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Labour market localisation policies and Organizational Responses: An analysis of the aims and effects of the Saudi Nitaqat reforms

Abdulrahman Basahal*, Chris Forde, Robert MacKenzie*****

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*** Faculty of Economics and Administration**
King Abdulaziz University
Saudi Arabia

****ESRC Digital Futures at Work Centre (Digit) and CERIC, Leeds University Business School, UK**
cjf@lubs.leeds.ac.uk

*****Karlstad University, Sweden**

Abstract

Purpose – The aim of this paper is two-fold: (1) to understand the degree to which the intended outcomes of Saudi's Nitaqat labour market policy correspond to the actual responses from private companies, and (2) to investigate how these gaps between policy intentions and actual outcomes have informed recent changes to Nitaqat policy.

Design/methodology – The paper uses a qualitative approach with case study design and thematic analysis procedures. Data were obtained from three sources: (1) semi-structured interviews completed during the early stage of Nitaqat in 2013-2014 with nine policy makers and 44 key stakeholders from six private Saudi companies, (2) policy documents and grey literature on the aims and effects of the Nitaqat program, and (3) available peer-reviewed literature on the subject.

Findings – The paper sets out and analyses the four main goals of Nitaqat: (a) to increase the Saudi national employment rate, (b) increase company efficiency, (c) improve HR capabilities, and (d) increase female labour participation. The paper reveals that whilst Nitaqat has certainly resulted in positive change in some of these areas, in other areas there remain gaps between the intentions and actual effects of Nitaqat. The paper analyses recent changes to Nitaqat and argues that further changes may be needed to achieve the full goals of Nitaqat.

Originality – The paper's originality lies in its analysis of the aims of labour market policies and organisational responses. It highlights the reasons for disconnects between policy aims and organisational practice and explores how policymakers react and respond to these implementation gaps.

Keywords Labour market regulations, Nitaqat, organisational responses, policy outcomes, Saudi Arabia

Paper Type Research Paper

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1. Introduction

There is much interest in the fields of management and organisational studies in the linkages between the design and goals of labour market policies and firm-level responses. Policies and labour market regulations can be ambiguous, poorly articulated or can suffer from implementation problems. Organisational responses can be much more varied than envisaged by policy makers (Greening and Gray, 1994; De Zwart, 2015; Hudson *et al.*, 2019). Understanding how and why responses vary from those anticipated can provide important insight for management and organisational scholars, and policy makers, yet there remains relatively limited research analysing how organisations respond to specific policy initiatives.

This paper provides insights as to the responses of private sector firms to an important set of labour market reforms introduced by the Saudi Arabia Government in 2011 (Nitaqat), These reforms were designed to impose quotas for employment of Saudi nationals, thereby increasing the employment rates of local workers and reduce the reliance on foreign workers.

Labour market policies to 'localise' workforces have been implemented in many Gulf countries over the last 20-30 years, with varying degrees of success (Al-Horr, 2011; Forstenlechner, 2010; Waxin and Bateman, 2016). Some have pointed to the over-ambitious or unrealistic aims of many localisation programmes yet the specific constraints and challenges faced by employers in adjusting to the demands of localisation remain underexplored. The specific aim of this paper is two-fold: firstly to understand the degree to which the intended outcomes of Saudi's Nitaqat labour market policy have been met by actual responses from private companies, and secondly to investigate how these gaps between policy intentions and actual outcomes have informed recent changes to Nitaqat policy.

Focusing on Nitaqat as a case study is interesting for two main reasons. First of all, the policy applies to all private firms in Saudi Arabia who employ more than ten people, making it one of the broadest of all quota-based employment policies implemented worldwide (Peck, 2017). Secondly, Nitaqat has been known for being particularly rigorously enforced and carefully monitored, with few loopholes (Ramady, 2013). This makes it a useful and important case for identifying whether anticipated policy impacts at the firm level can be realised in practice.

