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Abstract
Saudi Arabia has a long history of dependence on foreign workers at all levels within their private sector economies. Saudi Arabia, along with Gulf states such as the UAE, are now pursuing active policies of nationalization within their labor markets in an effort to reduce dependence on foreign labor and engage the national population more actively in the workforce. The purpose of this paper is to present the latest issues relating to job nationalization in the Saudi Arabian labor market. The Saudi Arabian government, in this context, acts to ensure that certain quotas of Saudi national employees are required of private businesses in accordance with the size of their workforce as well as their performance in the field of the economy where they are located. This paper attempts to review the strategy of job nationalization known as “Saudization” and elaborate on the “Nitaqat” scheme. The discussion addresses policy procedures and highlights various impediments that exist in their implementation process. This paper extends the work of other researchers by focusing on the job nationalization policy in Saudi Arabia, and especially on discussion of the “Saudization” policy and the “Nitaqat” scheme in the context of the hospitality and tourism sector.

Keywords: “Saudization” policy, “Nitaqat” scheme, Labor market, Expatriate workforce, Local workforce.

Introduction
Countries in the Middle East have a long history of dependence on expatriates at all levels within their private and governmental sectors. Saudi Arabia, along with Gulf states such as the UAE, Qatar and Oman are now pursuing active policies of nationalization within their labor markets in an effort to reduce dependence on expatriates and depend on local population more actively in the workforce. Table 1 collates the data available for the 6 GCC countries.

Table 1: Employed individuals in the GCC in 2005 (’000).

<table>
<thead>
<tr>
<th></th>
<th>Saudi Arabia</th>
<th>Kuwait</th>
<th>Qatar</th>
<th>UAE</th>
<th>Oman</th>
<th>Bahrain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expatriates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationals</td>
<td>1336</td>
<td>319</td>
<td>64</td>
<td>262</td>
<td>64</td>
<td>106</td>
</tr>
<tr>
<td>% of total labor force</td>
<td>22%</td>
<td>18%</td>
<td>8%</td>
<td>9%</td>
<td>32%</td>
<td>31%</td>
</tr>
<tr>
<td>Private sector</td>
<td>623</td>
<td>43</td>
<td>9</td>
<td>70</td>
<td>99</td>
<td>72</td>
</tr>
<tr>
<td>Public sector</td>
<td>713</td>
<td>276</td>
<td>55</td>
<td>192</td>
<td>109</td>
<td>34</td>
</tr>
<tr>
<td>Expatriates</td>
<td>4809</td>
<td>1485</td>
<td>768</td>
<td>2738</td>
<td>446</td>
<td>231</td>
</tr>
<tr>
<td>% of total labor force</td>
<td>78%</td>
<td>82%</td>
<td>92%</td>
<td>91%</td>
<td>68%</td>
<td>69%</td>
</tr>
<tr>
<td>Private sector</td>
<td>4739</td>
<td>1401</td>
<td>601</td>
<td>2538</td>
<td>423</td>
<td>227</td>
</tr>
<tr>
<td>Public sector</td>
<td>70</td>
<td>94</td>
<td>167</td>
<td>200</td>
<td>23</td>
<td>3</td>
</tr>
<tr>
<td>Total labor force</td>
<td>6145</td>
<td>1814</td>
<td>654</td>
<td>3000</td>
<td>654</td>
<td>337</td>
</tr>
<tr>
<td>% of total population</td>
<td>27%</td>
<td>61%</td>
<td>71%</td>
<td>63%</td>
<td>26%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Source: Gulf Investment Corporation, MoCS, MoL, SAMA, Qatar Statistics Authority, press survey
In Saudi Arabia “Saudization” policy was launched in 1992 but failed in its implementation. The “Nitaqat” scheme was introduced in 2011 to boost the failed “Saudization” policy. The aim of this scheme was to reduce the overall number of sponsorship visas (the residence permits known as “Iqamas”) granted to foreign workers that seek employment in Saudi Arabia, hence reducing the number of expatriates and increasing job opportunities for local citizens. The main purpose of “Nitaqat” scheme was to reduce reliance on the skilled expatriate workforce that has grown to 9.2 million at the end of 2014. Under the “Nitaqat” scheme, all private companies in the Kingdom are classified into four distinct categories: “premium”, “green”, “yellow” and “red”. This classification is based on the number of foreign workers these companies have employed and overall duration of their employment. Private companies designated as “premium” or “green” are acknowledged to have hired a significant number of Saudis into their workforce and are thus eligible to receive recognition and, consequently, benefits from the Ministry of Labor. These benefits include the sustained recruitment of expatriates together with the ability to transfer their sponsorship visas across other “premium” and “green” companies.

