population remittances by them were consistently contributing to the economy of the state, especially to the northern districts of Malappuram,

Kozhikode, Kannur and Kasargode. The inflow of remittance payments from Saudi Arabia has considerably raised living standards in these districts.

Saudi Arabia continues to be the most desired destination among the low and semi-skilled Keralites. The strict adherence to the Nitaqat regulations will result in immediate job losses and reduced job opportunities. Many small scale shops and establishments in Saudi Arabia are run by Keralites under licences in the names of Saudi nationals. Now all such shops and establishments must have 10 per cent of their employees from among Saudi nationals who should be paid at least 3 times more salary than their expatriate counterparts. It is almost impossible now to run companies on the licences given to Saudi nationals.

Strict actions are being taken against benami businesses. Most shops run by Keralites are already closed. The impact of the crackdown on illegal foreign workers in Saudi Arabia will have serious consequences for Kerala's economy. The sudden exodus of the unemployed could trigger off economic crisis and social unrest in the state. The sudden fall in remittances from Saudi Arabia may lead to a ripple effect on interlinked sectors like real estate, construction, transport, etc. The problems will be much more if other Gulf nations too emulate the Saudi policy.

The job losses and reduced job opportunities are expected to aggravate in the coming days since Saudi labour ministry has reconsidered the liberal sponsorship rules that are prevailing. Under the Inspection Intelligent Scheme (IIS) inspection of company premises and residences of free visa holders are being intensified. Most raids at labour camps are unannounced. The government also issued an order that iqama (labour card) violators will

be arrested in raids. On an emergency basis both the central and state governments must plan out strong rehabilitation packages for the unemployed Saudi returnees.

The assistance offered for safe return and sponsoring the air fares of the returnees are all short term relief measures by the Government of India. The most recent announcement by the Saudi administration that Nitaqat inspections will be temporarily stopped for 3 months to allow illegal immigrants to legalise their stay in Saudi Arabia is to be viewed only as a temporary relief. Riyadh governor's recent order of deferring the process of catching illegal migrants in Riyadh also provides some temporary relief to the illegal migrants.

Given the proven strictness of the Saudi administration, the statements made by Kerala ministers that the expatriates need not panic and that the issue could be bilaterally solved by dialogue with Saudi authorities are not providing much hope to expatriates. According to leading immigration trend analysts in Kerala the Saudi crackdown on illegal migrants should be viewed as a blessing in disguise since it is going to open up more opportunities for the legal migrants from the state. There is no need for the legal immigrant worker to panic.

The Nitaqat effect is not just on Indians. Lakhs of illegal migrants in Saudi Arabia are from countries like Pakistan, Bangladesh, Philippines, Egypt, etc. Kerala can grab this opportunity by providing the needed skills to the future migrants and allowing them to migrate legally. Kerala must focus on more employment opportunities for its labour force. The government should also undertake massive investments in infrastructure and industrial development

to boost up employment opportunities. The author is professor of economics at Christ University, Bangalore