The paper is organized as follows: first, a thorough overview of the Saudi labour market, its implications for the local economy, and the specific Nitaqat regulations are provided. This is followed by a description of the methodology adopted in the study. The findings from the study are then presented in the form of four themes. Each theme discusses a particular anticipated policy outcome and seeks to bring clarity as to whether that goal has been satisfied, and what the implications have been for Nitaqat policy changes. The ramifications of the results are highlighted in the conclusion.

2. Literature Review

2.1. Localisation: rhetoric and reality

Labour market policies to increase employment of home workers and reduce reliance on foreign workers have been used widely in a range of countries in the Gulf region, often stimulated by concerns over low employment rates of home workers, high levels of unemployment, and broader plans to increase economic growth (Forstenlechner, 2010; Waxin and Bateman, 2016). Policies to achieve greater localisation can involve restrictions on the use of foreign labour, financial incentives for firms to encourage their employment of home workers, and the implementation of 'quotas', either as targets or formal requirements for firms, monitored and enforced by the state (Peck, 2017; Ramady, 2013; Thiollet, 2011).

The success of localisation programmes in many countries has been limited., with localisation targets are not met in practice (Al-Waqfi and Forstenlechner, 2010). Some have argued that the targets of localisation are often unrealistic, being difficult or impossible to achieve within the time period expected (Williams et al., 2011). Alternatively, it has been suggested that policy makers do not monitor or enforce localisation initiatives effectively, or provide organisations with the support they require to achieve their goals (Forstenlechner, 2010; Salih, 2010).

In Saudi Arabia, localisation agendas have been been implemented at various points since the 1990s (Forstenlechner and Rutledge, 2011). Saudi Arabia hosts the third largest migrant populations in the world (ILO, 2019). In mid-2020, 8.2 million people out of an employed workforce of 11 million (74.5%) were foreign workers (ILO, 2020; Maisel, 2018), with the concentration of foreign workers particularly strong in the private sector where they have consistently constituted nearly 90% of the workforce (ILO, 2020). This immigration trend to Saudi Arabia started in the early 1970s and was initially driven by the development of the oil economy (Thiollet, 2011). Though initially welcomed with open arms, the late 1990s marked a drastic change, with policies and regulations implemented to try and reduce the country's reliance upon foreign workers. However, poor design and weak enforcement of these policies resulted in limited success in curbing the unemployment rate of Saudi nationals in the first decade of the 2000s (Koyame-Marsh, 2016). In addition, issues such as a lack of Saudi skilled workers and unattractive wages and working conditions in the private sector allowed the situation to persist (Alhamad, 2014).

In response to these weak policies, a new localisation policy, Nitaqat (meaning 'bands' or 'zones'), was implemented in 2011. Like earlier localisation initiatives, this initiative sought to reduce the reliance of firms on foreign workers, and distinguished itself from earlier localisation regulations by setting out clearer quantitative quota targets for firms, with penalties for non-compliance and incentives for meeting requirements (Saudi Hollandi Capital, 2012). Nitaqat placed employers in various colour-coded classifications based on the percentage of Saudis they employed. A noteworthy difference between previous Saudization policies and Nitaqat was that whereas the former required all private companies to reach a Saudization quota of 30%, irrespective of size and economic activity, the latter policy prescribed different targets based on industry and size category. This was seen as a more granular policy, with potentially a greater chance of success (Peck, 2017).

Localisation rates were (and remain) calculated by the Saudi Ministry of Labour, who collect counts of Saudi and expatriate employees, as well as counts of employees in other targeted groups such as those with disabilities, ex-prisoners, and citizens of other Gulf State countries. Compliant companies will find themselves to be in the Platinum or Green zones, while companies in the yellow and red zones are non-compliant. Specific incentives or penalties are linked to each zone, with companies in the red zones experiences the most restrictions on their activities, notably their abilities to obtain foreign worker visas, and their access to state level support and subsidies (Saudi Hollandi Capital, 2012).