In the past, most hospitality and tourism companies in Saudi Arabia have been challenged to hire local citizens because of the service focus of the tasks and the low wages paid in this sector. Recently, government has put a cap of 3000 Saudi Riyal (US$800) minimum wage rate per month in all sectors of the economy. The hospitality and tourism sector has a high dependency of expatriate labour and many operations have been paying wages appreciably below the minimum rate. Most of them are now designated “red” or “yellow”. They are therefore at the risk of being deprived of sponsorship visas in the future. Companies categorized as “yellow” will be given time to increase the proportion of Saudi employees in their workforce after which they will be granted full rights to renew visas for their employees. (Ramady, 2011). However Government will refuse companies designated as “red” the ability to renew their employees’ visas irrespective of the years those companies have operated businesses in the Kingdom. The premium and green companies will also be able to ‘raid’ “yellow” and “red” companies’ workforce and be able to transfer their staff without the consent of their current employers. It is also observed that most hospitality and tourism companies run their businesses without the presence of their Saudi owners. These businesses are termed to be operating “under Saudi cover”. It is estimated that such businesses account for 99 percent of trade in black-market work visas (Burr, 20110). Unfortunately much of the black market for work visa lies within the domain of the hospitality and tourism sector. The “Nitaqat” scheme, while replacing expatriates, with locals also aims at ending this black market in the hospitality and tourism sector.

The “Nitaqat” scheme in the hospitality and tourism sector

The Nitaqat scheme came into effect in September 2011 and has since created a profound impact on employment in private industries particularly in the hospitality and tourism sector. This sector is unique in that 4.5 million religious pilgrims arrive in the Kingdom every year to perform Hajj and Umra (two main religious pilgrims for Muslims), and this number is increasing every year. Due to the growing number of the pilgrims, the hospitality and tourism sector has gone through synergistic effects and expanded to the point that it now integrates areas such as lodging, food, transportation, destinations, retailing, museums, heritage, travel agencies, recreation centers, safety and security, health and hygiene, banking, pharmacies and information systems. Colliers, (2011) forecasts indicate that the influx of pilgrims will continue growing by a yearly average of 6.7 percent, with investments growing by 12.4 percent and room availability by 7.9 percent (318,833 rooms) annually till the end of the year 2014. It is estimated that inbound tourist arrivals, both foreign and domestic, will reach 18.7 million (Business Monitor International, 2010) in Saudi
Arabia by the year 2014. As the government diversifies away from its dependence on oil, the hospitality and tourism sector is likely to be recognized as a prominent area for investment and employment. The Saudi Commission for Tourism and Antiquities (SCTA) invested in supporting 18 festivals in 2010, targeting all age groups. Such festivals will be held regularly on a yearly basis. The festivals include sports, events, entertainment, highlighting Saudi culture, and heritage activities. Heritage attractions have become so popular that 40 private museums have been licensed for establishment. To boost infrastructure, the government has invested heavily in the latest technology to showcase heritage and antiquities in the Kingdom.

The Saudi Commission for Tourism and Antiquities has publicly stated that it will support investment initiatives that come from the private sector to take precedence in establishing international quality tourism facilities and attractions. The Colliers Tourism report has represented the needs of customers in diagrammatic form (Figure below).