3. Methodology

The study used a qualitative approach with case study design and thematic analysis procedures. Case study research often involves the use of multiple sources of data to enhance the quality and strengthen the validity of the study (Cassell *et al.,* 2006). To this effect, data for this research were obtained from three sources: (1) individual face-to-face semi-structured interviews with nine policy makers and 44 key stakeholders from 6 private Saudi companies in retail and manufacturing, (2) policy documents and grey literature about the Nitaqat program, and (3) available peer-reviewed literature on the subject.

The interview data was collected in two phases between 2013-2014, by means of two separate interview protocols. The interviews sought explicitly to capture the private sector's early responses to the Nitaqat regulations, and to explore how these compared to the aims of the policy. In the first phase, nine in-depth interviews were carried out with key government officials responsible for the design, implementation and monitoring of Nitaqat. An additional 44 interviews were conducted in a second phase – this time with key stakeholders from six private sector companies that operate in different industrial sectors. Basic details of these six companies are listed in Table I below.

Interviews were conducted in Arabic, transcribed, and then translated into English; the initial translation tried to keep the idiomatic nature of the Arabic and was used to code the responses (Santos *et al.,* 2015). Key themes were identified through thematic analysis. Policy documents, and available peer-reviewed literature were used to provide further context, evidence, and clarification, as well as shed light on today's dialogue between the policy and the private sector.

The specific analysis technique that was deployed was the six-step thematic analysis approach as defined by Braun *et al*. (2019). The six steps are: familiarization with the data, generating coding, constructing themes, reviewing potential themes, defining and naming themes, and producing the report. Practically, the researcher first read and re-read the transcripts to get familiar with the data. Next, codes were assigned to text fragments that represented a particular idea. This process continued to a point where no new codes or concepts could be identified. Following coding, connections between different codes were identified as categories. Similar categories were then gathered under subthemes and themes. In a fourth step, the researcher re-examined the emergent categories against the data to make sure they accurately represented the data.

TABLE I

The second and third elements of the research involved an analysis of policy reports and grey literature, as well as academic research into the effects of Nitaqat. This part of the research allowed for an exploration of the longer-term effects of Nitaqat and organisational responses beyond the period when primary data were collected.

4. Findings

4.1. Increasing Saudi employment

The first intention of Nitaqat was to increase the employment rate of local Saudi men and women in the country. The programme, introduced in 2011 was initially successful, with an additional 96,000 Saudi workers recruited by private sector firms over the initial 16-month period. However, with the continuously growing labor force due to the large influx of young job seekers, statistics have shown that as Nitaqat has developed, it has merely managed to keep the unemployment rate of Saudi nationals more or less stable, rather than decreasing it, and increasing the employment rate (Cortes *et al*., 2020; STATISTA, 2020). In evaluating the effects of Nitaqat on employer actions, two elements of Nitaqat are worth highlighting and are discussed in more detail below. First, the system of Nitaqat rewards and penalties for private companies and secondly, the introduction of minimum wages.

With regards to the rewards and penalization system, the strict regime of compliance was a source of stress and concern for organisations, especially at the outset of Nitaqat. The Nitaqat regulations clearly outlined that non-compliant companies would no longer be able to count on financial support from the government or be able to re-apply for expatriate visas. On the contrary, they could risk being fined or even forced to close their doors if not reaching Nitaqat quotas.

Many private companies had hired more Saudi nationals under Nitaqat. Indeed, all six case study firms interviewed in had been able to move into the ‘compliant’ Platinum and Green zones by 2013 (see Table II). Yet, it is important to nuance these findings. Statistics have shown that many other companies have not met these targets. Indeed, according to statistics released by the Ministry of Labour, the programme caused 200,118 private sector companies (11.1%) out of 1.8 million companies operating in Saudi Arabia to cease trading during the first two years of implementation (Arab News, 2014) due to the short window period between the announcement and implementation of Nitaqat, and driven by close state monitoring and the threat of heavy fines for non-compliance (Peck, 2017). As such, it was not surprising to find that various interview participants reported experiencing high levels of stress during the first few years after Nitaqat had first been announced:

> It became a nightmare for me, every time I pass by a traffic light it reminded me of my company situation and how to bring our company to the green zone. (Administration and Government Affairs Manager, Pharmacy Co)

TABLE II

In light of the above statistics that demonstrate that Nitaqat had initially resulted in high levels of private sector company liquidations, some changes to Nitaqat were announced and implemented after 2014. They aimed to facilitate the transition from non-compliant to compliant zones for private sector companies. Indeed, whereas under the initial Nitaqat regulations a Saudi employee needed to be employed for at least 13 weeks before a company could include them in their Saudization score, the new rule installed a more ‘gradual’ calculation method whereby for every newly hired Saudi, an employer would accumulate 3.84 percentage points (or 0.038 of a unit in Nitaqat) on a weekly basis for a period of 26 weeks, after which the full 100% accumulation ranking (or full unit reward) would be rewarded, provided that the Saudi national was still employed by the same firm. A similar method was also applied for Saudi nationals leaving a company, with a proportion of Saudisation quota accumulation continuing for a period after termination.

The aim of these subsequent changes was to help private companies in accumulating points faster when hiring a new Saudi local, while at the same time delaying the loss of Nitaqat points when losing a local employee. In essence, it was anticipated that these adaptions would make it easier for companies to transition towards employing more workers that counted towards Saudisation targets, allowing them also to receive government incentives which would then further encourage their hiring of Saudi nationals. Although these policy changes certainly facilitated this transformation for some companies, it is also important to recognize that these changes did not result in positive change for all yellow and red zoned companies.

One plausible reason for some of these companies not having been able to move to the compliant zones relates to the challenges of hiring qualified Saudis. According to Peck (2017) this could be attributed to both demand and supply side factors. Saudi workers were less likely to possess the required skills, work experience, and education because of their traditionally low engagement with the private sector. At the same time, private companies had relatively limited access to local referral networks because of their low Saudization rates, which further hindered the smooth recruitment of local workers (Peck, 2017). Other labour market initiatives, running simultaneously with Nitaqat, may not have provided the workforce skills and labour market conditions to ensure Nitaqat could be a success. These included unemployment support programmes ("Hafiz"), job fair programmes across the country to facilitate job interviews between employers and Saudi job seekers ("Liqaat"), and programmes designed to help match unemployed Saudis with private companies ("Taqat").

The most recent changes to the Nitaqat quota calculation method date from 2019 have reversed some of the 2014 changes, resulting in an end to the 26-week period (for compliant firms) over which Nitaqat points are gradually added or subtracted upon hiring or losing an employee (Fragomen, 2019). This change is expected to cause more unexpected fluctuations in an employer's Saudization levels. On the one hand, the adapted rule means that an employer would be eligible more quickly for block visa applications, on the other hand, losing an employee could lead to preventing the employer from applying for a block visa approval and may result in them not being able to renew work permits for those foreign workers that they do use (Fragomen, 2019).

A second governmental action which has contributed to Saudi's local employment rate concerns the regulations around the minimum wage, which until September 2012 were non-existent. Minimum wage regulations, implemented as part of Nitaqat required employers to pay Saudi nationals a minimum of 3000 SAR per month in order for them to be counted as a full Saudi employee in their employer's Nitaqat score (Arab News, 2013). In setting this policy, the government aimed to make the private sector more attractive to local workers. According to Alhamad (2014), this goal has been partially reached since he found that guaranteed higher pay has made more Saudis want to work in the private setting. However, these regulations seem to have had limited impact as the private sector remains almost completely dominated by expats (ILO, 2020). In an attempt to change these statistics and draw more local workers to the private sector, the government has recently raised the minimum wages for local Saudis even further (4000 SAR) (Abueish, 2020). The implications of these recent changes for the country's unemployment rate are yet to be determined.