![Diagram of tourism customer needs](image)

The growing capacity of the hospitality and tourism sector has created employment opportunities for expatriate labor force in the Kingdom. Compared with a total number of 725,000 expatriates employed in 1975, the number in this sector has doubled nearly every decade thereafter. At the same time, the burgeoning population growth rate of 3.5 percent per annum in the Kingdom is increasing the number of unemployed youth many fold. It is anticipated that Saudi population will grow from 27 million in 2010 to 28.6 million in 2015 and 31.2 million in 2020. If opportunities for unemployed youth are not created, they could be a source of economic challenge and a cause of political agitation in the Kingdom. Such unemployed youth, male and female, may have the potential to be trained to meet the challenges of the hospitality and tourism sector. Besides the growing population, the income level in the Kingdom has also become comparable to European countries. The GDP is forecasted to grow by 21.4 percent between 2011 and 2015 to over US$18,960 per annum (Collier Report, 2011). The per capita income per annum is also accompanied by zero income tax, free education, healthcare, and grants towards the costs of higher studies, weddings and first homes. While the economic indicators of the Kingdom have risen positively, the number of unemployed youth has not fallen below 10.5 percent according to a recent report (Collier Report, 2011). Some of the main reasons attributed to explain youth unemployment...
are their reluctance to accept low paid hospitality and tourism jobs, lack of adequate education and training and the burgeoning expatriate arrivals in the Kingdom.

The “Nitaqat” scheme requires diversification of the economy on one hand and significant investment in education and training on the other. Aside from the lack of education and training in the hospitality and tourism sector, there is a need to recognize the deep rooted perception in Saudi Arabian culture of carry Previous studies have indicated that the Saudi workforce, besides being relatively less skilful and, hence, less productive, demands high salaries as compared to the expatriate workforce (Ghafour, 2015). As a result companies in the private sector, particularly in hospitality and tourism were found unwilling to hire local citizens (Al-Maeena, 2015). This dilemma became apparent when the causes of the failure of the “Saudization” plan came to light after the end of 8th National Development Plan. Following a review of the labor market during the 8th National Development Plan (UNESCO, 2012), it was revealed that, despite the growing number of Haj and Umra arrivals and the enormous growth in the number of jobs in the hospitality and tourism sector, much of the employment did not go to the local workforce. Realizing this predicament the 9th National Development Plan (Ministry of Economy and Planning, 2012) thus unveiled the “Nitaqat” scheme, promising to cut down sponsorship visas given to expatriates and reward those companies that hire local citizens.

The implementation process

Explain on the website of the Ministry of Labor, just how it is intended to be implemented in an organization, especially in different sectors has not yet been fully elaborated. For instance, an organization that has two subsidiaries that deal in different sectors will both be dealt with as separate and distinct entities. One such example, the Al-Tazij Company, a well-known food service business in Saudi Arabia has several entities (chicken breeding, chicken processing, fast-food retailing etc.). The Ministry of Labor’s website groups all such entities into four categories 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 in so as to be recognized. The number of local employees should be accessible on the social insurance database; the number of expatriates will be available from the Ministry of Interior Affairs.

Not only does the “Nitaqat” scheme differentiate entities in terms of size, it also groups them according to their sectors. The total number of sectors considered by the Ministry Of Labor is 41. The Ministry Of Labor's website (1) contains a table of these with a description for each one. These include: food, lodging, conference centers, marriage halls, catering, exhibition, museums, heritage attractions etc. The companies must identify which sector his or her business belongs to in order to calculate the percentage of the “Saudization” level they are required to reach. The “Nitaqat” scheme does not treat all businesses in the same way. The entities are further divided into 164 groups (41 sectors x 4 size categories). Each group is categorized into four areas in the “Nitaqat” scheme according to the distribution of workers between locals and expatriates. Each sector has its own required percentage of “Saudization” policy. The percentage of localization is calculated with the help of the following equation:
After the Ministry Of Labor divides the entities into these four categories, those who are the “premium” or “green” ranges will gain the benefit of obtaining permits to import expatriate workers. Furthermore, these entities will also be able to hire expatriate workers from companies that are in the non-satisfactory “yellow” and “red” ranges. These non-satisfactory companies will not be allowed to hire any expatriate workers, hence not eligible to issue visas, until they enter into the “green” range. The companies in the yellow category however, will be given a grace period of nine months while the red category are given six months in order to improve their status by hiring more locals before the deadlines or risk incurring penalties. Yellow companies will not be able to extend their expatriate employees work visas beyond six years, while red companies will not be able to renew visas at all. There are 41 classifications of employment sectors and market divisions at 164 (41 x 4). Among these 41 sector classifications, the companies are again classified 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 + (small, medium, large and big/giant). Businesses with employees numbering from 1-10 do not fall under the Nitaqat scheme.