4.2. Increasing Company Efficiency

Although Nitaqat's primary goal has always been to increase employment levels of Saudi nationals, policymakers interviewed explained that the regulations also sought to satisfy other more subtle, and perhaps less measurable goals, notably increasing company efficiency. Policymakers hoped that employers' increased labour costs as a result of regulations around minimum wages would incentivise private firms to invest in capital-intensive production; i.e., technology and automation. Until September 2012, Saudi Arabia indeed had never had a minimum wage and private employers' labour costs were relatively low. As a result, investing in technology and automation were low priorities. With the first minimum wage regulations (see previous section) for Saudi nationals being implemented in the first half of 2013 (Arab News, 2013), policymakers hoped to positively impact private firms' decisions with regards to automation and technology investments.

With private companies being forced to replace some of their cheaper foreign workers with more expensive local workers - and thus with their average labour cost increasing - the expectation was that firms would be inclined to reassess their long-term use of capital and labour:

> We expect Nitaqat to strangle the supply of cheap foreign workers and hence encourage new and existing business to move toward capital-intensive production. (Senior Official at Ministry of Labour)

However, interview participants seemed to suggest that only those companies who already found themselves to be in the platinum or green zones were able to satisfy the government's expectation to implement automation solutions because of the incentives given to them for their satisfactory Saudization rates which enabled them to make more long-term investments.

> Automation is one of the solutions to reduce the reliance on expatriate casual labourers (…). Although casual workers are much cheaper than automation, the issue is not the cost; our main concern is that the government has tightened the supply of expatriate casual workers through very strict regulations and heavy inspections and may continue to do so. (CEO, Sugar Mills Co)

In contrast, companies with low Saudization levels were not incentivised but, quite the opposite, penalised for their non-compliance. This reality, in turn, increased their overall costs and provided them with less flexibility to invest in long-term capital-intensive production. Instead, these companies seemed to be more inclined to concentrate on the immediate challenges of meeting formal quota requirements by replacing foreign workers with local Saudi workers.

Private companies argued that local Saudis were mostly employed in low skill jobs because of their lack of experience and skills. This provides an additional explanation for why many companies have not moved to the adoption of automation. Technology is indeed known for replacing low-skilled job roles, and since many employers filled these positions with Saudi nationals in an attempt to comply with Nitaqat, implementing automation may have made Nitaqat compliance even more difficult.

However, this 'simple' solution of replacing foreign workers with Saudi nationals seems to have had little or no impact on company efficiency. Indeed, some studies have argued that

Nitaqat has in fact decreased the efficiency and productivity of many companies as the increased labour costs and Nitaqat non-compliance penalties have inhibited company growth for many yellow- and red-zoned companies (Peck, 2017).

In addition, it is worth noting that strict rules and large-scale deportations of foreign workers have led to an increase in numbers of relatively highly paid unskilled Saudi workers in the labour force, a problem that may have long-lasting effects on a company's efficiency (Alhamad, 2014; Cortes *et al*., 2020). This in combination with recent announcements about a further increase of the minimum wage from 3000 SAR to 4000 SAR – both for Saudi nationals and expats (Arab News, 2020; Saudi Gazette, 2020) – may decrease average company efficiency even further. As such, it seems that the policy alone may be unable to encourage the adoption of automation in the private sector.

4.3. Increased Investment in HR Capabilities

With government incentives for Nitaqat compliance and more competition for the best possible local talent, Nitaqat policymakers initially expected that private companies' Human Resource (HR) capabilities would automatically increase – especially in the platinum- and green-zoned firms who are more likely than yellow and red firms to have existing HR capacity in place to allow them to adjust and embed their recruitment, selection, training, pay and reward systems. Indeed, policy makers anticipated that compliance with Nitaqat would simply necessitate investment in HR by firms to remain competitive:

> We anticipate that those companies who invest in HRM infrastructure will survive and those who do not will face problems and instability. (Senior Official at the Ministry of Labour)

The case studies suggest that these expectations have been partially met as Nitaqat has indeed encouraged some firms to enhance their HR capabilities to attract the best possible local talent. Steel Co's HR manager, for example, explained that since Nitaqat they have invested much more in their HR capabilities in the sense that they now conduct thorough analysis and screening of the local market before considering employing foreigners.

> Nitaqat has made us think twice to rationalize our decision when we apply for expat visas; it involves priority analysis and screening the local market supply very carefully. (HR Manager, Steel Co)

Other firms such as Sugar Mills Co had specifically invested in their upskilling and training capabilities. Specifically, this company reported to have invested in the creation of progression ladders to try and provide a fast-track promotion route to managerial levels for high-performing Saudi employees. However, interview data suggested that these capabilities remained underdeveloped and full improvements would take time.

An important note to add is that the history between a company and the government played an important role in predicting whether or not an employer will invest in its HR capabilities. In this regard, the HR director of Sugar Mills Co explained that their approach to recruiting Saudi nationals was in part to reciprocate for a grant they had received from the Saudi state in the period 2005-2010:

> Because we have received around USD 700,000 to enhance localisation, and we injected this money in the employment and training of locals. I would say in that period we invested in localisation not because of the laws but to repay the government of the favour they gave to us. (HR Director, Sugar Mills Co)

Regardless of the above findings, the results suggested that not all Nitaqat-compliant companies have invested in their HR capabilities. Indeed, although subsidies paid to those firms that met quota requirements were designed to be used to improve training and development; interviewed policy makers revealed that in practice, firms had often used these to offset the costs of higher wages.

Some possible explanations for this misuse of incentives were mentioned, including the lack of properly skilled local talent and the widespread talent poaching that occurred amongst firms in the private sector. The first explanation can be found in the lack of skilled Saudi locals in relative comparison to foreign workers. As noted by interview participants, some specific skillsets were in particularly short supply, and constrained firms' abilities to replace foreign staff with Saudi workers. Pharmacy Co, for example, was originally looking to recruit trained Saudi pharmacists but found a very limited supply of local talent in the external labour market, with the majority of pharmacy graduates opting to work in the public sector due to higher pay and better working conditions. Fast Food Co recalled a similar issue and explained:

> [There is a limited] supply in the Saudi labour market of well-experienced supervisors and restaurant managers because these jobs are historically filled by non-locals' [Regional Recruitment manager, Fast Food Co]

This lack of skilled locals has been echoed in other evaluations of the Saudi localisation policy (Alshanbri *et al.*, 2015; Peck, 2017). According to a report published in 2019 by the OECD, education levels among Saudis indeed remain low, with 43% of Saudi adults still not having an upper secondary education (OECD, 2019). As such, the local pool of skilled workers is relatively small and instead of replacing their foreign highly skilled workers, many companies have managed to fulfil the quantitative Nitaqat quota by hiring locals for roles that require minimum training.

'Talent poaching', referring to the idea of gaining workers from another company (Taghawi-Nejad, 2015) and was seen by some interview participants as a strategy to enable them to quickly move into a higher Nitaqat zone. Pharmacy Co, for example, reported that in order to comply to the Nitaqat requirements, they had deliberately created a new role of beauty consultant in its stores and recruited already trained Saudi staff from competitor firms to fill these positions. This strategy was a source of frustration among those firms that did invest significantly in systemic training and development but found that other firms were poaching some of their trained Saudi staff:

> Other companies when they found themselves in yellow and red after the implementation of Nitaqat, poached our trained operators and technicians by offering higher salaries or upgraded jobs at supervisory levels. (…) This is a major factor of turnover. (Resourcing Manager, Sugar Mills Co)

Interestingly, this strategy, in fact, seems to be implicitly encouraged by Nitaqat as the regulation allowed employees – for the first time ever - to take on new employees without obtaining consent from the previous employer. Previous work on the subject has shown that this strategy has been especially applied by companies who find themselves in the lowest tiers of Nitaqat (yellow and red), as a way to compensate for their inability to train their own staff due to budgetary reasons. This approach does not only discourage platinum and green firms from investing in their local staff, but also provides an opportunity for red and yellow firms to spend their resources in other ways.