The classification of the employment sectors and the criterion of the color coding system 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.

### Premium & Green Organizations

A company is classified under the premium or green category where it has substantially exceeded the prescribed “Saudization” requirements. The company will be able to take advantage of the following entitlements and benefits:

- Ability to renew employment permits for employees.
- Ability to obtain new visas for any profession provided that the company’s classification does not fall below green.
- Ability to recruit expatriates and change the registered profession of expatriate workers including jobs exclusively reserved for Saudi nationals except for the jobs listed in Resolution No. 50 (HR managers, government liaison officers, receptionists, security guards, cashiers and recruitment agents).
- In circumstances where a certain number of the company’s government certificates and licenses have expired (e.g. municipality permits, commercial registration certificates and Zakat and income tax certificates), the Ministry Of Labor will continue to provide services to the company for up to one year.
- Ability to recruit employees of Red and Yellow zones; and to transfer their visas without their employers’ consent (non-objection letter).
Yellow organizations: Companies classified as yellow are not in compliance with the “Saudization” requirements and will be subject to the following:

- Rejection of the company’s applications by the Ministry Of Labor for new work visas.
- The granting of only one work visa against the final exit of two expatriate employees.
- Inability to change the registered professions of expatriates.
- Inability to recruit expatriates or transfer their sponsorships.
- Authorization to renew their employees’ work permits provided they haven’t completed more than six years in the Kingdom. Such expatriate residents will be able, after 23 Feb. 2012, to leave without objection to work for green or premium companies.

Red Organizations: These are businesses which are substantially non-compliant with the “Saudization” requirements. They will be given six months to improve their status by hiring more locals otherwise they will be denied the renewal of work visas for their expatriate workforce. However these employees are able to leave without objection to seek employment from green or premium classified businesses. In addition, the red designated companies will be subject to the following:

- Inability to apply for new work visas and opening files for new business branches.
- Inability to change the registered professions of expatriates.
- Inability to recruit expatriates or transfer their sponsorships.
- Inability to renew employment permits.

Furthermore, Resolution No. 50 set out a number of additional sanctions applicable to companies that were not in compliance with the “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.
- Inability to apply for Saudi government incentives otherwise available to the private sector.

In order to evaluate the effectiveness of “Nitaqat” scheme to boost the “Saudization” policy, this study employed a two panel by which 24 events were grouped into four categories: strategy, marketing, human resource, training & education.

**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 estimate overall probability. 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. 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. The results of the probabilities are explained in terms of figures given below.

The 24 events are grouped into four different categories (Strategy, Marketing, Human Resource and Training & Education) 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**

The cost effectiveness of the strategy is an issue that must be managed well. It means organizers must not rush to the implementation without working out the appropriate price they will have to pay to replace the skilful expatriate workforce. Country's unemployment problem cannot be solved by simply replacing the expatriate workforce with the locals. Instead, three pronged strategy could help to achieve Saudization objectives—rationalizing recruitment, education and training of Saudis and increasing the cost of foreign manpower.

<table>
<thead>
<tr>
<th>Event</th>
<th>Panel Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) The Saudization strategy is well defined and its objectives for the hospitality and tourism industry are clear.</td>
<td>56.50</td>
</tr>
<tr>
<td>(2) Government guidelines for Saudization are general in nature and proposals for its implementation are fairly flexible.</td>
<td>64.47</td>
</tr>
<tr>
<td>(3) To be successful in the tourism and hospitality industry, the Saudization strategy should not be implemented too rapidly</td>
<td>69.78</td>
</tr>
<tr>
<td>(4) The Saudization strategy is justified on the basis of national interest.</td>
<td>80.58</td>
</tr>
<tr>
<td>(5) There must be a degree of flexibility regarding implementation of the Saudization strategy in the hospitality and tourism industry to ensure an efficient transition from an expatriate to a local workforce.</td>
<td>80.38</td>
</tr>
<tr>
<td>(6) The Saudization strategy is likely to be cost effective for the hospitality and tourism industry..</td>
<td>51.32</td>
</tr>
<tr>
<td>(7) The quota system of the Saudization strategy will hamper the growth of the hospitality and tourism industry.</td>
<td>53.85</td>
</tr>
<tr>
<td>(8) The quota system of the Saudization strategy will lead to a decline in the standards of service delivery.</td>
<td>55.23</td>
</tr>
<tr>
<td>(24) Labour market policies for the hospitality and tourism industry need to be developed in line with the objectives of the Saudization strategy.</td>
<td>78.91</td>
</tr>
</tbody>
</table>