4.4. Increasing Female Employment

A fourth anticipated goal of Nitaqat was to increase female employment. Policymakers anticipated that increased competition for male Saudi workers under Nitaqat requirements would force firms to look to recruit more women, thereby increasing overall female participation in the labour market. To a certain extent, this intention was met as some companies have indeed made significant use of the available female workforce and have regarded the inclusion of female Saudi workers in their company as a way to comply to Nitaqat.

At Glass Co, for example, the use of female workers had become a central feature of the firm's HR strategy. Prior to Nitaqat, Glass Co employed female labour in low-skilled packing and glass decoration areas, and the company increased numbers further after Nitaqat. By 2013, one-third of its workforce comprised of local workers, with 75% being female.

However, the company deliberately hired women almost exclusively for the lower positions, while keeping the higher roles reserved for expatriate workers. Although this strategy enabled the firm to meet the quantitative requirements of Nitaqat relatively straightforwardly, opportunities for women to progress and develop in the firm were very limited, and turnover levels for female staff were high, with likely detrimental consequences for longer-term retention of staff. The recruitment officer stated an analogy to reflect on the situation as:

> The CEO or the administration manager think if they fill the cracked water tank every day (by new women recruited in packing jobs), things will be fine, but they don't know or ignoring the fact that Nitaqat has widened and still widening the crack (turnover). At any time, the whole tank could break. Sooner or later the crack has to be fixed [Recruitment Officer, Glass Co].

Although, as illustrated above, some companies have been able to make use of Saudi female workers to fill their Nitaqat quotas, other interviewees noted that this policy goal has proven to be difficult to satisfy due to a long history of limitations on mixed-gender workplaces and restrictions on employing females in customer-facing roles. Furthermore, some aims, particularly around female participation, were subject to ongoing contestation and negotiation between the state and religious authorities. With this in mind, most interviewees explained that integrating women in their labour force would require significant investments from the company, as Saudi labour law requires that women have physically separate work-spaces and facilities from their male colleagues (Peck, 2017).

Some firms had altered their workplace structures significantly to resolve these gender-segregation issues; for example, Fast Food Co specifically invested in the setup of a call centre to handle telephone orders and staffed this department with female workers only. Glass Co developed a separate packing and distribution unit wholly staffed by Saudi women, and Homes Co worked with specific male-only and female-only shifts. However, these solutions require certain investment and resources which are not always readily available to private companies.

> It would mean redesigning the workplace, with its facilities to get approval from the official bodies… currently, we don't have the capacity to do so. (Manpower Planning and Resourcing Manager, Pharmacy Co)

Of all participating companies, Fast Food Co was the most progressive company with integrating mixed-gender working into their outlets. This solution involved dual negotiations both with the Ministry and Labour and the religious authorities. Their HR Director played a vital role, using existing HR capabilities in the firm, along with 'sensing' and 'seizing' skills (Garavan *et al.*, 2016) to implement change. Indeed, today, mixed-gender workplaces are more common. Due to significant social and economic emancipatory reforms that have been implemented since 2017 (Tlaiss and Al Waqfi, 2020; Ulrichsen and Sheline, 2019) the number of mixed-gender working environments has been increasing – especially in the private sector. These reforms seem promising and may assist Nitaqat in its goal to further increase Saudi labour participation of female nationals.

5. Conclusion

The aim of this paper was two-fold: firstly to understand the degree to which the intended outcomes of Saudi's Nitaqat labour market policy have corresponded with the actual responses from private companies, and secondly to investigate how these gaps between policy intentions and actual outcomes have informed changes to Nitaqat policy. Four specific identified policy aims were discussed: decreasing the Saudi national unemployment rate, increasing company efficiency, improving HR capabilities, and increasing female labour participation.

Overall, our results suggest that while Nitaqat has certainly instigated positive change, there remains room for improvement. In terms of positive impact, we argue that Nitaqat has at least been partially successful in terms of decreasing the national unemployment rate and stimulating female labour participation in the country. With reference to decreasing national unemployment, Nitaqat had initially resulted in a large number of liquidations in the private sector (Arab News, 2014), but was able to change things around for many companies due to policy changes that sought to facilitate compliance. Yet, there remains room for improvement as our results implicate that a lack of qualified Saudis in combination with poor referral networks, an increased labour cost , and high non-compliance penalty fees have functioned as significant barriers to the employment of more Saudi nationals in the private sector.

With reference to the policy's goal to stimulate female labour participation, we find positive results as it seems that the employment of Saudi women is steadily increasing. Taking into account that recent social and economic emancipatory reforms have facilitated the influx of women in the Saudi labour market and private companies are increasingly starting to employ these women, it might be envisaged that there will also be further success in terms of this policy goal in the near future.

In terms of increasing company efficiency and HR capabilities, the findings suggest that Nitaqat has been less successful. This is due to some unforeseen circumstances that have negatively impacted both compliant and non-compliant companies. With reference to HR capabilities, our findings suggest that some companies have been able to invest in their HR capabilities and this strategy has helped them to acquire good local talent. However, most companies have not been able to make HR capabilities improvements due to unavailability of the required resources for HR improvement, and also the reality that companies can still comply without the investment in HR capabilities. Only the most compliant companies who had received government support in the past seem to have invested in their HR capabilities; however, lack of properly skilled locals and the act of talent poaching have proven to be significant barriers – even for these companies. As such, the results suggest that HR capabilities in most private companies remain underdeveloped – against the government's expectations.

In terms of efficiency, our results suggest the least progress. Indeed, for compliant companies, we find that companies' efficiency and implementing capital-intensive production solutions has apparently not been affected by the policy directly.

In summary, we find that there is high potential for the further success of Nitaqat, provided that the policy is supported by other regulations that can counteract some of the problems highlighted in this paper. For example, large-scale training programs for Saudi nationals and programs that effectively link work seekers to employers may further instill positive change. It would be interesting to investigate the feasibility of such programs, and we recommend more research in these areas.

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Table I: Case study details

Private Sector Firm Name	Firm details (2010, pre-Nitaqat)
Pharmacy Co	Pharmacy Retail Chain, 700 retail stores in Saudi Arabia 4,000 employees, 4% Saudi workers
Fast Food Co	Fast Food Retail Chain, 180 outlets in Saudi Arabia 7,500 employees, 6% Saudi workers
Homes Co	Flooring and Furniture Retail Chain, 57 stores in Saudi Arabia, 1,255 employees, 15% Saudi workers
Glass Co	Glass Manufacturing firm, single plant 897 employees, 17% Saudi workers
Steel Co	Steel Manufacturing firm, single plant. 1,300 employees, 33% Saudi workers
Sugar Mills Co	Sugar Manufacturing firm, single plant 1,011 employees, 57% Saudi workers

Table II: Quota targets for Nitaqat compliance, and performance of case study firms

Company Name	Workforce localisation % required under Nitaqat				Localisation Performance prior to and immediately after Nitaqat	
	Red Category	**Yellow Category**	**Green Category**	**Platinum Category**	**% 2010**	**% 2013**
Pharmacy Co	0-9%	10-14%	15-29%	30% and above	4.0%	30.0%
Fast Food Co	0-4%	5-15%	16-30%	31% and above	6.0%	21.0%
Homes Co	0-9%	10-23%	24-34%	35% and above	14.8%	39.0%

Glass Co	0-7%	8-19%	20-34%	35% and above	17.0%	32.0%
Steel Co	0-7%	8-19%	20-34%	35% and above	33.0%	37.0%
Sugar Mills Co	0-7%	8-19%	20-34%	35% and above	57.0%	53.0%