**Figure 1. Events Related to Strategy Issue**
As shown in the bar chart above the event 15 has the highest response rate among all the events in the subject group.

**Marketing**

Figure 2 shows that marketing is directly related to the strategy and the work force and this is normal. The setting up of small and medium size hospitality and tourism businesses is encouraged by the survey with 67 percent agreeing on this event. A free enterprise in the hands of the self employed, especially in small and medium size businesses, could be a seed to create job opportunities rather then replacing the expatriates. The retail marketing sector, especially the gold and jewelry sector, is appalling conditions in terms of service. The main reason for the poor service is work ethics and lack service culture.

<table>
<thead>
<tr>
<th>Event</th>
<th>Panel Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>(9) Gold and jewelry markets attract foreign visitors and are therefore likely to be a sector in which the Saudization strategy will be successful.</td>
<td>53.18</td>
</tr>
<tr>
<td>(18) The Saudization strategy will encourage the setting up of more small and medium sized hospitality and tourism businesses if it is successful.</td>
<td>66.95</td>
</tr>
<tr>
<td>(19) Saudi Arabian work ethics and culture are barriers to the success of the Saudization strategy in the hospitality and tourism industry.</td>
<td>63.59</td>
</tr>
</tbody>
</table>

![Pie chart showing probabilities](image)

**Figure 2. Events Related to Marketing Issue**

The figure given above shows that event 24 has the highest response rate among the entire events in the subject group. These events belong to marketing.

**Human resource**

The figure given below shows that event 1 has the highest response rate among the entire events in the subject group. The probabilities are shown in the pie chart.

<table>
<thead>
<tr>
<th>Event</th>
<th>Panel Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>(15) It is necessary to improve the English language proficiency of the hospitality and tourism workforce in Saudi Arabia.</td>
<td>86.37</td>
</tr>
<tr>
<td>(16) The establishment of the Human Resource Development Fund (HRDF) has proved helpful in the implementation of the Saudization strategy.</td>
<td>57.08</td>
</tr>
<tr>
<td>(17) The Saudization strategy will be more productive in the hospitality and</td>
<td>59.20</td>
</tr>
</tbody>
</table>

Openly accessible at [http://www.european-science.com](http://www.european-science.com)
tourism industry if it is implemented at the grass roots level, rather than the middle and top levels of management.

(20) Adoption of the work ethics of the West, in combination with Saudi Arabian culture, would improve the quality of the Saudi Arabian hospitality and tourism industry workforce.  71.10

(21) The Saudi Arabian hospitality and tourism industry workforce does not like taking orders or instructions, especially from female supervisors.  66.41

(22) Women are not well represented in the hospitality and tourism industry workforce, especially at a supervisory level, and therefore cannot play a significant role in the Saudization strategy.  67.59

(23) Streamlining of the hospitality and tourism industry is one of the requirements for joining the World Trade Organization (WTO) in 2005.  50.20

Figure 3 Human Resource

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

Figure 4 Training and Education

Through these charts we have shown the response probabilities of the 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 1, 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 outlook

Most companies have started hiring locals, even if they are unqualified. Some of them have begun hiring less qualified or even unqualified locals to get away from the red category simply to fill positions. Most firms are now hiring locals with nominal salary package, demanding that they only show up and register their names in the daily attendance sheet without doing any work and get paid. Though this causes huge losses to such companies, they however want to prove that they appear on the right side of the law. However, some businesses have 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 SR3, 000 (US$800) to SR4, 000 (US$1065).” Such a long-term strategy program was considered better than hiring unqualified locals to implement the “Saudization” policy.

One of the foremost issues with this program is the fact that firms are resorting to hiring under qualified or unqualified locals, just to achieve the required quota and the percentage of “Saudization”. This trend is harming the economy and damaging the morale and business ethics in labor market. The hiring of unqualified or proxy employees will not have any benefit in long term. One way to overcome this dilemma is hiring for full-time employment, training them for long tenure and instilling in them the ethical values.

Besides, the “Nitaqat” scheme itself raises strong ethical issues regarding human rights. It is observed that expatriate workforce is the party that suffers the most out of this scheme. If the employer is in red zone, the employee ends up paying the price. His residence permit is delayed or cancelled due to the red tape of the government. If the residence permit is delayed, his bank account is frozen. He therefore cannot operate his bank account till he receives the renewal of his residence permit. Such a delay could be months or a year. There is no justification for the employee to be punished for employer’s mistakes. Most expatriates working in the hospitality and tourism sector are facing such a dilemma.

One might provide a counter argument that the “Nitaqat” scheme grants increased mobility to expatriates to move from one employer to another. In that way, those who are employed by organizations in “red” and “yellow” categories could move to “green” and “excellent” ranges (Arab News, June 6, 2011). However, in pursuit of this objective an expatriate worker has to face at least four conditions. Firstly, the employees must prove his stay of six years in the Kingdom, secondly, he must prove he has completed at least two years of continuous work with the company that he intends to quit, thirdly, the transfer is after the expiry of work permit and fourthly, his employer is in “yellow” or “red” category at the time of application.

The black market of illegal visa and the proxy employee business are abundant in hospitality and tourism sector. The proponents of “Nitaqat” scheme claim that some 3 million expatriates are not needed in the labor market, especially in the hospitality and tourism sector. If the Ministry of Labor takes strict action to implement “Saudization” policy through “Nitaqat” scheme and is judicious and consistent it can end the black market for back door visas.

The general consensus indicates that “Nitaqat” scheme is viewed as a potential success. A recent survey that was done by the Eastern Province’s Chamber of Commerce in 2011 showed that an excess of 50 percent of Saudi businessmen were optimistic about the “Nitaqat” scheme and

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1 Abdullah Al-Alami, “Nitaqat is the name of the game”, Arab News, April 23, 2012 pp. 13.

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believed that it will contribute to increased job creation. In fact, 63.52% of the total sample of 392 businessmen agreed that “Nitaqat” scheme will assist in lowering the unemployment rate in the Kingdom. 25.26% disagreed, and 11.22% were unsure (Saudi Gazette, September 4, 2011)

**Conclusion**

This paper has reviewed the labor market policy in hospitality and tourism sector in Saudi Arabia in the light of Eighth and Ninth National Development Plans focusing on the “Nitaqat” scheme as a way to boost the “Saudization” policy in order to replace expatriates with local citizens. It was established that the “Nitaqat” scheme will have a considerable impact to the Kingdom’s labor market both in the short term and in the long term. While the Kingdom’s earlier developmental policies were adopted to reduce the reliance on an expatriate labor force, the “Nitaqat” scheme however, aims at overhauling the labor market in such a manner that the bulk of jobs go to unemployed local citizens in the hospitality and tourism sector.

The objective of using methodology was to find which group among the four has the highest percentage of response rate.

In chart 1, the strategy group shows that it has the major interest among the rest of the group in the “Saudization” policy and “Nitaqat” program. 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.

Some critics argue that such Nitaqat to boost Saudization policy is highly ambitious scheme. It might create a disastrous effect on productivity and turnover in the hospitality and tourism sector. It also might demoralize the expatriate labor force. The hospitality and tourism being a service sector requires a worker to take and carry out orders which typically does not sit well with the established Saudi traditions. Moreover, the jobs in this sector are low paid which conflicts with the demand by the local workforce for high paying jobs. Saudi authorities therefore should be cautious with policy implementation to ensure it does not reduce the quality rendered by the hospitality and tourism sector by replacing expatriates at random. When replacing the jobs of expatriates with the locals, it is important for authorities to focus on vocational and education training along with encouragement of investment in hospitality and tourism sector.

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